

CRESUD INC
Form F-3/A
October 03, 2007
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As filed with the Securities and Exchange Commission on October 2, 2007

Registration No. 333-146011

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Pre-Effective Amendment No.1 to FORM F-3 REGISTRATION STATEMENT

Under

The Securities Act of 1933

CRESUD SOCIEDAD ANÓNIMA COMERCIAL, INMOBILIARIA, FINANCIERA Y AGROPECUARIA

(Exact name of Registrant as specified in its charter)

CRESUD INC.

(Translation of the Registrant's name in English)

The Republic of Argentina
(Jurisdiction of incorporation)

Moreno 877, 23rd Floor, (C1091AAQ)

Buenos Aires, Argentina

+54 (11) 4814-7800

Not Applicable
(I.R.S. Employer Identification No.)

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(Address and telephone number of Registrant's principal executive offices)

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Newark, DE 19715

(Name, address and telephone number of agent for service)

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New York, New York 10017

(212) 455-2000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. "

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, or the Securities Act, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

CALCULATION OF REGISTRATION FEE

| Title of each class of securities to be registered | Amount to be registered | Proposed maximum aggregate price per common share | Proposed maximum aggregate offering price | Amount of registration fee |
|---|----------------------------|---|---|-------------------------------|
| Common shares, Ps.1.00 par value per share ⁽¹⁾⁽²⁾⁽³⁾ | 156,000,000 | US\$2.060 | US\$ 321,360,000 | US\$9,865.75 ⁽⁶⁾ |
| Rights to subscribe for common shares (and ADS rights) ⁽⁴⁾ | 156,000,000 | None | None | None |
| Warrants to purchase common shares ⁽⁴⁾ | 156,000,000 | None | None | None |
| Common shares, Ps.1.00 par value per share, issuable upon exercise of warrants ⁽⁵⁾ | 52,000,000 | US\$2.472 | US\$ 128,544,000 | US\$3,946.30 ⁽⁶⁾ |

- (1) Proposed maximum aggregate price per common share calculated, solely for purposes of determining the SEC registration fee, on the basis of the closing price of the Registrant's ADSs on the NASDAQ on September 11, 2007, divided by 10.
- (2) Includes common shares that may be offered and sold in the form of American Depositary Shares to holders of ADS rights. This amount also includes common shares that are to be offered in Argentina and elsewhere outside the United States but may be resold from time to time in the United States during the distribution.
- (3) American Depositary Shares evidenced by American Depositary Receipts issuable upon deposit of common shares registered hereby have been registered under a separate Registration Statement on Form F-6.
- (4) No separate consideration will be received by the Registrant for the rights to subscribe for common shares, the rights to subscribe for ADSs evidencing common shares or the warrants prior to their exercise.
- (5) Proposed maximum aggregate price per common share calculated, solely for purposes of determining the SEC registration fee, on the basis of 120% of the closing price of the Registrant's ADSs on the NASDAQ on September 11, 2007, divided by 10.
- (6) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek to an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated October , 2007

Prospectus

CRESUD SOCIEDAD ANÓNIMA COMERCIAL, INMOBILIARIA,

FINANCIERA Y AGROPECUARIA

Cresud Inc.

Rights to Subscribe for Common Shares, Common Shares in the Form of American Depositary Shares and Warrants

We are offering to our common shareholders rights, or common share rights, to subscribe for new common shares and warrants to acquire additional common shares. Each common share held of record at 6:00 p.m. (Buenos Aires, Argentina time) on , 2007 entitles its holder to one common share right. common share rights will entitle their holder to subscribe for one new common share and to receive free of charge, for each new common share that it purchases pursuant to this offering, one warrant to purchase 0.3334 additional common shares. The subscription price for each new common share will be payable in Argentine pesos in an amount equal to the Argentine peso equivalent of the U.S. dollar subscription price for each new ADS, divided by 10, determined on the basis of the seller's reference exchange rate (*tipo de cambio vendedor*) published by the *Banco de la Nación Argentina* on , 2007.

The Bank of New York, as our depository, will make available to holders of American depositary shares, or ADSs (each of which represents 10 common shares), rights, or ADS rights, to subscribe for new ADSs and warrants to acquire additional common shares. Each ADS held of record at 5:00 p.m. (New York City time) on , 2007 entitles its holder to one ADS right. ADS rights will entitle their holder to subscribe for one new ADS and to receive free of charge, for each new ADS that it purchases pursuant to this offering, 10 warrants each of which will entitle such holder to purchase 0.3334 additional common shares. The subscription price for each new ADS will be payable in U.S. dollars and will be determined by our board of directors on , 2007, which is at least six Argentine business days prior to the closing of the preemptive rights subscription period and reported to the *Comisión Nacional de Valores* and published in the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and PR Newswire on the following day prior to the opening of the stock market in Argentina.

Each warrant will entitle its holder to purchase 0.3334 additional common shares Prior to their expiration on , 2012, the warrants will be exercisable during the six-day period from and including the 17th through the 22nd days of each February, May, September and November (to the extent such dates are business days in New York City and in the City of Buenos Aires), commencing with such period from and including February 17 through February 22, 2008. The warrants will be freely transferable. The exercise price for each warrant will be payable in U.S. dollars and will be determined by our board of directors and published by us on , 2007 in a newspaper of general circulation in Argentina (*La Nación*, *Ámbito Financiero* or both), the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and PR Newswire. We will accept exercises of warrants for whole new common shares only. You must pay the exercise price of the warrants in U.S. dollars. ADS holders wishing to obtain additional ADSs upon exercise of their warrants must deposit common shares acquired under the warrants with The Bank of New York, as our depository, to obtain ADSs in accordance with the terms of the applicable deposit agreement.

Investing in our common shares, ADSs and warrants involves significant risks. See Risk Factors beginning on page 25.

We are offering these preemptive rights to subscribe for newly issued common shares as required under Argentine law and, although not obligated to do so, have elected to register these preemptive rights with the Securities and Exchange Commission in order to extend to our U.S. shareholders and holders of ADSs an equal opportunity to participate in our preemptive rights offering.

The offering of new common shares and warrants by means of rights to holders of common shares will expire at 4:30 p.m. (Buenos Aires, Argentina time) on , 2007. The offering of new ADSs and warrants by means of ADS rights to holders of ADSs will expire at 5:00 p.m. (New York City time) on , 2007.

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Any holder of common share rights or ADS rights may transfer any whole number of common share rights or ADS rights, as the case may be. Common share rights will be eligible to trade on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) from _____, 2007 to _____, 2007. The ADS rights will not be listed on any securities exchange.

Our ADSs are traded on the NASDAQ Global Select Market under the symbol CRESY, and our common shares are traded on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) under the symbol CRES. On September 11, 2007, the closing prices on the NASDAQ Global Select Market per ADS and on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) per common share were US\$20.60 and Ps.6.53, respectively. We will apply to list the warrants on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*).

| | Price to the Public | Proceeds to Company ⁽¹⁾ |
|-------------------------------------|------------------------|---------------------------------------|
| Per new common share ⁽²⁾ | US\$ | US\$ |
| Per new ADS ⁽³⁾ | US\$ | US\$ |
| Warrants ⁽⁴⁾ | US\$ 0.00 | US\$ 0.00 |
| Total offering ⁽⁴⁾ | US\$ | US\$ |

- (1) After payment of transaction expenses by us, currently estimated at approximately US\$ _____.
- (2) Includes _____ common shares expected to be subscribed in Argentina, based on the closing price of US\$20.60 for our ADSs on the NASDAQ on September 11, 2007 divided by 10.
- (3) Includes common shares expected to be subscribed in the form of ADSs, each of which represents 10 common shares, based on the closing price of US\$20.60 for our ADSs on the on the NASDAQ on September 11, 2007.
- (4) No separate consideration will be received by us for the offering of the rights to subscribe for common shares, the rights to subscribe for ADSs evidencing common shares or the warrants prior to their exercise.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

_____, 2007

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No person is authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus and, if given or made, such information or representations must not be relied upon as having been authorized. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy securities other than the securities described in this prospectus, or an offer to sell or the solicitation of an offer to buy any securities in any circumstances in which such offer or solicitation is unlawful. The delivery of this prospectus shall not, under any circumstances, create any implication that there has been no change in our affairs since the date hereof, or that the information contained or incorporated by reference herein or therein is correct as of any time subsequent to the date of such information.

As used in this prospectus, the terms Cresud, we, us and our may refer, depending upon the context, to Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria, to one or more of our consolidated subsidiaries or to all of them taken as a whole, unless we state otherwise or the context indicates otherwise. Our headquarters are located at Moreno 877, 23rd Floor, (C1091AAQ) Buenos Aires, Argentina, our telephone number is +54 (11) 4814-7800, and our website is www.cresud.com.ar.

Incorporation by Reference

We incorporate by reference the documents listed below and any future filings made by us with the SEC under Section 13(a) or 15(d) of the Exchange Act until the transactions contemplated by this prospectus are consummated or this offering is terminated. Any such information incorporated by reference would be an important part of this prospectus. Any such future filings shall be deemed to automatically update and supersede the information contained herein or in documents previously incorporated by reference to the extent not modified or superseded by documents or reports subsequently filed. As of the date of this prospectus, our annual report on Form 20-F (filed under an English translation of our corporate name, Cresud Inc.) for the year ended June 30, 2006 is incorporated herein by reference.

We will provide, without charge, to any person to whom a copy of this prospectus is delivered, upon request, a copy of any or all of the documents incorporated by reference herein (not including the exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents). Requests should be directed to us at our headquarters located at Moreno 877, 23rd floor, (C1091AAQ) Buenos Aires, Argentina.

Each recipient of this prospectus acknowledges that it has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein.

Dealer Prospectus Delivery Obligation

Until _____, 2007, all dealers that effect transactions in these securities in the United States, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Table of Contents**PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION****Cresud**

This prospectus contains our audited consolidated financial statements as of June 30, 2006 and 2007 and for the years ended June 30, 2005, 2006 and 2007. This prospectus also incorporates by reference our Annual Report on Form 20-F for the year ended June 30, 2006. We prepare our consolidated financial statements in Pesos and in conformity with the generally accepted accounting principles in Argentina, as set forth by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (*FACPCE*) and as implemented, adapted, amended, revised and/or supplemented by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* (*CPCECABA*) (collectively Argentine GAAP) and the regulations of the *Comisión Nacional de Valores*, which differ in certain significant respects from generally accepted accounting principles in the United States of America (*U.S. GAAP*). Such differences involve methods of measuring the amounts shown in our consolidated 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 17 to our audited consolidated financial statements contained elsewhere in this prospectus 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 our net income and shareholders' equity.

In order to comply with regulations of the *Comisión Nacional de Valores*, we recognized deferred income tax assets and liabilities on an undiscounted basis. This accounting practice represented a departure from Argentine GAAP for the years ended June 30, 2005 and 2006. However, such departure has not had a material effect on our financial statements. As further discussed below, the CPCECABA issued revised accounting standards. One of these standards required companies to account for deferred income taxes on an undiscounted basis, thus aligning the accounting to that of the *Comisión Nacional de Valores*. Since the *Comisión Nacional de Valores* adopted the CPCECABA standards effective for our fiscal year beginning July 1, 2006, there is no longer a difference on this subject between Argentine GAAP and the *Comisión Nacional de Valores* regulations.

IRSA

As of June 30, 2007, we owned a 25.0% equity interest in IRSA Inversiones y Representaciones Sociedad Anónima (*IRSA*). In compliance with Rule 3-09 of Regulation S-X, also contained in this prospectus are the audited consolidated financial statements of IRSA as of June 30, 2006 and 2007 and for the years ended June 30, 2005, 2006 and 2007. As of June 30, 2007, IRSA had a significant investment in Banco Hipotecario S.A. (*Banco Hipotecario*) that accounted for 7.3% of IRSA's total consolidated assets at such date.

IRSA prepares its consolidated financial statements in Pesos and in conformity with Argentine GAAP and the regulations of the *Comisión Nacional de Valores* which differ in certain significant respects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC. See Note 28 to IRSA's audited consolidated financial statements included elsewhere in this prospectus 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 IRSA's net income and shareholders' equity.

In order to comply with *Comisión Nacional de Valores* regulations, IRSA recognized deferred income tax assets and liabilities on an undiscounted basis. This accounting practice represented a departure from Argentine GAAP for the years ended June 30, 2004 and 2005. However, such departure has not had a material effect on the IRSA's consolidated financial statements. As further discussed below, the CPCECABA issued revised accounting standards. One of these standards required companies to account for deferred income taxes on an undiscounted basis, thus aligning the accounting to that of the *Comisión Nacional de Valores*. Since the *Comisión Nacional de Valores* adopted the CPCECABA standards effective for IRSA's fiscal year beginning July 1, 2006, there is no longer a difference on this subject between Argentine GAAP and the *Comisión Nacional de Valores* regulations.

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Additionally, as discussed above, IRSA's consolidated financial statements reflect accounting for inflation until February 28, 2003. Since Argentine GAAP required companies to discontinue inflation accounting only as of October 1, 2003, the application of the *Comisión Nacional de Valores* resolution represented a departure from Argentine GAAP. 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 IRSA's consolidated financial statements.

As of June 30, 2007, IRSA owned a 11.8 % equity interest in Banco Hipotecario. In compliance with Rule 3-09 of Regulation S-X, also contained in this prospectus are the audited consolidated financial statements of Banco Hipotecario as of June 30, 2006 and 2007 and for the years ended June 30, 2005, 2006 and 2007.

Adoption by the Comisión Nacional de Valores of CPCECABA standards

Effective July 1, 2006, we adopted Technical Resolution No. 22 Agricultural Activities (RT No. 22). RT No. 22 prescribes the accounting treatment, financial statement presentation and disclosures related to agricultural activity. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets. RT No. 22 prescribes, among other things, the accounting treatment for biological assets during the period of growth, degeneration, production, and procreation, and for the initial measurement of agricultural produce at the point of harvest. It requires measurement at fair value less estimated point-of-sale costs from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. RT No. 22 requires that a change in fair value less estimated point-of-sale costs of a biological asset be included in profit or loss for the period in which it arises. RT No. 22 also requires that gains or losses arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs to be included in profit or loss for the period in which it arises. The adoption of RT No. 22 did not have a significant impact in our measurement and recognition of biological transformation. Rather, it changed the format of our income statement. Under RT No. 22 we disclose certain components of our costs as separate line items in the income statement. Adoption of RT No. 22 did not result in any change to our consolidated gross profit for any of the periods presented.

Also, the *Comisión Nacional de Valores* issued General Resolutions 485 and 487 on December 29, 2005 and January 26, 2006, respectively, adopting, with certain modifications, new accounting standards previously issued by the CPCECABA through its Resolution CD 93/2005. These standards were effective for our fiscal year ended June 30, 2007. The most significant changes included in the accounting standards adopted by the *Comisión Nacional de Valores* relate to (i) changes in the impairment test of long-lived assets and (ii) changes to deferred income tax accounting. Under the new standards, the carrying value of a long-lived asset is considered impaired when the expected cash flows from such asset are separately identifiable and less than its carrying value. Expected cash flows are determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. The new standards also provide for the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes when companies prepare price-level restated financial statements. The new accounting standard mandates companies to treat these differences as temporary but allows a one-time accommodation to continue treating those differences as permanent at the time of adoption of the standard. As a result, we elected to continue treating differences as permanent. In addition, the new standards provide for the recognition of deferred income taxes on a non-discounted basis.

General

Certain amounts which appear in this prospectus (including percentage amounts) may not sum due to rounding. Solely for the convenience of the reader, we have translated certain Argentine Peso amounts into U.S. dollars at the exchange rate quoted by the Central Bank for June 30, 2007, which was Ps.3.093 = US\$1.00. We make no representation that the Argentine Peso or U.S. dollar amounts actually represent or could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all. See Exchange Rates and Exchange Controls. Total may not sum due to rounding.

References to fiscal years 2003, 2004, 2005, 2006 and 2007 are to the fiscal years ended June 30 of each such year.

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The summary consolidated income statement data for the years ended June 30, 2003 and 2004 and the summary consolidated balance sheet data as of June 30, 2003, 2004 and 2005 have been derived from our Annual Report on Form 20-F for the year ended June 30, 2006 which is incorporated by reference herein.

Market Data

Market data used throughout this prospectus 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.

Table of Contents**SUMMARY**

The following summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all the information you should consider before investing in our securities. You should read the entire prospectus carefully, including the Risk Factors and Forward-Looking Statements section, and our consolidated financial statements and related notes, before making an investment decision. As used in this prospectus, unless the context otherwise requires, references to Cresud, we, us and our refer to Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria and our consolidated subsidiaries.

Our Company

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

As of June 30, 2007, we owned 17 farms with approximately 449,991 hectares. Approximately 21,704 hectares of the land we own are used for crop production, approximately 84,889 hectares are for beef cattle production, 2,609 hectares are for milk production and approximately 10,961 hectares are leased to third parties for crop and beef cattle production. The remaining 329,828 hectares of land reserve are primarily natural woodlands. In addition, through Agropecuaria Cervera S.A. we have the rights to 162,000 hectares of land for a 35-year period that can be extended for another 29 years. Also, during fiscal year 2007, we leased 25,307 hectares from third parties for crop production and 29,208 hectares for beef cattle production.

During the fiscal years ended June 30, 2005, 2006 and 2007, we had consolidated sales of Ps.78.2 million, Ps.112.3 million and Ps.110.3 million, production income of Ps.67.5 million, Ps.65.4 million and Ps.102.8 million and consolidated net income of Ps.76.8 million, Ps.32.9 million and Ps.49.4 million, respectively. During the three-year period from June 30, 2005 to June 30, 2007, our total consolidated assets increased 44.2% from Ps.743.4 million to Ps.1,071.9 million, and our consolidated net worth increased 57.7% from Ps.523.1 million to Ps.825.0 million.

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

| | 2005 ⁽¹⁾ | June 30, 2006 ⁽¹⁾ | 2007 ⁽¹⁾⁽⁴⁾ |
|----------------------------------|---------------------|---------------------------------|------------------------|
| | (in hectares) | | |
| Crops ⁽²⁾ | 39,831 | 41,283 | 53,579 |
| Beef cattle | 96,380 | 129,946 | 114,097 |
| Milk | 1,776 | 1,698 | 2,609 |
| Natural woodlands ⁽³⁾ | 263,177 | 258,477 | 325,728 |
| Owned farmlands leased to others | 9,978 | 14,229 | 13,771 |
| Total | 411,142 | 445,633 | 509,784 |

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

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

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

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

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We are also indirectly engaged in the Argentine real estate business through our holding of approximately 25.0% of the common shares of IRSA, one of Argentina's largest real estate companies. IRSA is engaged in a range of diversified real estate activities including residential properties, office buildings, shopping centers and luxury hotels in Argentina. A majority of our directors are also directors of IRSA, and we are under common control by the same group of controlling shareholders. We own convertible notes issued by IRSA and warrants to acquire shares of its common stock which entitle us to increase our shareholding in IRSA up to approximately 34.3% of its share capital (assuming conversion of all convertible notes and exercise of all warrants by all other holders). As of June 30, 2007, our investment in IRSA (including its convertible notes) represented approximately 35.7% of our total consolidated assets, and during the fiscal year ended on June 30, 2007, our gain from our investment in IRSA was Ps.33.1 million.

In March 2006, we, together with certain Brazilian partners, founded BrasilAgro, a startup company organized to exploit opportunities in the Brazilian agricultural sector. In April 2006, BrasilAgro increased its capital through a global and domestic offering of common shares, and as of June 30, 2007, we owned 7.4% of the outstanding common shares of BrasilAgro. As of June 30, 2007, our investment in BrasilAgro represented approximately 6.4% of our total consolidated assets.

Our Strategy

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

Focus on maximizing value of our agricultural real estate assets

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

Acquiring under-utilized properties and enhancing their land use: We seek to purchase under-utilized properties at attractive prices and transform them to achieve more productive uses. We seek to do so by (i) transforming non-productive land into cattle feeding land, (ii) transforming cattle feeding land into land suitable for more productive agricultural uses or (iii) enhancing the value of agricultural lands by changing their use to more profitable agricultural activities. To do so, we generally focus on acquisitions of properties outside of highly developed agricultural regions and/or properties whose value we believe is likely to be enhanced by proximity to existing or expected infrastructure.

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

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

International expansion. Although most of our properties are located in different areas of Argentina, we are actively analyzing various expansion opportunities in other Latin American countries. We believe that

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an attractive opportunity exists to acquire and develop agricultural properties outside Argentina, and our objective is to replicate our business model in such other countries which include, among others, Brazil, Bolivia, Paraguay and Uruguay. For example, in 2006 we and several Brazilian partners founded BrasilAgro, a startup company organized to exploit opportunities in the Brazilian agricultural sector. As of June 30, 2007, Brasilagro had acquired and committed purchases for over 80,000 hectares of land.

Increase and optimize production yields

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

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

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

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

In connection with our milk production, we plan to continue developing our activities through the use of state-of-the-art technology and advanced feeding and techniques relating to animal health. For example, we have recently opened one of the most modern dairy production facilities in Argentina, achieving a daily production capacity of more than 40,000 litres.

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

- Ø Increasing our owned land in various regions of Argentina by taking advantage of attractive land purchase opportunities as they arise.
- Ø Leasing productive properties to supplement our expansion strategy, using our liquidity to make productive investments in our principal agricultural activities. We believe that leasing enhances our ability to diversify our production and geographic focus, in particular in areas not offering attractive prospects for appreciation of land value.
- Ø Developing productive properties in areas where agricultural production is not developed to its full potential. As of June 30, 2007, we owned land reserves in excess of 329,828 hectares, which is located in under-utilized areas where agricultural production is not yet fully developed. We believe that technological tools are available to improve the productivity of such land and enhance its long-term value. However, existing or future environmental regulations may prevent us from completely developing our land reserves, requiring us to maintain a portion of such land as unproductive land reserves.
- Ø Diversifying market and weather risk by expanding our product and land portfolio. We seek to continue diversifying our operations to produce a range of different agricultural commodities in different markets, either directly or in association with third parties. We

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believe that a diversified product mix mitigates our exposure to seasonality, commodity price fluctuations, extreme weather conditions and other factors affecting the agricultural sector. To achieve this objective in Argentina, we expect to continue to own and lease farmlands in various regions with differing weather patterns and to continue to seed a range of diversified

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products. Moreover, we believe that continuing to expand our agricultural operations outside of Argentina will enhance our ability to produce new agricultural products, further diversifying our mix of products, and mitigate further our exposure to regional weather conditions and country-specific risks.

Preservation of long-term value of our investment in IRSA

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

Our headquarters are located at Moreno 877, 23rd floor, (C1091AAQ) Buenos Aires, Argentina. Our telephone number is +54 (11) 4814-7800, and our website is www.cresud.com.ar.

Table of Contents**THE OFFERING**

This summary highlights certain information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before deciding to purchase our securities. We urge you to read the entire prospectus carefully, including the Risk Factors and Forward-Looking Statements sections, along with our consolidated financial statements and the related notes.

Offering of Common Share Rights and ADS Rights

The Offering Each common share held of record as of 6:00 p.m. (Buenos Aires, Argentina time) on _____, 2007 (as reflected on our share register with *Caja de Valores S.A.*, or *Caja de Valores*) entitles its holder to one common share right. _____ common share rights will entitle their holder to subscribe for one new common share and to receive, free of charge, for each new common share that it purchases pursuant to this offering, one warrant to purchase 0.3334 additional common shares.

Each ADS held of record as of 5:00 p.m. (New York City time) on _____, 2007 (as reflected in the depository's books and records) entitles its holder to one ADS right. _____ ADS right will entitle their holder to subscribe for one new ADS and to receive, free of charge, for each new ADS that it purchases pursuant to this offering, 10 warrants, each of which will entitle such holder to 0.3334 additional common shares.

Purchases by holders of rights From _____, 2007 through _____, 2007, which is three business days preceding the beginning of the subscription period referred to below, we will publish a notice in the *Official Gazette* of Argentina, a newspaper of general circulation in Argentina (*La Nación*, *Ámbito Financiero*, or both) and PR Newswire, announcing the statutory preemptive right of each existing holder of common shares or ADSs to subscribe one new common share for every _____ common shares held of record, or one new ADSs for every _____ ADSs held of record, as the case may be.

Subscription period for the common share rights and ADS rights Ten calendar days, from _____, 2007 through 4:30 p.m. (Buenos Aires, Argentina time) in the case of the common share rights and through 5:00 p.m. (New York City time) in the case of the ADS rights on _____, 2007.

To exercise common share rights, you must deliver to our common shares rights agent, a properly completed subscription form accompanied by a certificate of ownership issued by the *Caja de Valores* or evidence of assignment of the common share rights in your favor by 4:30 p.m. (Buenos Aires, Argentina time) on _____, 2007, or your common share rights will lapse and will have no further value. Deposit in the mail will not constitute delivery to us.

To exercise ADS rights, you must deliver to the ADS rights agent a properly completed ADS rights certificate by 5:00 p.m. New York City time on _____, 2007, or your ADS rights will lapse and you will have no rights other than the right to receive the net proceeds, if any (after deducting all applicable taxes and any fees and expenses of the depository and ADS rights agent), from the sale of such unexercised ADS rights. Deposit in the mail will not constitute delivery to the ADS rights agent.

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The exercise of common share rights and ADS rights is irrevocable and may not be canceled or modified.

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Accretion rights

Concurrently with the exercise of their preemptive rights, holders of common shares may exercise their statutory accretion rights with respect to common shares not subscribed for by other holders of common shares in the exercise of their respective preemptive rights, by indicating the maximum amount of accretion rights which they intend to exercise, which shall not exceed the common shares subscribed by such holder in the exercise of its preemptive rights. Common shares relating to such accretion rights will be allocated to each exercising holder of common shares in proportion to the number of common shares purchased pursuant to its exercise of preemptive rights.

Concurrently with the exercise of their preemptive rights, ADS holders that subscribe for new ADSs pursuant to preemptive rights may indicate on their subscription forms a number of additional ADSs for which they would be willing to subscribe pursuant to accretion rights. If accretion rights are allocated to the depositary, the ADS rights agent will allocate additional ADSs to ADS holders that requested them. If the amount of additional ADSs available pursuant to accretion rights are insufficient to satisfy all requests, the ADS rights agent will allocate the available additional ADSs ratably among requesting ADS holders in proportion to the number of additional ADSs they requested.

On _____, 2007, which is one business day after the end of the subscription period, we will notify holders of our common shares and ADS holders who have indicated that they wish to exercise their accretion rights of the aggregate number of unsubscribed common shares and ADSs, as applicable, by publication of a notice in the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), a newspaper of general circulation in Argentina (*La Nación*, *Ámbito Financiero* or both) and PR Newswire. Based on this notice, we will allocate unsubscribed common shares to holders of common shares and ADSs to ADS holders, as applicable, in accordance with their accretion rights.

Results of the offering

On _____, 2007, which is the third Argentine business day after the end of the subscription period, we will notify holders of our common shares and ADS holders by publication of a notice in the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), a newspaper of general circulation in Argentina (*La Nación*, *Ámbito Financiero* or both) and PR Newswire of the final results of the offering for common share rights and ADS rights.

Reference price

On _____, 2007, which is the fifth Argentine business day before the preemptive rights subscription period begins, we will publish in the *Official Gazette* of Argentina, a newspaper of general circulation in Argentina (*La Nación*, *Ámbito Financiero* or both), and PR Newswire an initial reference price for the new common shares and new ADSs to be determined by our board of directors within the range determined by our shareholders at the shareholders' meeting held on _____, 2007.

Subscriptions for new common shares and new ADSs pursuant to the exercise of preemptive and accretion rights during the period in which the reference price is calculated and established will be binding even though the definitive subscription price will not have been established at the time of such exercise and the definitive subscription price subsequently determined may differ from, and therefore may be higher than, the reference price.

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| | |
|---|---|
| Subscription price | <p>The subscription price for the preemptive and accretion rights will be established by our board of directors on _____, 2007 which is at least six Argentine business days prior to closing of the preemptive rights subscription period, reported to the <i>Comisión Nacional de Valores</i>, and published in the bulletin of the Buenos Aires Stock Exchange (<i>Bolsa de Comercio de Buenos Aires</i>) and PR Newswire on the following day prior to the opening of the stock market in Argentina.</p> <p>The subscription price for each new common share will be payable to the common share rights agent in Argentine pesos in an amount equal to the Argentine peso equivalent (determined on the basis of the seller's reference exchange rate (<i>tipo de cambio vendedor</i>) published by <i>Banco de la Nación Argentina</i> on _____, 2007) of the U.S. dollar-denominated subscription price for each new ADS, divided by 10.</p> <p>The subscription price for each new ADS will be denominated in U.S. dollars holders of ADS rights subscribing for new ADSs must pay to the ADS rights agent the subscription price payable in U.S. dollars <i>plus</i> an amount sufficient to cover the fee of the depository of US\$0.05 per new ADS.</p> |
| Payment for exercise of preemptive rights | <p>The new common shares and new ADSs subscribed pursuant to the preemptive rights must be paid in cash or by wire transfer to the common share rights agent or the ADS rights agent, as the case may be, no later than _____ p.m. on _____, 2007 which is the first business day in both Buenos Aires and New York City after the end of the subscription period.</p> |
| Payment for exercise of accretion rights | <p>The new common shares and new ADSs subscribed pursuant to the accretion rights must be paid in cash or by wire transfer to the common share rights agent or the ADS rights agent, as the case may be, no later than _____ p.m. on _____, 2007 which is the second business day in both Buenos Aires and New York City after the end of the subscription period.</p> |
| Fractional common shares and ADSs | <p>We will accept subscriptions for whole new common shares and new ADSs only and will round down any subscription submitted for fractional new common shares and fractional new ADSs to the nearest whole number of new common shares and new ADS, as applicable.</p> |
| Sale of unsubscribed ADSs and common shares | <p>After expiration of the subscription periods, we may sell any unsubscribed common shares and ADSs to third parties at such times and on such terms as our board of directors may determine.</p> |
| Issuance and delivery of new common shares and new ADSs | <p>The new common shares and warrants and new ADSs and warrants acquired pursuant to the preemptive rights will be issued and made available on the next Argentine and U.S. business day following the expiration of the subscription period.</p> <p>The new common shares and new ADSs acquired pursuant to the accretion rights will be issued and made available on the second Argentine business day following the expiration of the subscription period.</p> |

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We will register new common shares issued upon exercise of common share rights and related warrants in our share register as soon as practicable after our receipt of payment with respect to such exercise. Certificates representing the new common shares will be issued upon request.

ADRs evidencing new ADSs, and the related warrants, will be made available to subscribing ADS holders promptly upon receipt by the depository (or its agents) of the new common shares subscribed for.

Transferability

Any holder of common share rights may transfer its common share rights. Common share rights will be eligible to trade on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) from _____, 2007 to _____, 2007 but will not be eligible to trade on any securities exchange in the United States.

Any holder of ADS rights may transfer its ADS rights, but ADS rights will not be listed on any securities exchange.

The Bank of New York will act as the ADS rights agent and may, to the extent consistent with applicable law, assign or otherwise transfer (with or without consideration) unexercised ADS rights to us or to third parties.

No exchanges of common share rights or ADS rights

You may not surrender common share rights or ADS rights for the purpose of withdrawing rights to subscribe common shares or ADS, as applicable.

Listing of common shares

The common shares are listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) under the symbol CRES.

Listing of ADSs

The ADSs are listed on the NASDAQ Global Select Market under the symbol CRESY.

ADS rights agent

The Bank of New York

Common shares agent

Depository

The Bank of New York

The Warrants

Maximum number of warrants

We will issue up to a maximum of _____ warrants, assuming all of the common shares and ADS available for purchase in this rights offering are purchased.

We will issue, free of charge:

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One warrant to each holder of our common shares for each new common share it purchases in the common shares rights offering; and

10 warrants to each ADS holder for each new ADS it purchases in the ADS rights offering.

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Exercise of the warrants

To exercise the warrants, you must deliver to us a properly completed purchase form, accompanied by a certificate of ownership, if any, and full payment of the exercise price by 5:00 p.m. (New York City time) on the dates specified below under this caption.

Upon exercise, each warrant will entitle the holder thereof to purchase 0.3334 of our common shares. Prior to their expiration, the warrants will be exercisable during the six-day period from and including the 17th through the 22nd days of each February, May, September and November (to the extent that such dates are business days in New York City and in Buenos Aires), commencing with such period from and including February 17 through February 22, 2008.

Unexercised warrants will not entitle their holders to any rights to vote at or attend our shareholders meetings or to receive any dividends in respect of our common shares. The number of our common shares for which, and the price at which, a warrant is exercisable are subject to adjustment upon the occurrence of certain events, as provided in the warrant agreement relating to the warrants.

We will accept exercises of warrants for whole, new common shares only and will round down any warrant exercise submitted for fractional, new common shares to the nearest whole number of new common shares.

Exercise price

Each warrant will entitle its holder to purchase 0.3334 additional common shares for an exercise price that will be payable in U.S. dollars and will be determined by our board of directors and published on _____, 2007 in a newspaper of general publication in Argentina (*La Nación* or *Ámbito Financiero* or both), the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and PR Newswire. As a result, three warrants must be exercised to purchase each common share.

If as of the payment date of the warrant exercise price payment in U.S. dollars is legally prevented in Argentina, holders of warrants will be entitled to pay the exercise price in Argentine pesos in an amount equal to the Argentine peso equivalent of the U.S. dollar exercise price of the warrants determined on the basis of the seller's reference exchange rate (*tipo de cambio vendedor*) published by *Banco de la Nación Argentina*, or if such information is not available, by Bloomberg, for the purchase of Argentine pesos in exchange of U.S. dollars on the business day preceding the payment date of the exercise price of the warrants.

Expiration of warrants

The warrants will expire automatically and become void on _____, 2012.

Transferability

Any holder of warrants may transfer its warrants at any time after the date of issuance. Warrants will be eligible to trade on the Buenos Aires Stock Exchange.

Shelf registration

We have agreed that until the earlier to occur of the exercise or expiration of all the warrants, we will keep a registration statement current with respect to the issuance of our common shares from time to time upon exercise of the warrants.

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Listing

Application will be made to list the warrants on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*).

Warrant agent

The Bank of New York and .

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General

Use of proceeds

We currently expect the net proceeds from our rights offering to be approximately US\$ million after payment of estimated expenses (assuming all of the common shares and ADSs available for purchase in this rights offering will be purchased, and that none of the warrants will be immediately exercised upon consummation of this offering). We intend to use the proceeds of the offering as follows:

Approximately two thirds of the net proceeds for investments in agricultural activities in Latin America. We intend to focus primarily on investments in Argentina, Brazil, Uruguay, Paraguay and Bolivia but may invest in other countries to the extent we believe such investments are consistent with our business strategy;

US\$ million for investments in subsidiaries, primarily in IRSA, through capital contributions, repurchase of shares or subscription of preemptive and accretion rights issued in connection with future capital increases of such subsidiaries;

US\$ million to repay the US\$8.0 million loan agreement with Credit Suisse, dated May 2, 2006, which accrues interest at a rate per annum equal to three-month LIBOR plus 375 basis points and is scheduled to mature in November 2008; and

US\$ million in working capital and for other general corporate purposes.

Outstanding common shares immediately before and after the preemptive rights offering

Immediately prior to this preemptive rights offering, our outstanding capital stock consists of approximately common shares. Immediately after this preemptive rights offering, a total of common shares are expected to be outstanding (assuming all of the common shares and ADSs available for purchase in this rights offering are purchased, and that none of the warrants are immediately exercised upon consummation of this offering).

Dividends

Under Argentine law, the declaration, payment and amount of dividends on the common shares are subject to the approval of the our shareholders and to certain requirements of Argentine law. Pursuant to the deposit agreement, holders of ADSs will be entitled to received dividends, if any, declared on the common shares represented by such ADSs to the same extent as the holders of the common shares. Cash dividends will be paid in Pesos and will be converted by the depositary into U.S. dollars at the prevailing exchange rate on the date of conversion and paid to the holders of ADSs net of any dividend distribution fees, currency conversion expenses taxes or governmental charges. See Dividends and Dividend Policy, Description of Capital Stock and Description of American Depositary Receipts.

Voting Rights

Holders of our common shares are entitled to one vote for each common share at any of our shareholders meeting. See Description of Capital Stock . Pursuant to the deposit agreement and subject to Argentine Law and our bylaws, holders of ADSs are entitled to instruct the depositary to vote or cause to be voted the member of common shares represented by such ADSs. See Description of American Depositary Receipts.

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Principal shareholders

IFISA, our largest shareholder and a company of which our director, Eduardo Elsztain, is the largest beneficial owner, has indicated to us that it intends to exercise all of its statutory preemptive rights and possibly some of its accretion rights in connection with this offering.

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Information

Any questions or requests for assistance may be directed to:

The Bank of New York, as ADS rights agent, at 101 Barclay Street, New York, New York 10281, or by calling 1-800-507-9357, in the case of holders of ADSs, or

our common shares rights agent, at _____, Buenos Aires, Argentina, or by calling +54 (11) collect, in the case of holders of our common shares, or

Cresud Sociedad Anónima Comercial Inmobiliaria, Financiera y Agropecuaria, Moreno 877, 23rd Floor, (C1091AAQ) Buenos Aires, Argentina, or by calling +54 (11) 4814-7800 collect.

For additional information concerning the common shares and ADSs, see Description of Capital Stock, Description of American Depositary Receipts and Description of Warrants.

Risk factors

See Risk Factors for a discussion of certain significant risks you should consider before making an investment decision.

Timetable for the Offering

Common share record date 6:00 pm (Buenos Aires time) _____, 2007

Commencement date of common share rights offering _____, 2007

Trading of common share rights expected to commence on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) _____, 2007

ADS record date 5:00 pm (New York City time) _____, 2007

Commencement date of ADS rights offering _____, 2007

Common share rights expiration date 4:30 pm (Buenos Aires time) _____, 2007

ADS rights expiration date 5:00 pm (New York City time) _____, 2007

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The following summary 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 Cresud's Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. The summary consolidated statement of income data for the years ended June 30, 2005, 2006 and 2007 and the summary consolidated balance sheet data as of June 30, 2006 and 2007 have been derived from our consolidated financial statements included in this prospectus. The summary consolidated income statement data for the years ended June 30, 2003 and 2004 and the summary consolidated balance sheet data as of June 30, 2003, 2004 and 2005 have been derived from our Annual Report on Form 20-F for the year ended June 30, 2006 which is incorporated by reference herein.

Effective July 1, 2006, we adopted Technical Resolution No. 22 Agricultural Activities (RT No. 22). RT No. 22 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activity. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets. RT No. 22 prescribes, among other things, the accounting treatment for biological assets during the period of growth, degeneration, production, and procreation, and for the initial measurement of agricultural produce at the point of harvest. It requires measurement at fair value less estimated point-of-sale costs from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. RT No. 22 requires that a change in fair value less estimated point-of-sale costs of a biological asset be included in profit or loss for the period in which it arises. RT No. 22 also requires that gains or losses arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs to be included in profit or loss for the period in which it arises. The adoption of RT No. 22 did not have a significant impact in our measurement and recognition of biological transformation. Rather, it changed the format of our income statement. Under RT No. 22 we disclose certain components of our costs as separate line items in the income statement. Adoption of RT No. 22 did not result in any change to our consolidated gross profit for any of the periods presented.

In order to comply with regulations of the *Comisión Nacional de Valores*, we recognized deferred income tax assets and liabilities on an undiscounted basis. This accounting practice represented a departure from Argentine GAAP for the years ended June 30, 2006 and 2005. However, such a departure has not had a material effect on the consolidated financial statements as of those dates. As further discussed below, the CPCECABA issued revised accounting standards. One of these standards required companies to account for deferred income taxes on an undiscounted basis, thus aligning the accounting to that of the *Comisión Nacional de Valores*. Since the *Comisión Nacional de Valores* adopted the CPCECABA standards effective for our fiscal year beginning July 1, 2006, there is no longer a difference on this subject between Argentine GAAP and the *Comisión Nacional de Valores* regulations.

Additionally, after considerable inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government 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 1.1232. Since Argentine GAAP required companies to discontinue inflation adjustments only as from October 1, 2003, the application of the *Comisión Nacional de Valores* resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March to September 2003, such a departure has not had a material effect on our consolidated financial statements.

As of June 30, 2007 we owned a 25.0% equity interest in IRSA. In compliance with Rule 3-09 of Regulation S-X, also contained in this prospectus are the audited consolidated financial statements of IRSA as of June 30, 2006 and 2007 and for the years ended June 30, 2005, 2006 and 2007. As of June 30, 2007, IRSA had a significant investment in Banco Hipotecario that accounted for 7.3% of IRSA's total consolidated assets at such date.

Table of Contents**Summary Consolidated Financial and Other Information for Cresud**

| | 2003 ⁽¹⁾ | 2004 | As of the year ended June 30 | | 2007 | 2007 ⁽²⁾ |
|---|---------------------|---------------------|------------------------------|---------------------|---------------------|---------------------|
| | (Ps.) | (Ps.) | 2005 | 2006 | (Ps.) | (US\$) |
| | | | (Ps.) | (Ps.) | | |
| INCOME STATEMENT DATA | | | | | | |
| <i>Argentine GAAP</i> | | | | | | |
| Production income: | | | | | | |
| Crops | 24,883,609 | 24,369,232 | 44,052,970 | 37,005,907 | 72,426,012 | 23,416,105 |
| Beef cattle | 16,584,204 | 20,637,512 | 19,993,923 | 20,452,655 | 19,462,410 | 6,292,405 |
| Milk | 2,414,992 | 3,191,948 | 3,463,144 | 7,892,462 | 10,911,397 | 3,527,771 |
| Total production income | 43,882,805 | 48,198,692 | 67,510,037 | 65,351,024 | 102,799,819 | 33,236,281 |
| Cost of production: | | | | | | |
| Crops | (18,770,450) | (17,616,790) | (34,463,844) | (35,799,706) | (52,401,684) | (16,942,025) |
| Beef cattle | (8,813,155) | (15,112,209) | (17,012,337) | (18,780,372) | (15,050,438) | (4,865,968) |
| Milk | (1,483,172) | (1,307,962) | (2,094,975) | (5,845,360) | (8,476,391) | (2,740,508) |
| Total cost of production | (29,066,777) | (34,036,961) | (53,571,156) | (60,425,438) | (75,928,513) | (24,548,501) |
| Gross income from production | 14,816,028 | 14,161,731 | 13,938,881 | 4,925,586 | 26,871,306 | 8,687,780 |
| Sales: | | | | | | |
| Crops | 50,167,010 | 26,838,376 | 30,893,216 | 61,659,566 | 53,401,376 | 17,265,236 |
| Beef cattle | 20,566,175 | 27,723,604 | 36,826,885 | 33,713,479 | 31,966,582 | 10,335,138 |
| Milk | 2,414,992 | 3,191,948 | 3,463,144 | 7,892,462 | 9,730,929 | 3,146,113 |
| Feed lot | 4,453,320 | 7,120,335 | 2,129,838 | 2,721,377 | 3,102,229 | 1,002,984 |
| Other | 1,985,004 | 4,778,545 | 4,859,931 | 6,353,777 | 12,116,372 | 3,917,353 |
| Total sales | 79,586,501 | 69,652,808 | 78,173,014 | 112,340,661 | 110,317,488 | 35,666,824 |
| Cost of sales: | | | | | | |
| Crops | (47,129,107) | (23,941,415) | (30,460,110) | (53,286,035) | (50,434,966) | (16,306,163) |
| Beef cattle | (19,450,110) | (26,478,681) | (35,810,780) | (32,993,523) | (30,272,710) | (9,787,491) |
| Milk | (2,414,992) | (3,191,948) | (3,463,144) | (7,892,462) | (9,730,929) | (3,146,113) |
| Feed lot | (4,193,288) | (6,185,771) | (1,855,278) | (2,318,102) | (2,823,865) | (912,986) |
| Other | (1,387,411) | (1,196,060) | (1,546,204) | (2,093,332) | (5,870,058) | (1,897,853) |
| Total cost of sales | (74,574,908) | (60,993,875) | (73,135,516) | (98,583,454) | (99,132,528) | (32,050,606) |
| Gross income from sales | 5,011,593 | 8,658,933 | 5,037,498 | 13,757,207 | 11,184,960 | 3,616,218 |
| Gross profit | 19,827,621 | 22,820,664 | 18,976,379 | 18,682,793 | 38,056,266 | 12,303,998 |
| Selling expenses | (6,115,048) | (5,740,115) | (6,599,566) | (10,151,452) | (9,971,891) | (3,224,019) |
| Administrative expenses | (4,567,091) | (4,957,250) | (7,271,279) | (11,560,307) | (16,628,088) | (5,376,039) |
| Net gain on sale of farms | 4,869,484 | 1,668,751 | 19,987,989 | 9,897,186 | 22,255,710 | 7,195,509 |
| Unrealized gain on inventories: | | | | | | |
| Beef cattle | 12,402,776 | 2,236,255 | 11,620,779 | 2,847,711 | 5,102,943 | 1,649,836 |
| Crops | 1,590,397 | 1,783,574 | (456,710) | 1,391,209 | (805,910) | (260,559) |
| Operating income | 28,008,139 | 17,811,879 | 36,257,592 | 11,107,140 | 38,009,030 | 12,288,726 |
| Financial results, net | (11,065,223) | (18,969) | 63,751,386 | 12,373,958 | (10,457,994) | (3,381,181) |
| Gain on equity investees | 67,706,143 | 26,669,884 | 28,087,632 | 22,140,997 | 40,198,825 | 12,996,710 |
| Other expense, net | (2,091,884) | (363,761) | (5,065,386) | (3,367,594) | (4,250,800) | (1,374,329) |
| Management fee | (7,224,996) | (3,567,003) | (8,533,213) | (3,836,470) | (5,484,697) | (1,773,261) |
| Income before income tax and minority interest | 75,332,179 | 40,532,030 | 114,498,011 | 38,418,031 | 58,014,364 | 18,756,665 |

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| | | | | | | |
|--------------------|--------------|-------------|--------------|-------------|-------------|-------------|
| Income tax expense | (10,531,263) | (8,570,269) | (37,787,594) | (5,431,831) | (8,375,095) | (2,707,758) |
| Minority interest | 224,045 | 141,261 | 88,501 | (102,924) | (277,000) | (89,557) |
| Net income | 65,024,961 | 32,103,022 | 76,798,918 | 32,883,276 | 49,362,269 | 15,959,350 |

U.S. GAAP

| | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Total sales | 71,878,218 | 62,179,287 | 75,582,982 | 105,371,504 | 104,493,979 | 33,784,022 |
| Total cost of sales | (50,578,787) | (40,330,843) | (52,000,895) | (83,441,671) | (62,333,457) | (20,153,074) |
| Gross profit | 21,299,431 | 21,848,444 | 23,582,087 | 21,929,833 | 42,160,522 | 13,630,948 |
| Administrative expenses | (9,025,339) | (4,561,060) | (16,466,503) | (14,298,716) | (21,878,033) | (7,073,402) |
| Operating income | 6,159,044 | 11,547,269 | 516,018 | (2,520,335) | 10,346,605 | 3,345,168 |
| Financial results, net | (27,336,810) | (8,998,813) | 54,964,547 | 2,017,841 | (18,181,646) | (5,878,321) |
| Gain on equity investees | 67,342,113 | 3,455,098 | 47,201,959 | 21,758,975 | 40,562,309 | 13,114,229 |
| Income before income tax and minority interest | 48,941,947 | 7,197,759 | 117,631,326 | 27,864,275 | 50,856,515 | 16,442,456 |
| Income tax expense | (2,646,951) | (3,945,940) | (31,025,373) | (272,575) | (1,244,203) | (402,264) |
| Minority interest | 83,008 | 35,483 | 88,501 | (102,924) | (277,000) | (89,557) |
| Net income | 46,378,004 | 3,287,302 | 86,694,454 | 27,488,776 | 49,335,312 | 15,950,635 |

BALANCE SHEET DATA

Argentine GAAP

Current assets:

| | | | | | | |
|----------------------------------|------------|------------|------------|------------|------------|------------|
| Cash and banks and investments | 23,363,232 | 14,624,161 | 74,446,153 | 32,221,149 | 86,772,082 | 28,054,342 |
| Inventories | 23,305,421 | 35,441,885 | 46,293,640 | 28,932,135 | 52,460,289 | 16,960,973 |
| Trade and other receivables, net | 13,639,837 | 24,221,264 | 32,002,331 | 33,829,580 | 77,542,466 | 25,070,309 |

Non-current assets:

| | | | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Other receivables | 672,817 | 101,758 | 6,480,334 | 36,005,292 | 43,236,560 | 13,978,843 |
| Inventories | 37,796,987 | 44,740,030 | 53,223,179 | 62,712,423 | 68,345,438 | 22,096,812 |
| Investments | 338,604,025 | 393,382,176 | 394,899,782 | 505,423,985 | 541,328,760 | 175,017,381 |
| Negative goodwill, net | (19,347,598) | (25,869,346) | (30,430,822) | (76,825,838) | (67,306,386) | (21,760,875) |
| Property and equipment, net | 150,932,466 | 160,026,473 | 166,497,596 | 224,775,512 | 245,919,561 | 79,508,426 |
| Intangible assets, net | 369,637 | | | 23,581,646 | 23,581,646 | 7,624,199 |

| | | | | | | |
|--------------|-------------|-------------|-------------|-------------|---------------|-------------|
| Total assets | 569,336,824 | 646,668,401 | 743,412,193 | 870,655,884 | 1,071,880,416 | 346,550,410 |
|--------------|-------------|-------------|-------------|-------------|---------------|-------------|

Current liabilities:

| | | | | | | |
|------------------------|-----------|------------|------------|------------|-------------|------------|
| Trade accounts payable | 8,002,449 | 10,840,177 | 17,894,529 | 26,438,528 | 30,935,851 | 10,001,892 |
| Short-term debt | 1,425,499 | 8,090,261 | 11,499,782 | 66,421,573 | 122,749,734 | 39,686,303 |

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| | As of the year ended June 30 | | | | | |
|---|------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| | 2003 ⁽¹⁾ | 2004 | 2005 | 2006 | 2007 | 2007 ⁽²⁾ |
| | (Ps.) | (Ps.) | (Ps.) | (Ps.) | (Ps.) | (US\$) |
| Other liabilities, taxes, charges, salaries and social security payable | 7,158,058 | 10,370,898 | 36,585,829 | 9,048,990 | 14,006,121 | 4,528,329 |
| <i>Non-current liabilities:</i> | | | | | | |
| Long-term debt | 137,995,607 | 125,920,201 | 114,798,751 | 99,550,449 | 27,085,386 | 8,756,995 |
| Taxes payable | 22,749,374 | 26,213,217 | 39,285,385 | 42,770,882 | 51,312,237 | 16,589,795 |
| Total liabilities | 177,330,987 | 181,434,754 | 220,064,276 | 244,230,422 | 246,089,329 | 79,563,314 |
| Minority interest | 206,712 | 65,451 | 276,947 | 559,871 | 836,872 | 270,570 |
| Shareholders' equity | 391,799,125 | 465,168,196 | 523,070,970 | 625,865,591 | 824,954,215 | 266,716,526 |

U.S. GAAP*Non-current assets:*

| | | | | | | |
|---------------------|--------------------|--------------------|--------------------|--------------------|----------------------|--------------------|
| Inventories | 11,158,969 | 14,371,493 | 16,950,827 | 26,348,869 | 32,297,175 | 10,442,022 |
| Investments | 206,463,936 | 236,526,965 | 289,309,184 | 444,010,858 | 597,100,979 | 193,049,136 |
| Total assets | 423,698,035 | 478,020,170 | 625,764,749 | 843,456,953 | 1,158,910,758 | 374,688,250 |

Non-current liabilities:

| | | | | | | |
|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|
| Long-term debt | 82,925,903 | 76,346,451 | 74,810,412 | 69,708,185 | 4,722,857 | 1,526,950 |
| Taxes payable | 54,668,735 | 53,809,128 | 60,714,471 | 59,020,118 | 60,586,895 | 19,588,392 |
| Total liabilities | 151,247,284 | 155,443,201 | 199,627,882 | 228,821,956 | 233,001,458 | 75,331,865 |
| Shareholders' equity | 272,349,817 | 322,511,158 | 425,859,920 | 614,066,773 | 925,072,428 | 299,085,816 |

CASH FLOW DATA*Argentine GAAP*

| | | | | | | |
|---|---------------|--------------|--------------|---------------|--------------|--------------|
| Net cash provided by (used in) operating activities | 12,435,796 | (280,751) | (10,100,935) | (21,470,041) | (56,140,794) | (18,150,919) |
| Net cash provided by (used in) investing activities | (200,614,009) | (25,089,388) | 62,734,033 | (110,865,934) | (866,877) | (280,271) |
| Net cash provided by (used in) financing activities | 165,644,376 | 16,670,247 | 1,691,457 | 92,250,539 | 115,813,757 | 37,443,827 |

U.S. GAAP⁽⁹⁾

| | | | | | | |
|---|---------------|--------------|-------------|---------------|--------------|--------------|
| Net cash (used in) provided by operating activities | 14,521,304 | (13,156,027) | 54,735,816 | (3,839,611) | (62,359,968) | (20,161,645) |
| Net cash (used in) provided by investing activities | (194,782,124) | (12,983,501) | (1,918,881) | (133,000,622) | 5,295,891 | 1,712,218 |
| Net cash provided by (used in) financing activities | 165,644,376 | 16,670,247 | 1,691,457 | 92,250,539 | 115,813,757 | 37,443,827 |
| Effects of exchange rate changes | (13,656,319) | 1,272,280 | (183,837) | 4,504,528 | 56,406 | 18,237 |
| Effects of inflation accounting | 4,863,453 | | | | | |

OTHER FINANCIAL DATA*Argentine GAAP*

| | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-----------|
| Basic net income per share ⁽³⁾ | 0.54 | 0.23 | 0.49 | 0.19 | 0.20 | 0.06 |
| Diluted net income per share ⁽⁴⁾ | 0.19 | 0.13 | 0.25 | 0.13 | 0.16 | 0.05 |
| Basic net income per ADS ⁽³⁾⁽⁵⁾ | 5.40 | 2.30 | 4.90 | 1.93 | 2.00 | 0.65 |
| Diluted net income per ADS ⁽⁴⁾⁽⁵⁾ | 1.90 | 1.30 | 2.50 | 1.32 | 1.60 | 0.52 |
| Weighted average number of common shares outstanding | 121,388,429 | 137,137,783 | 155,343,629 | 170,681,455 | 247,149,373 | |
| Weighted average number of common shares outstanding plus assumed conversion ⁽⁶⁾ | 246,526,666 | 321,214,392 | 321,214,392 | 321,214,392 | 321,214,392 | |
| Dividends paid ⁽⁷⁾ | 1.50 | 3.00 | 10.00 | 5.50 | | |
| Dividends per share | 0.012 | 0.020 | 0.059 | 0.024 | | |
| Dividends per ADS ⁽⁵⁾ | 0.12 | 0.20 | 0.59 | 0.24 | | |
| Depreciation and amortization | 3,825,546 | 3,937,141 | 4,169,139 | 5,112,088 | 4,333,122 | 1,400,945 |

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| | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-----------|
| Capital expenditures ⁽⁸⁾ | 31,129,070 | 15,189,386 | 25,959,614 | 55,770,620 | 29,326,622 | 9,481,611 |
| Gross margin ⁽¹⁰⁾ | 16.1% | 19.4% | 13.0% | 10.5% | 17.9% | 17.9% |
| Operating margin ⁽¹¹⁾ | 22.7% | 15.1% | 24.9% | 6.3% | 17.8% | 17.8% |
| Net margin ⁽¹²⁾ | 52.7% | 27.2% | 52.7% | 18.5% | 23.2% | 23.2% |
| Ratio of current assets to current liabilities | 3.64 | 2.54 | 2.31 | 0.93 | 1.29 | 0.42 |
| Ratio of shareholders equity to total liabilities | 2.21 | 2.56 | 2.38 | 2.56 | 3.35 | 1.08 |
| Ratio of non current assets to total assets | 0.89 | 0.89 | 0.79 | 0.89 | 0.80 | 0.26 |
| U.S. GAAP | | | | | | |
| Basic net income per share ⁽³⁾ | 0.38 | 0.02 | 0.56 | 0.16 | 0.20 | 0.06 |
| Diluted net income per share ⁽⁴⁾ | 0.19 | 0.02 | 0.34 | 0.15 | 0.18 | 0.06 |
| Basic net income per ADS ⁽³⁾⁽⁵⁾ | 3.80 | 0.24 | 5.58 | 1.61 | 2.00 | 0.65 |
| Diluted net income per ADS ⁽⁴⁾⁽⁵⁾ | 1.90 | 0.24 | 3.38 | 1.54 | 1.80 | 0.58 |
| Weighted average number of common shares outstanding | 121,388,429 | 137,137,783 | 155,343,629 | 170,681,455 | 247,149,373 | |
| Weighted average number of common shares outstanding plus assumed conversion ⁽⁶⁾ | 194,235,230 | 137,137,783 | 283,140,627 | 282,836,274 | 308,253,058 | |
| Gross margin ⁽¹⁰⁾ | 29.6% | 35.1% | 31.2% | 20.8% | 40.3% | 40.3% |
| Operating margin ⁽¹¹⁾ | 8.6% | 18.6% | 0.7% | (2.4%) | 9.9% | 9.9% |
| Net margin ⁽¹²⁾ | 64.5% | 5.3% | 114.7% | 26.1% | 47.2% | 47.2% |

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- (1) We have complied with the *Comisión Nacional de Valores* resolution in connection with the discontinuance of inflation accounting and accordingly have recorded the effects of inflation until February 28, 2003. We have restated comparative figures until that date. In addition, in fiscal year 2003, as required by Argentine GAAP, we restated the prior year's financial statements to give retroactive effect to new accounting standards adopted in that year, except for certain valuation and disclosure criteria that in accordance with the transition provisions were applied prospectively. See notes 2.d and 3 to our audited consolidated financial statements included elsewhere in this prospectus.
- (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, 2007 which was Ps.3.093 = US\$1.00. 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 and Exchange Controls.
- (3) Basic net income per share is computed by dividing the net income available to common shareholders for the period by the weighted average common shares outstanding during the period.
- (4) Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common shares assuming the total conversion of outstanding notes. See Notes 13 and 17.II.f) to our audited consolidated financial statements included elsewhere in this prospectus for details on the computation of earning per share under Argentine GAAP and U.S. GAAP, respectively.
- (5) Determined by multiplying per share amounts by ten (one ADS equals ten common shares).
- (6) Assuming (i) conversion into common shares of all of our outstanding convertible notes due 2007 and (ii) exercise of all outstanding warrants to purchase our common shares.
- (7) The amount of dividends, if any to be paid in respect of our fiscal year ended June 30, 2007, will be determined by our shareholders at our next shareholders' meeting currently expected to occur in October, 2007.
- (8) Includes the purchase of farms and other property and equipment.
- (9) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of SFAS No. 95 under U.S. GAAP. See Note 17.II.e) to our audited consolidated financial statements included elsewhere in this prospectus for details of the differences in classifications affecting the categories of cash flows.
- (10) Gross profit divided by the sum of production income and sales.
- (11) Operating income divided by the sum of production income and sales.
- (12) Net income divided by the sum of production income and sales.

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Summary Consolidated Financial and Other Information for IRSA

The following table presents IRSA's selected consolidated financial and other information as of and for each of the periods indicated. This data is qualified in its entirety by reference to, and should be read together with IRSA's audited consolidated financial statements and the notes thereto and Cresud's Management's Discussion and Analysis of Financial Condition and Results of Operations. IRSA's Results of Operations included elsewhere in this prospectus. The selected consolidated income statement data for the fiscal years ended June 30, 2005, 2006 and 2007 and the selected consolidated balance sheet data as of June 30, 2006 and 2007 have been derived from IRSA's audited consolidated financial statements as of June 30, 2006 and 2007 and for the three years in the period ended June 30, 2007 included elsewhere in this prospectus.

The selected consolidated income statement data for the year ended June 30, 2004 and the selected consolidated balance sheet data as of June 30, 2005 have been derived from IRSA's consolidated financial statements as of June 30, 2005 and 2006 and for the three years in the period ended June 30, 2006 which are not included in this prospectus. Certain reclassifications have been made to the consolidated financial statements as of June 30, 2005 and 2006 and for the three years in the period ended June 30, 2006, as originally issued, to conform to the consolidated financial statements as of June 30, 2006 and 2007 and for the three years in the period ended June 30, 2007, included elsewhere in this prospectus.

The selected consolidated income statement data for the year ended June 30, 2003 and the selected consolidated balance sheet data as of June 30, 2004 have been derived from IRSA's consolidated financial statements as of June 30, 2004 and 2005 and for the three years in the period ended June 30, 2005 which are not included in this prospectus. We have made certain reclassifications to the consolidated financial statements as of June 30, 2004 and 2005 and for the three years in the period ended June 30, 2005, as originally issued, to conform to the consolidated financial statements as of June 30, 2006 and 2007 and for the three years in the period ended June 30, 2007, included elsewhere in this prospectus.

The selected consolidated balance sheet data as of June 30, 2003 have been derived from IRSA's consolidated financial statements as of June 30, 2003 and 2004 and for the three years in the period ended June 30, 2004 which are not included in this prospectus. The accountants' report on the consolidated financial statements as of June 30, 2003 and 2004 and for the three years in the period ended June 30, 2004, stated that IRSA had a significant investment in Banco Hipotecario, which represented approximately 7.3% of IRSA's total consolidated assets as of June 30, 2004 and further stated that the accountants' report of the consolidated financial statements of Banco Hipotecario (which IRSA accounted for under the equity method of accounting) included an explanatory paragraph describing that the quality of Banco Hipotecario's financial condition and results of operations depended to a significant extent on macroeconomic and political conditions prevailing from time to time in Argentina. Further, the accountants' report described that the political and economic crisis of late 2001 and early 2002 and the Argentine government's actions to address such crisis had a significant adverse effect on Banco Hipotecario's business activity and that Banco Hipotecario was significantly dependent on the Argentine government's ability to perform its obligations to Banco Hipotecario, and to the entire financial and banking system in Argentina, in connection with federal secured loans, federal government securities and on its obligations to approve and deliver government securities under various laws and regulations. The accountants' report stated that these uncertainties could have had an adverse effect in the valuation of the investment in Banco Hipotecario. Certain reclassifications have been made to the consolidated financial statements as of June 30, 2003 and 2004 and for the three years in the period ended June 30, 2004, as originally issued, to conform to the consolidated financial statements as of June 30, 2006 and 2007 and for the three years in the period ended June 30, 2007, included elsewhere in this prospectus.

References to fiscal years 2003, 2004, 2005, 2006 and 2007 are to IRSA's fiscal years ended June 30 of each such year.

IRSA currently owns 11.8% of Banco Hipotecario, Argentina's leading mortgage lender, and this prospectus also contains Banco Hipotecario's consolidated financial statements as of June 30, 2006 and 2007 and for the years ended June 30, 2005, 2006 and 2007.

Banco Hipotecario maintains its financial books and records in pesos and prepares its financial statements in conformity with the Central Bank's policies which prescribe the reporting and disclosure

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requirements for banks and financial institutions in Argentina (Argentine Banking GAAP). These rules differ in certain significant respects from Argentine GAAP. A narrative description of significant differences between Argentine Banking GAAP and Argentine GAAP are set forth in Note 6 to Banco Hipotecario s audited consolidated financial statements included elsewhere in this prospectus. Argentine Banking GAAP and Argentine GAAP also differ in certain significant aspects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in such consolidated financial statements, as well as additional disclosures required by U.S. GAAP and regulations of the SEC. See Note 37 to Banco Hipotecario s audited consolidated financial statements included elsewhere in this prospectus for a description of the principal differences between Argentine Banking GAAP and U.S. GAAP as they relate to Banco Hipotecario, and a reconciliation to U.S. GAAP of Banco Hipotecario s net income and shareholders equity.

Table of Contents**Summary Consolidated Financial and Other Information for IRSA**

| | 2003 | 2004 | Year Ended June 30, | | 2007 | 2007 ⁽¹⁾ |
|---|---------------------------------|-----------|---------------------|-----------|-----------|---------------------|
| | | | 2005 | 2006 | | (US\$ thousands) |
| | (Ps. thousands ⁽²⁾) | | | | | |
| INCOME STATEMENT DATA | | | | | | |
| Argentine GAAP | | | | | | |
| Revenues | | | | | | |
| Development and sale of properties | 46,616 | 30,257 | 32,311 | 103,966 | 75,751 | 24,491 |
| Office and other non-shopping center rental properties | 17,770 | 15,144 | 19,431 | 30,565 | 55,683 | 18,003 |
| Shopping centers | 88,819 | 113,216 | 165,529 | 215,003 | 270,266 | 87,380 |
| Credit card operations | 24,935 | 30,034 | 64,558 | 122,969 | 212,965 | 68,854 |
| Hotel operations | 57,730 | 71,295 | 87,120 | 103,763 | 122,681 | 39,664 |
| Financial operations and others | 625 | 859 | 940 | 1,414 | 1,410 | 456 |
| Total revenues | 236,495 | 260,805 | 369,889 | 577,680 | 738,756 | 238,848 |
| Costs | | | | | | |
| | (154,667) | (147,416) | (168,074) | (243,831) | (311,647) | (100,759) |
| Gross profit (loss) | | | | | | |
| Development and sale of properties | 89 | 4,408 | 14,769 | 49,766 | 17,928 | 5,796 |
| Office and other non-shopping center rental properties | 8,677 | 6,871 | 11,685 | 21,578 | 38,984 | 12,604 |
| Shopping centers | 30,061 | 52,734 | 95,748 | 137,621 | 179,154 | 57,922 |
| Credit card operations | 16,605 | 18,069 | 41,456 | 79,036 | 136,714 | 44,201 |
| Hotel operations | 26,357 | 31,246 | 38,196 | 45,792 | 53,721 | 17,369 |
| Financial operations and others | 39 | 61 | (39) | 56 | 608 | 197 |
| Total gross profit | 81,828 | 113,389 | 201,815 | 333,849 | 427,109 | 138,089 |
| Gain from recognition of inventories at net realizable value | | | 17,317 | 9,063 | 20,737 | 6,704 |
| Selling expenses | (28,555) | (21,988) | (36,826) | (60,105) | (113,709) | (36,763) |
| Administrative expenses | (46,493) | (51,400) | (70,670) | (96,882) | (141,427) | (45,725) |
| Gain on purchasers rescissions of sales | 9 | | | | | |
| Net (loss) income from retained interest in securitized receivables | (4,077) | 261 | 423 | 2,625 | 3,254 | 1,052 |
| Gain from operations and holdings of real estate assets, net | 21,507 | 63,066 | 27,938 | 12,616 | 2,568 | 830 |
| Operating income (loss) | | | | | | |
| Development and sale of properties | 2,262 | 183 | 20,566 | 44,277 | 6,177 | 1,997 |
| Office and other non-shopping center rental properties | 1,688 | 29,685 | 13,220 | 11,862 | 19,626 | 6,345 |
| Shopping centers | 18,709 | 58,771 | 81,638 | 105,583 | 124,832 | 40,360 |
| Credit card operations | (4,616) | 4,490 | 13,546 | 24,836 | 32,636 | 10,552 |
| Hotel operations | 6,176 | 10,138 | 11,066 | 14,552 | 14,653 | 4,737 |
| Financial operations and others | | 61 | (39) | 56 | 608 | 197 |
| Total operating income | 24,219 | 103,328 | 139,997 | 201,166 | 198,532 | 64,188 |
| Amortization of goodwill | (6,631) | (2,904) | (1,663) | (1,080) | (1,472) | (476) |
| (Loss) gain on equity investees | (14,701) | 26,653 | 67,207 | 41,657 | 40,026 | 12,941 |
| Financial results, net | 315,645 | 12,203 | (11,848) | (40,926) | 4,099 | 1,325 |
| Other income (expenses), net | 96 | (12,856) | (14,089) | (18,263) | (14,100) | (4,559) |
| Income before taxes and minority interest | 318,628 | 126,424 | 179,604 | 182,554 | 227,085 | 73,419 |
| Income tax and minimum presumed income tax | 3,529 | (25,720) | (53,207) | (58,791) | (87,539) | (28,302) |
| Minority interest | (35,712) | (12,842) | (23,152) | (27,190) | (32,449) | (10,491) |
| Net income | 286,445 | 87,862 | 103,245 | 96,573 | 107,097 | 34,626 |
| U.S. GAAP | | | | | | |
| Revenues | 280,690 | 327,424 | 426,499 | 621,012 | 867,452 | 280,457 |
| Costs | (208,149) | (216,742) | (235,341) | (321,788) | (413,957) | (133,837) |
| Gross profit | 72,541 | 110,682 | 191,158 | 299,224 | 453,495 | 146,620 |
| Gain from recognition of inventories at net realizable value | | | | | | |

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| | | | | | | |
|-------------------------|----------|----------|----------|----------|-----------|----------|
| Selling expenses | (28,555) | (23,937) | (36,255) | (66,278) | (104,997) | (33,947) |
| Administrative expenses | (50,139) | (57,928) | (77,451) | (97,956) | (142,714) | (46,141) |

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| | 2003 | 2004 | Year Ended June 30, | | 2007 | 2007 ⁽¹⁾ |
|---|----------|---------------------------------|---------------------|----------|----------|---------------------|
| | | | 2005 | 2006 | | (US\$ thousands) |
| | | (Ps. thousands ⁽²⁾) | | | | |
| Gain on purchasers rescissions of sales | 9 | | | | | |
| Net income (loss) from retained interest in securitized receivables | 1,392 | (1,526) | 4,591 | (12,274) | (115) | (37) |
| Operating (loss) income | (4,752) | 27,291 | 82,043 | 121,716 | 205,669 | 66,495 |
| (Loss) gain on equity investees | (5,621) | (20,161) | 138,560 | 64,697 | 42,957 | 13,888 |
| Financial results, net | 265,753 | 21,195 | (31,072) | (50,854) | (43,705) | (14,130) |
| Other incomes (expenses), net | 9,880 | (4,026) | (10,271) | (7,338) | (13,433) | (4,343) |
| Income before taxes and minority interest | 265,260 | 24,299 | 179,259 | 128,221 | 191,488 | 61,910 |
| Income tax and minimum presumed income tax | 3,020 | (12,528) | (34,747) | (18,678) | (39,176) | (12,666) |
| Minority interest | (33,154) | (8,946) | (15,114) | (19,597) | (49,090) | (15,871) |
| Net income | 235,126 | 2,825 | 129,398 | 89,946 | 103,222 | 33,373 |

BALANCE SHEET DATA**Argentine GAAP**

| | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Cash and banks and current investments | 232,001 | 163,900 | 211,934 | 233,438 | 856,707 | 276,983 |
| Inventories | 23,854 | 29,711 | 99,811 | 162,110 | 256,203 | 82,833 |
| Mortgages and lease receivables, net | 39,181 | 37,267 | 73,246 | 147,955 | 212,065 | 68,563 |
| Non-current investments ⁽³⁾ | 412,789 | 519,499 | 542,863 | 647,981 | 673,273 | 217,676 |
| Fixed assets, net | 1,235,223 | 1,274,675 | 1,445,551 | 1,413,212 | 2,027,311 | 655,451 |
| Total current assets | 297,476 | 261,651 | 389,735 | 481,788 | 1,175,790 | 380,145 |
| Total assets | 2,081,956 | 2,208,326 | 2,524,426 | 2,740,121 | 4,144,899 | 1,340,090 |
| Short-term debt ⁽⁴⁾ | 96,159 | 143,126 | 130,728 | 142,140 | 214,193 | 69,251 |
| Total current liabilities | 188,738 | 256,022 | 310,977 | 419,228 | 652,082 | 210,825 |
| Long-term debt ⁽⁵⁾ | 592,104 | 468,807 | 422,412 | 295,282 | 1,222,423 | 395,222 |
| Total non-current liabilities | 629,988 | 522,213 | 515,381 | 385,138 | 1,395,693 | 451,242 |
| Minority interest | 454,044 | 470,237 | 445,839 | 449,989 | 450,410 | 145,622 |
| Shareholders equity | 809,186 | 959,854 | 1,252,229 | 1,485,766 | 1,646,714 | 532,400 |

U.S. GAAP

| | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Cash and banks and current investments | 231,293 | 163,435 | 212,855 | 233,032 | 856,318 | 276,857 |
| Inventories | 23,584 | 25,374 | 46,702 | 61,720 | 160,961 | 52,040 |
| Mortgages and lease receivables, net | 39,181 | 37,267 | 72,577 | 145,718 | 205,267 | 66,365 |
| Other receivables and prepaid expenses | 80,799 | 127,114 | 113,395 | 131,502 | 241,656 | 78,130 |
| Non-current investments ⁽³⁾ | 281,583 | 327,883 | 436,063 | 599,679 | 590,646 | 190,962 |
| Fixed assets, net | 1,221,859 | 1,230,020 | 1,392,626 | 1,360,136 | 1,912,457 | 618,318 |
| Intangible assets, net | 1,629 | 666 | 712 | 468 | 22,226 | 7,186 |
| Total current assets | 313,595 | 270,883 | 386,051 | 471,053 | 1,183,147 | 382,524 |
| Total assets | 1,874,299 | 1,923,456 | 2,291,808 | 2,503,812 | 3,997,217 | 1,292,343 |
| Trade accounts payable | 30,432 | 46,414 | 68,372 | 136,362 | 293,522 | 94,899 |
| Other liabilities | 40,382 | 46,524 | 90,106 | 94,655 | 101,764 | 32,902 |
| Short-term debt ⁽⁴⁾ | 83,217 | 135,661 | 111,994 | 120,172 | 216,829 | 70,103 |
| Total current liabilities | 202,679 | 260,521 | 314,939 | 431,422 | 669,983 | 216,613 |
| Long-term debt ⁽⁵⁾ | 600,616 | 465,099 | 413,812 | 298,570 | 1,225,212 | 396,124 |
| Total non-current liabilities | 801,806 | 696,791 | 698,344 | 558,951 | 1,603,747 | 518,509 |
| Minority interest | 367,012 | 378,404 | 357,062 | 355,385 | 366,381 | 118,455 |
| Shareholders equity | 502,803 | 587,740 | 921,718 | 1,158,364 | 1,358,739 | 439,295 |

CASH FLOW DATA**Argentine GAAP**

| | | | | | | |
|---|----------|----------|-----------|-----------|-----------|-----------|
| Net cash provided by operating activities | 93,945 | 74,691 | 93,490 | 194,685 | 163,099 | 52,732 |
| Net cash used in investing activities | (40,603) | (97,186) | (126,682) | (136,567) | (510,774) | (167,935) |

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| | | | | | | |
|--|----------|-----------|-----------|-----------|-----------|-----------|
| Net cash provided by (used in) financing activities | 109,439 | (47,649) | 52,868 | (36,767) | 892,258 | 291,273 |
| <i>U.S. GAAP⁽⁶⁾</i> | | | | | | |
| Net cash provided by operating activities | 55,135 | 92,378 | 105,655 | 192,589 | 111,936 | 36,190 |
| Net cash used in investing activities | (52,260) | (105,061) | (141,746) | (128,687) | (470,318) | (152,059) |
| Net cash provided by (used in) financing activities | 109,439 | (47,649) | 52,868 | (36,767) | 900,907 | 291,273 |
| Effect of exchange rate changes on cash and cash equivalents | 51,743 | (8,081) | 2,899 | (5,784) | 2,058 | 665 |

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| | 2003 | Year Ended June 30, | | | | 2007 ⁽¹⁾ (US\$ thousands) |
|--|---------|---------------------|--------|---------|---------|--|
| | | 2004 | 2005 | 2006 | 2007 | |
| Effect of inflation accounting | (1,472) | | | | | |
| OTHER FINANCIAL DATA | | | | | | |
| Argentine GAAP | | | | | | |
| Capital expenditures ⁽⁷⁾ | 10,991 | 26,908 | 79,997 | 116,201 | 428,026 | 138,385 |
| Depreciation and amortization ⁽⁸⁾ | 69,437 | 65,491 | 74,091 | 80,979 | 96,996 | 31,360 |
| Ratio of current assets to current liabilities | 1.576 | 1.022 | 1.253 | 1.149 | 1.803 | 1.803 |
| Ratio of shareholders' equity to total liabilities | 0.988 | 1.233 | 1.515 | 1.847 | 0.804 | 0.804 |
| Ratio of non-current assets to total assets | 0.857 | 0.882 | 0.846 | 0.824 | 0.716 | 0.716 |
| Working capital ⁽⁹⁾ | 108,738 | 5,629 | 78,758 | 62,560 | 523,708 | 169,320 |

- (1) Solely for the convenience of the reader, IRSA has translated Argentine Peso amounts into U.S. dollars at the exchange rate quoted by Banco de la Nación Argentina for June 30, 2007 which was Ps.3.093 per US\$1.00. We make no representation that the Argentine Peso or U.S. dollar amounts actually represent, could have been or could be converted into Dollars at the rates indicated, at any particular rate or at all. See Exchange Rates and Exchange Controls . Sums may not total due to rounding.
- (2) In thousands of constant Pesos of June 30, 2007. Includes adjustment for inflation through February 28, 2003. Sums may not total due to rounding.
- (3) Includes IRSA's 11.8% investment in Banco Hipotecario and IRSA's investments in undeveloped plots of land.
- (4) Includes short-term debt (including the current portion of seller financing) and current mortgages payable.
- (5) Includes long-term debt (including the non-current portion of seller financing) and non-current mortgages payable.
- (6) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of SFAS No. 95 under U.S. GAAP. See Note 28 to IRSA's audited consolidated financial statements included elsewhere in this prospectus for details of the differences in classifications affecting the categories of cash flows.
- (7) Includes the purchase of fixed assets (including facilities and equipment), undeveloped plots of land and renovation and remodeling of hotels and shopping centers.
- (8) Corresponds to depreciation and amortization included in operating income.
- (9) Working capital is calculated by subtracting consolidated current liabilities from consolidated current assets.

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RISK FACTORS

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

Risks Relating to Argentina

Argentina's current growth and stabilization may not be sustainable.

During 2001 and 2002, Argentina experienced a period of severe political, economic and social crisis. Although the economy has recovered significantly over the past three years, uncertainty remains as to whether the current growth and relative stability are sustainable. Sustainable economic growth is dependant on a variety of factors, including international demand for Argentine exports, the stability and competitiveness of the Peso against foreign currencies, confidence among consumers as well as foreign and domestic investors and stable and relatively low inflation.

The Argentine economy remains fragile for the following reasons:

unemployment remains high;

the availability of long-term fixed rate credit is limited;

investment as a percentage of GDP remains low;

the current fiscal surplus could become a fiscal deficit;

inflation has risen recently and threatens to accelerate;

the country's public debt remains high and international financing is limited; and

the recovery has depended to some extent on high commodity prices, which are volatile and outside the control of the country, and excess capacity, which has reduced considerably.

A substantial part of our operations, properties and customers are located in Argentina. As a result, our business is to a very large extent dependent upon the economic conditions prevailing in Argentina.

The continuing rise of inflation may have an adverse effect on the economy.

After several years of price stability, the devaluation of the Peso in January 2002 imposed pressures on the domestic price system that generated high inflation throughout 2002. In 2003, inflation substantially stabilized. However, inflationary pressures have since reemerged with consumer prices increasing by 6.1% during 2004 and increasing by 12.3% in 2005. As a result of the execution of fixed price agreements and restrictions on, and in certain cases, suspension of, exports, consumer prices only increased by 9.8% in 2006. During the first half of 2007, consumer prices increased by 8.8% on an annualized basis.

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

If inflation remains high or continues to rise, Argentina's economy may be negatively impacted which could have an adverse effect on our business.

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

In the first half of 2005, Argentina restructured part of its sovereign debt that had been in default since the end of 2001. As of March 31, 2007, the Argentine government announced that as a result of the restructuring, it had approximately US\$136.3 billion in total outstanding debt remaining. Of this amount, approximately US\$26.5 billion are defaulted bonds owned by creditors who did not participate in the restructuring of the external financial debt.

Some bondholders in the United States, Italy and Germany have filed legal actions against Argentina, and holdout creditors may initiate new suits in the future. Additionally, foreign shareholders of certain Argentine companies have filed claims in excess of US\$17 billion before the International Center for the Settlement of Investment Disputes, or ICSID, alleging that certain government measures are inconsistent with the fair and equitable treatment standards set forth in various bilateral treaties to which Argentina is a party.

Argentina's past default and its failure to restructure completely its remaining sovereign debt and fully negotiate with the holdout creditors may prevent Argentina from reentering the international capital markets. Litigation initiated by holdout creditors as well as ICSID claims may result in material judgments against the Argentine government and could result in attachments of, or injunctions relating to, assets of Argentina that the government intended for other uses. As a result, the government may not have the financial resources necessary to implement reforms and foster growth which could have a material adverse effect on the country's economy and, consequently, our business.

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

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

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

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

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

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

During its crisis in 2001 and 2002, Argentina experienced social and political turmoil, including civil unrest, riots, looting, nationwide protests, strikes and street demonstrations. Despite Argentina's ongoing economic recovery and relative stabilization, social and political tension and high levels of poverty and unemployment continue. Future government policies to preempt, or in response to, social unrest may include expropriation, nationalization, forced renegotiation or modification of existing contracts, suspension of the enforcement of creditors' rights, new taxation policies, including royalty and tax increases and retroactive tax claims, and changes in laws and policies affecting foreign trade and investment. Such policies could destabilize the country and adversely and materially affect the economy, and thereby our business.

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

In 2001 and 2002, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of companies to retain foreign currency or make payments abroad. These restrictions have been substantially eased, including those requiring the Central Bank's prior authorization for the transfer of funds abroad in order to pay principal and interest on debt obligations. However, Argentina may re-impose exchange control or transfer restrictions in the future, among other things, in response to capital flight or a significant depreciation of the Peso. In addition, the government issued Decree No. 616/2005 in June 2005 that established new controls on capital inflows that could result in less availability of international credit. Pursuant to such Decree, the Ministry of Economy's Resolution No. 292/2005 was repealed and it was established that any indebtedness in favor of foreign creditors by individuals and legal entities residing in Argentina and conducting business in the private sector must be settled in Argentina and must mature no earlier than 365 days irrespective of the manner of settlement, except in the following cases: transactions related to foreign trade financing and original issuances of debt instruments admitted to public offering and listed in self-regulated stock exchanges.

Therefore, (a) any cash inflows in the domestic foreign exchange market arising from debts incurred with foreign creditors by individuals or legal entities in the private sector and (b) any cash inflows in favor of non-residents and channeled through the domestic foreign exchange market intended for holdings in local currency, acquisition of financial assets or liabilities of any kind in the financial and non-financial private sector, excluding direct foreign investment and original issuances of debt instruments admitted to public offering and listed on self-regulated stock exchanges must meet the following requirements: (i) they may be remitted abroad only after expiration of a term of at least 365 days counted after the date on which such funds officially entered the Argentine foreign exchange market; (ii) the amounts resulting from the exchange rate settlement transaction are to be deposited in an account opened at an Argentine banking system institution, (iii) a non-transferable, non-interest bearing deposit of 30% of the amount being settled is to be made in the name of the depositor for a term of 365 days and (iv) such deposit is to be held in U.S. dollars at one of the Argentine banking system institutions and may not be used as guarantee or collateral of any loan. Non-compliance with the requirements laid down in Decree 616/2005 shall be punished in accordance with the Criminal Foreign Exchange Regime.

Additional controls could have a negative effect on the economy and our business if imposed in an economic environment where access to local capital is substantially constrained. Moreover, in such event, restrictions on the transfers of funds abroad may impede your ability to receive dividend payments as a holder of ADSs.

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

Beginning on February 2002, any payment of dividends, irrespective of amount, outside Argentina needed prior authorization from the Central Bank. In December 2002 the rule was amended through Communication A 3845 which required Argentine companies to obtain prior authorization from the Central Bank to purchase currency in excess of US\$150,000 (in the aggregate) per calendar month. This rule applied, among others, to the payment of dividends.

On January 7, 2003, the Central Bank issued communication A 3859 which is still enforceable and pursuant to which Argentine companies have no limitation on their ability to purchase foreign currency and transfer it outside Argentina to pay dividends, to the extent such dividend payments result from an approved and audited financial statement. In the future, similar restrictions may be enacted by the Argentine government or the Central Bank again, and if this were to occur, it would have an adverse effect on the value of our common shares and the ADSs.

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The stability of the Argentine banking system is uncertain.

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

To prevent a run on the U.S. dollar reserves of local banks, the government restricted the amount of money that account holders could withdraw from banks and introduced exchange controls restricting capital outflows. The government subsequently imposed new restrictions and released a schedule stating how and when deposits would become available.

These measures taken by the government to protect the solvency of the banking system, in particular the emergency laws that converted certain U.S. dollar-denominated debts into Pesos, generated significant opposition directly against banks from depositors frustrated by the loss of their savings. Many depositors instituted court challenges, eventually at the Supreme Court level, on constitutional grounds seeking restitution of their deposits in their original currency. Under Argentine law, Supreme Court rulings are limited to the particular facts and defendants in the case, although lower courts tend to follow precedent set by the Supreme Court. Initial Supreme Court rulings struck down on constitutional grounds pesification pursuant to Law No. 25,561 (the Public Emergency Law). However, the Supreme Court has found in subsequent holdings that emergency laws enacted by the Argentine Congress were necessary to mitigate the crisis, the regulations were not disproportionate to the emergency, and the measures did not violate the constitutional property rights of those affected. For instance, the Supreme Court held on December 27, 2006 in *Massa, Juan Agustin vs. Poder Ejecutivo Nacional y Otro* that banks should repay deposits originally denominated in U.S. dollars in Pesos at an exchange rate of Ps.1.40 per US\$1.00, subject to CER or *Coeficiente de Estabilización de Referencia* indexation, plus interest, at a 4% annual rate. Notwithstanding the foregoing, however, numerous other cases challenging the constitutionality of the pesification pursuant to the Public Emergency Law are still pending. We cannot assure you that the Supreme Court will consistently uphold the views expressed in its latest rulings, or that future rulings will not negatively affect the banking system as a whole. If the Argentine government is called upon to provide additional financial assistance to the banks through the issuance of additional government debt, this could add to Argentina's outstanding debt and would increase the burdens of the public sector.

While the condition of Argentina's financial system has improved and depositors affected by the restrictions imposed in 2001 and 2002 have regained access to their deposits, albeit mainly in Pesos and subject to certain restrictions, you should not underestimate the long-term implications of the most recent crisis for Argentina's economy and the credibility of its financial system. Adverse economic developments, even if not related to or attributable to the financial system, could easily result in deposits flowing out of the banks and into the foreign exchange market, as depositors seek to shield their financial assets from a new crisis. Any run on deposits could create liquidity or even solvency problems for financial institutions and bring about similar measures or other government interventions.

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

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors' perception of the events occurring in one country may substantially affect capital flows into and securities from issuers in other countries, including Argentina. The Argentine economy was adversely impacted by the political and economic events that occurred in several emerging economies in the 1990s, including Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation in January 1999. In addition, Argentina continues to be affected by events in the economies of its major regional partners. Furthermore, the Argentine economy may be adversely affected by events in developed economies which are trading partners or that impact the global economy.

In the future, political and economic crises in the international markets can be expected to adversely affect the Argentine economy and its financial system and therefore our business.

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Upcoming Congressional and Presidential elections may adversely affect the Argentine economy.

During 2007, presidential and congressional elections will take place in Argentina. During the last presidential elections, the securities markets suffered certain volatility which has been attributed to uncertainty regarding the economic policy to be carried out by the new government. There are no assurances that future uncertainties preceding and resulting from the Congressional and the Presidential elections will not negatively impact the Argentine economy and/or local bonds and stock markets.

Risks Relating to Brazil

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

Our business is dependent to some extent on the economic conditions in Brazil. As of June 30, 2007, approximately 6.4% of our consolidated assets were located in Brazil through our affiliate BrasilAgro.

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

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

fluctuation in exchange rates in Brazil;

monetary policy;

exchange controls and restrictions on remittances outside Brazil, such as those which were imposed on such remittances (including dividends) in 1989 and early 1990;

inflation in Brazil;

interest rates;

liquidity of the Brazilian financial, capital and lending markets;

fiscal policy and tax regime in Brazil; and

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

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

Although inflation in Brazil has stabilized in recent years, increased inflation may adversely affect the operations of BrasilAgro which could adversely impact our financial condition and results of operations.

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Brazil has experienced high and generally unpredictable rates of inflation for many years in the past. Inflation itself, as well as governmental policies to combat inflation, have had significant negative effects on the Brazilian economy in general. Inflation, government efforts to control inflation, and public speculation about future governmental actions have had, and can be expected to continue to have, significant impact on the Brazilian economy and on our operations in Brazil. As measured by the Brazilian *Índice Nacional de Preços au Consumidor* (National Consumer Price Index), or INPC, inflation in Brazil was 6.1%, 5.1%, 2.8% and 2.1% in 2004, 2005, 2006 and for the six-month period ended June 30, 2007, respectively. We cannot assure you that levels of inflation in Brazil will not increase in future years and have a material adverse effect on our business, financial condition or results of operations. Inflationary pressures may lead to further government intervention in the economy, including the introduction of government policies that could adversely affect the results of operations of BrasilAgro and consequently our financial condition and results of operations and the market price of our common shares and ADSs.

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

Brazil's rate of inflation and the government's actions to combat inflation have also affected the exchange rate between the *real* and the U.S. dollar. As a result of inflationary pressures, the Brazilian currency has been devalued periodically during the last four decades. Throughout this period, the Brazilian federal government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini devaluations (during which the frequency of adjustments has ranged from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets. During 2005 and 2006, the *real* appreciated 11.8% and 8.7%, respectively, against the U.S. dollar. Despite the recent appreciation there can be no assurance that the *real* will not depreciate against the U.S. dollar in the future, or that the rate of exchange between the *real* and the dollar will not fluctuate significantly. In the event of a devaluation of the *real*, the financial condition and results of operations of our Brazilian subsidiary could be adversely affected.

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

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

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

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

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

In addition, our land may be subject to expropriation by the Brazilian government. An expropriation could materially impair the normal use of our lands or have a material adverse effect on our results of operations. In addition, social movements, such as *Movimento dos Trabalhadores Rurais Sem Terra* and *Comissão Pastoral da Terra*, are active in Brazil. Such movements advocate land reform and mandatory property redistribution by the government. Land invasions and occupations of rural areas by a large number of individuals is common practice for these movements, and, in certain areas, including some of those in which

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we are likely to invest, police protection and effective eviction proceedings are not available to land owners. As a result, we cannot give you any assurance that our properties will not be subject to invasion or occupation by these groups. A land invasion or occupation could materially impair the normal use of our lands or have a material adverse effect on us or the value of our common shares or ADRs.

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

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

Risks Relating to Our Region

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

We anticipate that a portion of the proceeds from the offering will be invested in farmland in Argentina, Brazil and possibly other countries in and outside Latin America. Because demand for agricultural products and farmland usually is correlated to economic conditions prevailing in the local market, which in turn is dependent on the macroeconomic condition of the country in which the market is located, our financial condition and results of operations are, to a considerable extent, dependent upon political and economic conditions prevailing from time to time in the countries where we operate. Latin American countries have historically experienced uneven periods of economic growth, as well as recession, periods of high inflation and economic instability. Certain countries have experienced severe economic crises, which may still have future effects. As a result, governments may not have the financial resources necessary to implement reforms and foster growth. Any of these adverse economic conditions could have a material adverse effect on our business. Some of the countries where we intend to operate, are recovering from recent economic crises. Notwithstanding the positive economic results recorded recently in such countries, we cannot assure you that economic conditions will continue to improve or that our operations will experience positive results in the future.

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

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

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

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

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

exchange rates and exchange control policies;

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inflation rates;

interest rates;

tariff and inflation control policies;

import duties on information technology equipment;

liquidity of domestic capital and lending markets;

electricity rationing;

tax policies; and

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

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

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

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

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

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

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

The market value of securities of companies such as us, may be, to varying degrees, affected by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors' perception of the events occurring in one country may substantially affect capital flows into and securities from issuers in other countries, including Latin-American countries. Various Latin American

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economies have been adversely impacted by the political and economic events that occurred in several emerging economies in recent times. Furthermore, Latin-American economies may be affected by events in developed economies which are trading partners or that impact the global economy.

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

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

Risks Relating to Our Business

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

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

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

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

demand for and supply of competing commodities and substitutes.

From June 2006 to June 2007, the price in U.S. dollars of soybeans increased 39.7 %, the price of corn increased 30.0% and the price of wheat increased 44.8%. (Source: CBOT- Bloomberg)

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

Unpredictable weather conditions may have an adverse impact on our 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 our crop production and, to a lesser extent, our beef cattle production. The occurrence of severe adverse weather conditions may reduce yields on our farms or require us to increase our level of investment to maintain yields. As a result, we cannot assure you that future severe adverse weather conditions will not adversely affect our operating results and financial condition.

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

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

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Our cattle are subject to diseases.

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

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

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

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

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

In order to prevent inflation and variations in the exchange rate from adversely affecting prices of primary and manufactured products (including agricultural products), and to increase tax collections and reduce Argentina's fiscal deficit, the Argentine government has imposed new taxes on exports. Pursuant to Resolution No. 11/02 of the Ministry of Economy and Production, as amended by Resolution 35/02, 160/2002, 307/2002 and 530/2002, effective as of March 5, 2002, the Argentine government imposed a 20%, 10% and 5% export tax on primary and manufactured products. On November 12, 2005, pursuant to Resolution No. 653/2005, the Ministry of Economy and Production increased the tax on beef cattle exports from 5% to 10%.

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

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. During 2005, the Argentine government adopted measures in order to increase the domestic availability of beef and reduce domestic prices. The Argentine government increased the withholding rate and established a minimum weight requirement for animals to be slaughtered. In March 2006, the foreign sales of cuts of beef cattle were momentarily suspended. The latter measure was softened once prices decreased. There can be no assurance that the Argentine government will not interfere in other areas by setting prices or regulating other market conditions. Accordingly, we cannot assure you that we will be able to freely negotiate all our products' prices in the future or that the prices or other market conditions that the Argentine government could impose will allow us to freely negotiate the price of our products.

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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 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 15,341 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.

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

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

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

Though our cattle sales are diversified, we are and will continue to be significantly dependent on a number of third party relationships, mainly with our customers for crop and milk sales. In 2007, we sold our products to approximately 140 customers. Sales to our ten largest customers represented approximately 71% of our net sales for the fiscal year ended June 30, 2007. Of these customers, our biggest three customers, Cargill S.A., Mastellone Hnos. S.A. and Quickfood S.A, represented, in the aggregate, approximately 46% of our net sales, while the remaining seven customers in the aggregate represented approximately 26% of our net sales in fiscal 2007.

In addition, we currently sell our entire raw milk production to one customer in Argentina. For the year ended June 30, 2007, these sales represented approximately 8.8% of our total revenues. There can be no assurance that this customer will continue to purchase our entire raw milk production or that, if it fails to do so, we could enter into satisfactory sale arrangements with new purchasers in the future.

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

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

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

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

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

As of June 30, 2007, our largest shareholder, Mr. Eduardo S. Elsztain, was the beneficial owner of approximately 32.8% of our common shares. As of June 30, 2007, such beneficial ownership consisted of 101,459,172 of our common shares owned through Inversiones Financieras del Sur S.A., or IFISA, a company of which, our director, Mr. Elsztain is the largest beneficial owner. As a result of his significant influence over us, Mr. Elsztain, through IFISA, has been able to elect a majority of the members of our board of directors, direct our management and determine the result of substantially all resolutions that require shareholders' approval, including fundamental corporate transactions and our payment of dividends by us.

The interests of our principal shareholder and management may differ from, and could conflict with, those of our other shareholders. For example, pursuant to a consulting agreement we pay a management fee equal to 10% of our annual net income to Consultores Asset Management S.A., formerly known as Dolphin Fund Management S.A. (Consultores Asset Management), a company whose capital stock is 85% owned by Eduardo Elsztain and 15% owned by Saúl Zang, the first vice-chairman of our board of directors. This performance based fee could be viewed as an incentive for Consultores Asset Management to favor riskier or more speculative investments than would otherwise be the case. In addition, Mr. Elsztain is the beneficial owner, due to his indirect shareholding through Cresud of approximately 26.3% of the common shares of IRSA, an Argentine company that currently owns approximately 62.5% of the common shares of its subsidiary Alto Palermo whose chief executive officer is Mr. Alejandro G. Elsztain, Mr. Eduardo Elsztain's brother and our chief executive officer of Cresud. We cannot assure you that our principal shareholders will not cause us to forego business opportunities that their affiliates may pursue or to pursue other opportunities that may not be in our interest, all of which may adversely affect our business, results of operations and financial condition and the value of our common shares and the ADSs.

We depend on our chairman and senior management.

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

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

The Investment Company Act may limit our future activities.

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

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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, 2007, we owned approximately 25.0% of IRSA's outstanding shares, and our total investment in IRSA represented approximately 35.7% of our total assets. Although we believe we are not an investment company for purposes of the Investment Company Act, our belief is subject to substantial uncertainty, and we cannot give you any assurance that we would not be determined to be an investment company under the Investment Company Act. As a result, the uncertainty regarding our status under the Investment Company Act may adversely affect our ability to offer and sell securities in the United States or to U.S. persons. The United States capital markets have historically been an important source of funding for us, and our future financing ability may be adversely affected by a lack of access to the United States capital markets. If an 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.

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

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

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

As of June 30, 2007, we owned approximately 25.0% of IRSA's outstanding shares, representing an investment of Ps.344.6 million through the purchase of shares and the conversion of convertible notes. In addition, as of such date, we owned \$12.0 million of IRSA's convertible notes and 32.9 million of IRSA's warrants. Consequently, as of June 30, 2007, our investment in IRSA was Ps.382.1 million, representing 35.7% of our total consolidated assets.

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

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

While IRSA's share price increased during fiscal 2005 and 2006, we cannot assure you that the share price will not decline in the future. Given the relative size of our investment in IRSA, any decline could have a material adverse effect on our financial condition and results of operations.

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

As of June 30, 2007, our investment in BrasilAgro represented 6.4% of our total consolidated assets. BrasilAgro was formed on September 23, 2005 to exploit opportunities in the Brazilian agricultural sector. BrasilAgro seeks to acquire and develop future properties to produce a diversified range of agricultural products (which may include sugarcane, grains, cotton, forestry products and livestock). BrasilAgro is a startup company that has been operating for one year. As a result, it has a developing business strategy and limited track record. BrasilAgro's business strategy may not be successful, and if not successful, BrasilAgro may be unable to successfully modify its strategy. BrasilAgro's ability to implement its proposed business strategy may be materially and adversely affected by many known and unknown factors. If we were to write-off our investments in BrasilAgro, this would likely materially and adversely affect our business. As of June 30, 2007 we owned 7.4% of the outstanding common shares of BrasilAgro.

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

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

We will be subject to extensive environmental regulation.

Our activities are subject to a wide set of federal, state and local laws and regulations relating to the protection of the environment, which impose various environmental obligations. Obligations include compulsory maintenance of certain preserved areas in our properties, management of pesticides and associated hazardous waste and the acquisition of permits for water use. Our proposed business is likely to involve the handling and use of hazardous materials that may cause the emission of certain regulated substances. In addition, the storage and processing of our products may create hazardous conditions. We could be exposed to criminal and administrative penalties, in addition to the obligation to remedy the adverse affects of our operations on the environment and to indemnify third parties for damages, including the payment of penalties for non-compliance with these laws and regulations. Since environmental laws and their enforcement are becoming more stringent in Argentina, our capital expenditures and expenses for environmental compliance may substantially increase in the future. In addition, due to the possibility of future

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regulatory or other developments, the amount and timing of environmental-related capital expenditures and expenses may vary substantially from those currently anticipated. The cost of compliance with environmental regulation may result in reductions of other strategic investments which may consequently decrease our profits. Any material unforeseen environmental costs may have a material adverse effect on our business, results of operations, financial condition or prospects.

As of June 30, 2007, we owned land reserves in excess of 329,828 hectares, most of which is located in under-utilized areas where agricultural production is not fully developed. Existing or future environmental regulations may prevent us from completely developing our land reserves, requiring us to maintain a portion of such land as unproductive land reserves. In accordance with legislative requirements, we have applied for approval to develop parts of our land reserves, to the extent allowed. We cannot assure you that current or future development applications will be approved, and if so, to what extent we will be allowed to develop our land.

Risks Related to IRSA s Business

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

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

downturns in the national, regional and local economic climate;

volatility and decline in discretionary spending;

competition from other office, industrial and commercial buildings;

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

changes in interest rates and availability of financing;

the exercise by its tenants of their legal right to early termination of their leases;

vacancies, changes in market rental rates and the need to periodically repair, renovate and re-lease space;

increased operating costs, including insurance expense, utilities, real estate taxes, state and local taxes and heightened security costs;

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

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

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

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

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

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

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

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

abandonment of development opportunities and renovation proposals;

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

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

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

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

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

construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs; and

IRSA may be unable to obtain, or may face delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, or IRSA may be affected by building moratoria and anti-growth legislation.

The real estate industry in Argentina is increasingly competitive.

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

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

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

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IRSA faces risks associated with property acquisitions.

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

IRSA may not be able to obtain financing for acquisitions on favorable terms;

acquired properties may fail to perform as expected;

the actual costs of repositioning or redeveloping acquired properties may be higher than IRSA's estimates;

acquired properties may be located in new markets where IRSA may have limited knowledge and understanding of the local economy, absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures; and

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

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

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

Acquired properties may subject IRSA to unknown liabilities.

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

liabilities for clean-up of undisclosed environmental contamination;

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

liabilities incurred in the ordinary course of business.

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

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IRSA currently carries liability, fire, business interruption, flood, extended coverage and rental loss insurance on all of its properties. Although IRSA believes the policy specifications and insured limits of these policies are generally customary, there are certain types of losses, such as lease and other contract claims and terrorism and acts of war that generally are not insured. Should an uninsured loss or a loss in excess of insured limits occur, IRSA could lose all or a portion of the capital it has invested in a property, as well as the

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anticipated future revenue from the property. In such an event, IRSA might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We cannot assure you that material losses in excess of insurance proceeds will not occur in the future. If any of IRSA's properties were to experience a catastrophic loss, it could seriously disrupt IRSA's operations, delay revenue and result in large expenses to repair or rebuild the property.

In addition, we cannot assure you that IRSA will be able to renew insurance coverage in an adequate amount or at reasonable prices. Insurance companies may no longer offer coverage against certain types of losses, such as losses due to terrorist acts and mold, or, if offered, these types of insurance may be prohibitively expensive. Moreover, IRSA does not purchase life or disability insurance for any of its key employees. If any of IRSA's key employees were to die or become incapacitated, IRSA could experience losses caused by a disruption in its operations which will not be covered by insurance, and this could have a material adverse effect on its financial condition and results of operations.

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

IRSA has focused on development projects intended to cater to affluent individuals and has entered into property swap agreements pursuant to which IRSA contributes its undeveloped properties to ventures with developers who will deliver to IRSA units in full-service apartments in premium locations of downtown Buenos Aires, such as the Renoir towers. These developments are currently estimated to be completed in 2008 and will bring to the market over 11,500 square meters of high quality residential apartments. At the time the developers return these properties to IRSA, demand for premium apartments could be significantly lower than IRSA currently projects. In such case, IRSA would be unable to sell these apartments at the prices or in the time frame IRSA estimated, which could have a material adverse effect on IRSA's financial condition and results of operations.

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

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

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

IRSA has had, and expects to continue to have, substantial liquidity and capital resource requirements to finance its business. As of June 30, 2007, IRSA's consolidated financial debt was Ps.1,414.5 million (including accrued and unpaid interest and deferred financing costs). The fact that IRSA is leveraged may affect its ability to refinance existing debt or borrow additional funds to finance working capital, acquisitions and capital expenditures. This would require IRSA to allocate a substantial portion of cash flow to repay principal and interest, thereby reducing the amount of money available to invest in operations, including acquisitions and capital expenditures. IRSA's leverage could place IRSA at a disadvantage compared to its competitors who are less leveraged and limit its ability to react to changes in market conditions, 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

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to accelerate the maturity of such debt or cause defaults under the other debt arrangements. IRSA's ability to service debt obligations or to refinance them will depend upon its future financial and operating performance, which will, in part, be subject to factors beyond IRSA's control such as macroeconomic conditions and regulatory changes in Argentina. If IRSA cannot obtain future financing, it may have to delay or abandon some or all of its planned capital expenditures, which could adversely affect IRSA's ability to generate cash flows and repay its obligations.

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

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

the accessibility and the attractiveness of the area where the shopping center is located;

the intrinsic attractiveness of the shopping center;

the flow of people and the level of sales of each shopping center rental unit;

increasing competition from internet sales;

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

the fluctuations in occupancy levels in the shopping centers.

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

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

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

IRSA is subject to payment default risks due to its investments in credit card businesses through its subsidiary Alto Palermo.

IRSA's subsidiary Alto Palermo owns an 80% interest in Tarshop S.A. (Tarshop), a credit card company that originates credit card accounts to promote sales from Alto Palermo's tenants and other selected retailers. During the fiscal year ended June 30, 2007, Tarshop had net revenues of Ps.213.0 million, representing 44.1% of Alto Palermo's revenues and 28.8% of IRSA's consolidated revenues for such fiscal year. Credit card

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

adverse changes in the Argentine economy;

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adverse changes in the regional economies;

political instability;

increases in unemployment; and

erosion of real and/or nominal salaries.

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

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

Tarshop S.A., an Alto Palermo subsidiary, is a credit card company that originates credit card accounts to promote sales from Alto Palermo's tenants and other selected retailers. Tarshop's accounts receivables, which consist of cash flows from consumer financing and personal loans, are placed into a number of trust accounts that securitize those receivables. Tarshop sells beneficial interests in these trust accounts through the sale of debt certificates, but remains a beneficiary of these trust accounts by holding Ps. 77.8 million in debt certificates as of June 30, 2007.

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

IRSA is subject to risks affecting the hotel industry.

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

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

IRSA's ability to form successful relationships with international and local operators to run its hotels;

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

taxes and governmental regulations affecting wages, prices, interest rates, construction procedures and costs.

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

IRSA's activities are subject to federal, state and municipal laws, and to regulations, authorizations and licenses required with respect to construction, zoning, use of the soil, environmental protection and historical patrimony, consumer protection and other requirements, all of which affect IRSA's ability to acquire land, develop and build projects and negotiate with customers. In addition, companies in this industry are subject to increasing tax rates, the creation of new taxes and changes in the taxation regime. IRSA is required to obtain licenses and authorizations with different governmental authorities in order to carry out its

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projects. Maintaining IRSA's licenses and authorizations can be a costly provision. In the case of non-compliance with such laws, regulations, licenses and authorizations, IRSA may face fines, project shutdowns, cancellation of licenses and revocation of authorizations.

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

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

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

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

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

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

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

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

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

Eviction proceedings in Argentina are difficult and time consuming.

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

Historically, delinquency regarding IRSA's 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.

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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, 2007, more than 87% of IRSA's consolidated revenues were derived from properties in the Buenos Aires metropolitan area including the City of Buenos Aires. Although IRSA owns properties and may acquire or develop additional properties outside Buenos Aires, IRSA expects to continue to depend to a large extent on economic conditions affecting those areas, and therefore, an economic downturn in those areas could have a material adverse effect on its financial condition and results of operations.

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

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

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

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

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

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

The time for producing evidence in relation to these legal proceedings has expired. The parties have submitted their closing arguments and are awaiting a final judgment. However, the judge has delayed his decision until a final judgment in the criminal proceedings against the former Defense Minister and former directors of Indarsa has been delivered. We cannot give you any assurance that IRSA will prevail in this proceeding, and if the plaintiff's claim is upheld by the courts, all of the assets of Puerto Retiro would likely

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be used to pay Indarsa's debts and IRSA's investment in Puerto Retiro, valued at Ps.54.9 million as of June 30, 2007. As of June 30, 2007, IRSA had not established any reserve in respect of this contingency.

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

IRSA develops and acquires properties in joint ventures with other persons or entities when it believes circumstances warrant the use of such structures. For example, in the Shopping Center segment, IRSA owns 62.5 % of Alto Palermo, while Parque Arauco S.A. owns 29.5 %. In the Development and Sale segment, IRSA has majority ownership interests in various properties, including 100% ownership of Pereiraola S.A. and 100% ownership of Caballito. IRSA also has an ownership interest of 50% in Puerto Retiro and Cyrsa. In the Hotel Operations segment, IRSA owns 50% of the Llao Llao Hotel, while another 50% is owned by the Sutton Group. IRSA owns 80% of the Hotel Libertador, while 20% is owned by Hoteles Sheraton de Argentina S.A. In the financial services sector, IRSA owns 11.8% of Banco Hipotecario, while the Argentine government has a controlling interest in it.

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

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

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

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

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

Law No. 25,798 enacted November 5, 2003, and implemented by Decrees No. 1284/2003 and No. 352/2004, among others, sets forth a system to restructure delinquent mortgage payments to prevent

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foreclosures on a debtor's only dwelling (the Mortgage Refinancing System). The Mortgage Refinancing System establishes a trust over assets contributed by the Argentine government and income from restructured mortgage loans. Banco de la Nación Argentina, in its capacity as trustee of said trust, enters into debt restructuring agreements with delinquent mortgage debtors establishing the following terms: (i) a grace period on the mortgage loan of one year and (ii) monthly installment payments on the mortgage loan not to exceed 30% of the aggregate income of the family living in the mortgaged property. Banco de la Nación Argentina then subrogates the mortgagee's rights against the debtor, by issuing notes delivered to the mortgagee to settle the amounts outstanding on the mortgage loan. The sum restructured under the Mortgage Refinancing System may not exceed the appraisal value of the property securing the mortgage after deducting any debts for taxes and maintenance. The Mortgage Refinancing System was established for a limited period of time, during which parties to a mortgage loan agreement could opt to participate in it. However, it was extended by a number of decrees and laws.

Recently enacted Law No. 26,167 established a special proceeding to replace ordinary trials regarding the enforcement of mortgage loans. Such special proceedings give creditors ten days to inform the debtor of the amounts owed to them and later agree with the debtor on the amount and terms of payment. If the parties fail to reach an agreement, payment conditions are to be determined by the judge.

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

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

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

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

IRSA's largest beneficial owner is Mr. Eduardo S. Elsztain, through his indirect shareholding through Cresud. As of June 30, 2007, such beneficial ownership consisted of: (i) 116,305,767 shares held by Cresud, (ii) 5,495,297 shares held by IFISA, (iii) 761,000 shares held by Consultores Venture Capital Limited, a stock corporation organized under the laws of Cayman Islands, (iv) 2,060,279 held by Dolphin Fund PLC, a limited liability company organized under the laws of Isle of Man and (v) 457,375 shares held directly by Mr. Elsztain.

Conflicts of interest between IRSA's management, IRSA and IRSA's affiliates may arise in the performance of IRSA's respective business activities. Mr. Elsztain also beneficially owns (i) approximately 32.8% of our common shares and (ii) approximately 62.5% of the common shares of IRSA's subsidiary Alto Palermo. We cannot assure you that IRSA's principal shareholders and their affiliates will not limit or cause IRSA to forego business opportunities that their affiliates may pursue or that the pursuit of other opportunities will be in IRSA's interest.

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

As of June 30, 2007, the majority of IRSA's liabilities, such as its unsecured loan agreement, IRSA's Series 3 secured floating rate notes due 2009, IRSA's 8.5% notes due 2017, Alto Palermo notes Series I, the mortgage loan to IRSA's subsidiary Hoteles Argentinos S.A., IRSA's convertible notes and Alto Palermo's convertible notes are denominated in U.S. dollars while IRSA's revenues and most of its assets as of June 30, 2007 are denominated in Pesos. This currency gap exposes IRSA to a risk of exchange rate volatility, which would negatively affect its financial results if the dollar were to appreciate against the Peso. Any further depreciation of the Peso against the U.S. dollar will correspondingly increase the amount of IRSA's debt in Pesos, with further adverse effects on its results of operation and financial condition and may increase the collection risk of IRSA's leases and other receivables from its tenants and mortgage debtors, most of whom have Peso-denominated revenues.

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Risks Related to IRSA's Investment in Banco Hipotecario

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

As of June 30, 2007, IRSA owned 11.8% of Banco Hipotecario which represented 7.3% of IRSA's consolidated assets at such date. Substantially all of Banco Hipotecario's operations, properties and customers are located in Argentina. Accordingly, the quality of its loan portfolio, its financial condition and results of operations depend to a significant extent on economic and political conditions prevailing in Argentina. The political and economic crisis in Argentina during 2002 and 2003 and the Argentine government's actions to address it have had and may continue to have a material adverse effect on Banco Hipotecario's business, financial condition and results of operations.

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

On July 25, 2003, the Central Bank announced its intention to adopt new capital adequacy requirements that it will implement gradually through to 2009. In addition, the IMF and other multilateral agencies encouraged the Argentine government to impose minimum capital adequacy, solvency and liquidity requirements consistent with international standards, which could impose material operating restrictions on Banco Hipotecario.

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

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

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

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

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

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

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

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

Argentina's history prior to the adoption of the Convertibility Law raises serious doubts as to the ability of the Argentine government to maintain a strict monetary policy and control inflation. As a result of the high inflation in Argentina from 2002 onwards, Banco Hipotecario's mortgage loan portfolio experienced a significant decrease in value and if inflation were to increase significantly once again, it might continue to undergo a major decrease in value. Accordingly, an increase in Banco Hipotecario's funding and other costs due to inflation might not be offset by indexation, which could adversely affect its liquidity and results of operations.

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

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

Law No. 25,798, enacted November 5, 2003, and implemented by Decrees No. 1284/2003 and No. 352/2004, among others, sets forth a system to restructure delinquent mortgage payments to prevent foreclosures on a debtor's sole residence (the Mortgage Refinancing System). The Mortgage Refinancing System establishes a trust composed of assets contributed by the Argentine government and income from restructured mortgage loans. Banco de la Nación Argentina, in its capacity as trustee of said trust, enters into debt restructuring agreements with delinquent mortgage debtors establishing the following terms: (i) a grace

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period on the mortgage loan of one year and (ii) monthly installment payments on the mortgage loan not to exceed 30% of the aggregate income of the family living in the mortgaged property. Banco de la Nación Argentina then subrogates the mortgagee's rights against the debtor, by issuing notes delivered to the mortgagee to settle the amounts outstanding on the mortgage loan. The sum restructured under the Mortgage Refinancing System may not exceed the appraisal value of the property securing the mortgage after deducting any debts for taxes and maintenance. The Mortgage Refinancing System was established for a limited period of time, during which parties to mortgage loan agreements could opt to participate and was subsequently extended by a number of decrees and laws.

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

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

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

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

As a result of Banco Hipotecario's strategy to diversify its banking operations and develop retail and other non-mortgage banking activities, in recent years its portfolio of non-mortgage loans has grown rapidly. During the two-year period between December 31, 2004 and December 31, 2006, Banco Hipotecario's portfolio of non-mortgage loans grew 401% from Ps.232.2 million to Ps.1,162.6 million. A very substantial portion of its portfolio of non-mortgage loans consists of loans to low- and middle-income individuals and, to a lesser extent, middle-market companies. These individuals and companies are likely to be more seriously affected by adverse developments in the Argentine economy than high income individuals and large corporations. Consequently, in the future Banco Hipotecario may experience higher levels of past due non-mortgage loans that would likely result in increased provisions for loan losses. In addition, large-scale lending to low- and middle-income individuals and middle-market companies is a new business activity for Banco Hipotecario, and as a result its experience and loan-loss data for such loans are necessarily limited. Therefore, we cannot assure you that the levels of past due non-mortgage loans and resulting charge-offs will not increase materially in the future.

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

Banco Hipotecario prepares its financial statements in accordance with Central Bank accounting rules which differ in certain material respects from Argentine GAAP. During 2002, Central Bank accounting rules were modified in several respects that materially increased certain discrepancies between Central Bank accounting rules and Argentine GAAP. In accordance with Central Bank accounting rules, Banco Hipotecario's consolidated balance sheets as of December 31, 2006, December 31, 2005 and December 31, 2004 include US\$816.4 million, US\$835.7 million and US\$288.3 million, respectively, of BODEN issued by the Argentine government as compensation for pesification, as well as US\$82.9 million, US\$210.1 million and US\$904.5 million as of December 31, 2006, December 31, 2005 and December 31, 2004 representing its right to acquire additional BODEN. Banco Hipotecario's consolidated balance sheets at December 31, 2006, December 31, 2005 and December 31, 2004 also include Ps.207.6 million, Ps.500.4 million and Ps.1,870.3 million, respectively, representing Central Bank borrowings which Banco Hipotecario incurred to finance its acquisition of the additional BODEN. Also, since September 30, 2005 Banco Hipotecario has subscribed

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BODEN 2012 for US\$773.5 million and reduced Central Bank borrowings for Ps.1,844.0 million. Additionally, its most recent consolidated annual income statements include the accrual of interest to be received on BODEN not yet received and interest to be paid adjusted by CER on Central Bank borrowings.

In accordance with Central Bank accounting rules, the BODEN reflected on its consolidated balance sheets as of December 31, 2006 and 2005 have been recorded at 100% of face value. However, the BODEN are unsecured debt obligations of the Argentine government, which has defaulted on a significant portion of its indebtedness although the government is current in respect of payments due on the BODEN and has restructured a substantial portion of its sovereign debt. As of December 31, 2006, the BODEN were not rated and were trading in the secondary market at a price of approximately US\$94.7 for every US\$100 of outstanding value. Carrying BODEN at a value equal to their full face value, which is in excess of their current market value, has the effect of increasing Banco Hipotecario's total assets recorded on its consolidated balance sheet. In this important respect, its most recent consolidated audited annual financial statements are not comparable to its historic financial statements and have been prepared according to accounting principles that differ materially from Argentine GAAP.

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

As of June 30, 2007, Banco Hipotecario's foreign currency-denominated liabilities exceeded its foreign-currency-denominated assets by approximately US\$118 million. Substantially all of Banco Hipotecario's foreign currency assets consist of dollar-denominated BODEN, but Banco Hipotecario's liabilities in foreign currencies are denominated in both U.S. Dollars and Euros. This currency gap exposes Banco Hipotecario to risk of exchange rate volatility which would negatively affect Banco Hipotecario's financial results if the U.S. Dollar were to depreciate against the Peso and/or the Euro. We cannot assure you that the U.S. Dollar will not appreciate against the Peso, or that we will not be adversely affected by Banco Hipotecario's exposure to risks of exchange rate fluctuations.

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

On December 23, 2001, the Argentine government declared the suspension of payments on most of its sovereign debt, which as of December 31, 2001, totaled approximately US\$144.5 billion, a substantial portion of which was restructured by the issuance of new bonds in the middle of 2005. Additionally, the Argentine government has incurred, and is expected to incur, significant new debt obligations, including the issuance of compensatory bonds to financial institutions. As of June 30, 2007 Banco Hipotecario had a total of US\$901.1 million of BODEN issued by the Argentine Government. At that same date, Banco Hipotecario also had a total of approximately US\$0.2 million of guaranteed government loans. 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 operates in a highly regulated environment, and its operations are subject to regulations adopted, and measures taken, by the Central Bank, the Comisión Nacional de Valores and other regulatory agencies.

Financial institutions are subject to significant regulation relating to functions that historically have been mandated by the Central Bank and other regulatory authorities. Measures adopted by the Central Bank have had, and future regulations may have, a material adverse effect on Banco Hipotecario's financial condition and results of operations. For example, on July 25, 2003, the Central Bank announced its intention to adopt new capital adequacy requirements that it will implement gradually through to 2009. In addition, the IMF and other multilateral agencies encouraged the Argentine government to impose minimum capital adequacy, solvency and liquidity requirements consistent with international standards, which could impose material operating restrictions on Banco Hipotecario.

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

Commencing in early 2002, laws and decrees have been implemented that have substantially altered the prevailing legal regime and obligations established in contract. In the recent past, various initiatives have been presented to Congress intended to reduce or eliminate the debt owed to Banco Hipotecario on a portion of its mortgage loan portfolio and there were initiatives intended to review the terms pursuant to which Banco

Hipotecario Nacional was privatized. As a result, we cannot assure you that the legislative branch will not enact new laws that will have a significant adverse impact on Banco Hipotecario's shareholders' equity or that, if this were to occur, the Argentine government would compensate us for the resulting loss.

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

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

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

a fundamental change in Banco Hipotecario's corporate purpose;

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a change in Banco Hipotecario's domicile outside of Argentina;

dissolution prior to the expiration of Banco Hipotecario's corporate existence;

a merger or spin-off after which Banco Hipotecario would not be the surviving corporation;

a total or partial recapitalization following a mandatory reduction of capital; and

approval of voluntary reserves, other than legally mandated reserves, when their amount exceeds Banco Hipotecario's capital stock and its legally mandated reserves.

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

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

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

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

unforeseen difficulties in integrating operations and systems;

problems assimilating or retaining the employees of acquired businesses;

challenges retaining customers of acquired businesses;

unexpected liabilities or contingencies relating to the acquired businesses; and

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

Risks Related to Our ADSs, Common Shares and Warrants

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

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

The ADSs are freely transferable under US securities laws, including shares sold to our affiliates. Inversiones Financieras del Sur S.A., which as of June 30, 2007 owned approximately 32.8% of our common

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shares (or approximately 101,459,172 common shares which may be exchanged for an aggregate of 10,114,591 ADSs), is free to dispose of any or all of its common shares or ADSs at any time in its discretion. Sales of a large number of our common shares and/or ADSs would likely have an adverse effect on the market price of our common shares and the ADS.

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

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

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

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

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

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

Based on the current and projected composition of our income and the valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company (PFIC) for United States federal income tax purposes for the taxable year ending June 30, 2007, and we do not currently expect to become a PFIC, although there can be no assurance in this regard. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition or if our projections are not accurate. The volatility and instability of Argentina's economic and financial system may substantially affect the composition of our income and assets and the accuracy of our projections. If we become a PFIC, U.S. holders of our equity securities will be subject to certain United States federal income tax rules that have negative consequences for U.S. holders such as additional tax and an interest charge upon certain distributions by us or upon a sale or other disposition of our equity securities at a gain, as well as additional reporting requirements. See Taxation Certain United States Federal Income Tax Consequences Passive Foreign Investment Company for a more detailed discussion of the consequences if we are deemed a PFIC. You should consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

You may be unable to exercise voting rights with respect to the common shares underlying your ADSs at our shareholders' meetings.

As a holder of ADRs representing the ADSs being held by the depositary in your name, we will not treat you as one of our shareholders and you will not have shareholder rights. The depositary will be the holder of the common shares underlying your ADSs and holders may exercise voting rights with respect to the common shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs.

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There are no provisions under Argentine law or under our by-laws that limit the exercise by ADS holders of their voting rights through the depositary with respect to the underlying common shares. However, there are practical limitations on the ability of ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with these holders. For example, holders of our common shares will receive notice of shareholders' meetings through publication of a notice in an official gazette in Argentina, an Argentine newspaper of general circulation and the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. ADS holders, by comparison, will not receive notice directly from us. Instead, in accordance with the deposit agreement, we will provide the notice to the depositary. If we ask it to do so, the depositary will mail to holders of ADSs the notice of the meeting and a statement as to the manner in which instructions may be given by holders. To exercise their voting rights, ADS holders must then instruct the depositary as to voting the common shares represented by their ADSs. Due to these procedural steps involving the depositary, the process for exercising voting rights may take longer for ADS holders than for holders of common shares and common shares represented by ADSs may not be voted as you desire. Common shares represented by ADSs for which the depositary fails to receive timely voting instructions may, if requested by our company, be voted as we instruct at the corresponding meeting.

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

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

You will experience immediate and substantial dilution in the book value of the common shares or ADSs you purchase in this offering.

Because the initial offering price of the common shares and ADSs being sold in this offering will be substantially higher than the net tangible book value per share, you will experience immediate and substantial dilution in the book value of these common shares. Net tangible book value represents the amount of our tangible assets on a pro forma basis, minus our pro forma total liabilities. As a result, at the initial public offering price of US\$ per ADS, the price per ADS set forth on the cover page of this prospectus, we currently expect that you will incur immediate dilution of US\$ per ADS you purchase in this offering. See Dilution.

The market price for our ADSs could be highly volatile, and our ADSs could trade at prices below the initial offering price.

The market price for our ADSs after this offering is likely to fluctuate significantly from time to time in response to factors including:

fluctuations in our periodic operating results;

changes in financial estimates, recommendations or projections by securities analysts;

changes in conditions or trends in our industry;

changes in the economic performance or market valuation of our competitors;

announcements by our competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures or capital commitments;

events affecting equities markets in the countries in which we operate;

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legal or regulatory measures affecting our financial conditions;

departures of management and key personnel; or

potential litigation or the adverse resolution of pending litigation against us or our subsidiaries.

Volatility in the price of our ADSs may be caused by factors outside of our control and may be unrelated or disproportionate to our operating results. In particular, announcements of potentially adverse developments, such as proposed regulatory changes, new government investigations or the commencement or threat of litigation against us, as well as announced changes in our business plans or those of competitors, could adversely affect the trading price of our common shares, regardless of the likely outcome of those developments or proceedings. Broad market and industry factors could adversely affect the market price of our ADSs, regardless of our actual operating performance. As a result, our ADSs may trade at prices significantly below the initial public offering price.

Restrictions on the movement of capital out of Argentina may impair your ability to receive dividends and distributions on, and the proceeds of any sale of, the common shares underlying the ADSs.

The Argentine government may impose restrictions on the conversion of Argentine currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Argentina. Argentine law currently permits the government to impose this kind of restrictions temporarily in circumstances where a serious imbalance develops in Argentina's balance of payments or where there are reasons to foresee such an imbalance. Beginning in December 2001, the Argentine government implemented an unexpected number of monetary and foreign exchange control measures that included restrictions on the free disposition of funds deposited with banks and on the transfer of funds abroad, including dividends, without prior approval by the Central Bank, some of which are still in effect. Among the restrictions that are still in effect are those relating to the payment prior to maturity of the principal amount of loans, bonds or other securities owed to non-Argentine residents, the requirement for Central Bank approval prior to acquiring foreign currency for certain types of investments and the requirement that 30% of certain types of capital inflows into Argentina be deposited in a non-interest bearing account in an Argentine bank for a period of one year.

Although the transfer of funds abroad in order to pay dividends no longer requires Central Bank approval, restrictions on the movement of capital to and from Argentina such as the ones which previously existed could, if reinstated, impair or prevent the conversion of dividends, distributions, or the proceeds from any sale of common shares, as the case may be, from Pesos into U.S. dollars and the remittance of the U.S. dollars abroad. We cannot assure you that the Argentine government will not take similar measures in the future. In such a case, the depository for the ADSs may hold the Pesos it cannot convert for the account of the ADR holders who have not been paid.

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

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

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

In accordance with Argentine corporate law we may pay dividends to shareholders out of net and realized profits, if any, as set forth in our audited financial statements prepared in accordance with Argentine GAAP. The approval, amount and payment of dividends are subject to the approval by our shareholders at our annual ordinary shareholders meeting. The approval of dividends requires the affirmative vote of a majority of

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the shareholders entitled to vote at the meeting. As a result, we cannot assure you that we will be able to generate enough net and realized profits so as to pay dividends or that our shareholders will decide that dividends will be paid.

Our ability to pay dividends is limited by law and by certain loan agreement covenants.

In accordance with Argentine corporate law, we may pay dividends in Pesos only out of retained earnings, if any, to the extent set forth in our audited financial statements prepared in accordance with Argentine GAAP. In addition, we are party to a loan agreement which imposes restrictions on our ability to pay dividends in excess of US\$5 million per calendar year.

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

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

You might be unable to exercise preemptive or accretion rights with respect to the common shares underlying your ADSs.

Under Argentine corporate law, if we issue new common shares as part of a capital increase, our shareholders will generally have the right to subscribe for a proportional number of common shares of the class held by them to maintain their existing ownership percentage, which is known as preemptive rights. In addition, shareholders are entitled to the right to subscribe for the unsubscribed common shares of either the class held by them or other classes which remain unsubscribed at the end of a preemptive rights offering, on a pro rata basis, which is known as accretion rights. You may not be able to exercise the preemptive or accretion rights relating to the common shares underlying your ADSs unless a registration statement under the US Securities Act of 1933 is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the common shares relating to these preemptive rights, and we cannot assure you that we will file any such registration statement. Unless we file a registration statement or an exemption from registration is available, you may receive only the net proceeds from the sale of your preemptive rights by the depositary or, if the preemptive rights cannot be sold, they will be allowed to lapse. As a result, US holders of common shares or ADSs may suffer dilution of their interest in our company upon future capital increases.

The warrants are exercisable under limited circumstances and will expire.

Each warrant will be exercisable only if the common share rights or ADS rights to which such warrant relates have been exercised, and such warrant will be exercisable on the last day of each calendar quarter following the first anniversary of the date of issuance of the warrants. The warrants will automatically expire on the fifth anniversary of the last day of the first calendar quarter to occur after consummation of this offering.

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USE OF PROCEEDS

We currently estimate that the net proceeds of this offer will be approximately US\$ _____ million, after deducting estimated fees and expenses, based on the assumptions that all of the common shares and ADSs available for purchase in this rights offering are purchased and that none of the warrants are exercised upon consummation of this offering.

The amount of net proceeds set forth above represents only an estimate (based on the stated assumptions) and may differ from the actual net proceeds we receive from this offering.

We intend to use the net proceeds of the offering as follows:

Approximately US\$ _____ for investments in agricultural activities in Latin America. We intend to focus primarily on investments in Argentina, Brazil, Uruguay, Paraguay and Bolivia but may invest in other countries to the extent we believe such investments are consistent with our business strategy;

US\$ _____ million for investments in our subsidiaries, primarily in IRSA, through capital contributions, repurchase of shares or subscription of preemptive and accretion rights issued in connection with future capital increases of such subsidiaries;

US\$ _____ million to repay the US\$8.0 million loan agreement with Credit Suisse, dated May 2, 2006, which accrues interest at a rate per annum equal to three-month LIBOR plus 375 basis points and is scheduled to mature in November 2008; and

US\$ _____ million in working capital and for other general corporate purposes.

Although we are constantly evaluating investment opportunities, at this time we do not have any binding commitment to make any material investments not identified in this prospectus. Considering that our strategy primarily relies on the identification and development of what we consider attractive investment opportunities, it is likely that the net proceeds from this offering will not be fully used in the short-term. Until we use the proceeds to make investments in accordance with our strategy, we intend to invest the net proceeds from the this offering in high quality, liquid financial instruments. The allocation of the net proceeds from this offering will be influenced by prevailing market conditions from time to time, and as a result we reserve the right to reallocate all or a portion of such anticipated uses to other uses we deem consistent with our strategy.

Table of Contents**MARKET INFORMATION**

Our common shares are traded in Argentina on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), under the trading symbol CRES. Since March 1997, our ADSs, each presenting 10 common shares, have been listed on the NASDAQ under the trading symbol CRESY. The Bank of New York is the depository with respect to the ADSs.

The table below shows the high and low daily closing prices of our common shares in Argentine pesos and the quarterly trading volume of our common shares on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) for the first quarter of 2002 through August 2007. The table also shows the high and low daily closing prices of our ADSs in U.S. dollars and the quarterly trading volume of our ADSs on the NASDAQ for the first quarter of 2002 through August 2007. Each ADS represents ten common shares.

| | Buenos Aires Exchange Ps. per Share | | | NASDAQ US\$ per ADS | | |
|-------------------------|--|------|------|------------------------|-------|-------|
| | Share Volume | High | Low | ADS Volume | High | Low |
| 2002 | | | | | | |
| 1 st Quarter | 4,238,215 | 0.94 | 0.83 | 356,700 | 9.4 | 8.38 |
| 2 nd Quarter | 22,366,137 | 0.86 | 0.62 | 316,700 | 8.38 | 5.99 |
| 3 rd Quarter | 89,256,220 | 1.84 | 0.71 | 349,900 | 6.77 | 5.60 |
| 4 th Quarter | 4,271,862 | 2.28 | 1.82 | 1,182,000 | 6.52 | 5.04 |
| 2003 | | | | | | |
| 1 st Quarter | 9,390,116 | 2.43 | 1.47 | 1,506,964 | 6.52 | 3.99 |
| 2 nd Quarter | 2,924,294 | 2.35 | 1.70 | 1,030,157 | 6.08 | 4.48 |
| 3 rd Quarter | 4,101,037 | 2.72 | 1.70 | 3,279,484 | 8.40 | 5.06 |
| 4 th Quarter | 3,915,643 | 2.66 | 2.04 | 1,899,432 | 9.73 | 6.62 |
| 2004 | | | | | | |
| 1 st Quarter | 4,037,206 | 2.65 | 2.24 | 2,491,280 | 9.29 | 7.74 |
| 2 nd Quarter | 2,789,601 | 4.40 | 2.58 | 11,026,601 | 14.91 | 9.04 |
| 3 rd Quarter | 7,309,323 | 3.86 | 2.84 | 8,085,500 | 12.49 | 10.06 |
| 4 th Quarter | 3,572,063 | 3.52 | 2.54 | 4,892,233 | 12.54 | 8.38 |
| 2005 | | | | | | |
| 1 st Quarter | 1,827,036 | 3.62 | 2.94 | 2,433,951 | 12.22 | 9.81 |
| 2 nd Quarter | 1,452,712 | 4.37 | 3.41 | 4,400,896 | 14.99 | 11.23 |
| 3 rd Quarter | 1,355,908 | 4.91 | 3.79 | 10,671,890 | 16.87 | 12.93 |
| 4 th Quarter | 4,597,793 | 4.03 | 2.88 | 7,392,284 | 13.74 | 9.78 |
| 2006 | | | | | | |
| 1 st Quarter | 3,968,113 | 4.03 | 3.19 | 5,448,497 | 13.97 | 11.10 |
| 2 nd Quarter | 4,915,037 | 3.93 | 3.10 | 5,316,532 | 13.71 | 10.12 |
| 3 rd Quarter | 4,582,691 | 4.38 | 3.22 | 8,431,362 | 14.44 | 10.42 |
| 4 th Quarter | 4,003,720 | 5.73 | 3.73 | 17,830,919 | 19.45 | 12.10 |
| 2007 | | | | | | |
| 1 st Quarter | 1,812,774 | 4.68 | 3.90 | 5,288,618 | 15.43 | 12.42 |
| 2 nd Quarter | 1,793,537 | 5.30 | 4.35 | 9,816,001 | 17.53 | 14.23 |
| July 2007 | 1,063,255 | 6.45 | 5.77 | 1,157,920 | 20.89 | 18.17 |
| August 2007 | 795,330 | 6.65 | 5.72 | 3,193,914 | 21.04 | 17.06 |

Source: Bloomberg

At June 30, 2007 ADRs evidencing 27,253,430 ADSs were outstanding (equivalent to 272,534,300 common shares or 88.0% of the total number of issued common shares).

Argentine Securities Markets

The *Comisión Nacional de Valores* 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 Valores* 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 Valores* 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

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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 Valores*, 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 Valores* 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 Valores* may be listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*). 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 Valores* and the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*).

There are 10 securities exchanges in Argentina, of which the principal exchange for the Argentine securities market is the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), which handles approximately 99% of all equity trading in the country.

The Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) is a complex, non-profit and self-regulated organization. Various markets require different self-organizations of brokers within the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), 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 (*Bolsa de Comercio de Buenos Aires*) are: Stocks, Corporate Bonds, Convertible Corporate Bonds, Close-ended Investment Funds, Financial Trust, Indexes, Derivatives and Public Bonds. The Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) is legally qualified for admission, suspension, and delisting of securities according to its own rules approved by the *Comisión Nacional de Valores*. Furthermore, the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) works very closely with the *Comisión Nacional de Valores* in surveillance activities. Also under a special agreement, registration and listing applications are directly filed with the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) for simultaneous processing.

The MERVAL is a corporation whose 133 shareholder members are the only individuals and entities authorized to trade, either as principal or as agent, in the securities listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*). Trading on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) is conducted by continuous open outcry, or the traditional auction system, from 11:00 a.m. to 5:00 p.m. each business trading day of the year. Trading on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) is also conducted through a *Sistema Integrado de Negociación Asistida por Computación* (SINAC). SINAC is a computer trading system that permits trading in debt securities and equity securities. SINAC is accessed by brokers directly from workstations located at their offices. Currently, all transactions relating to listed notes and listed government securities can be effected through SINAC.

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 Valores*.

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.

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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 Valores*.

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 (*Bolsa de Comercio de Buenos Aires*) and the *Mercado de Valores de Buenos Aires S.A.* (49.98% each).

Information regarding the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*)

| | As of June 30, | | As of December 31, | |
|--|----------------|---------|--------------------|-------|
| | 2007 | 2006 | 2005 | 2004 |
| Market capitalization (Ps.billion) | 1,335.91 | 1,229.3 | 771.3 | 689.9 |
| Average daily trading volume (Ps. million) | 69.9 | 61.4 | 74.6 | 52.6 |
| Number of listed companies | 107 | 106 | 104 | 107 |

Although companies may list all of their capital stock on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), 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 (*Bolsa de Comercio de Buenos Aires*).

As of June 30, 2007, approximately 107 companies had equity securities listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*). As of June 30, 2007, approximately 9.63% of the total market capitalization of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) was represented by the securities of ten national companies.

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 77% increase in 2002, a 104% increase in 2003, a 28% increase in 2004, a 13% increase in 2005, a 34% increase in 2006 and a 5% increase for the six month period ended June 30, 2007. In order to control price volatility, the Merval operates a system pursuant to which the negotiation of a particular stock or debt security is suspended for a 15-minute period when the price of the security registers a variation on its price between 10% and 15% and between 15% and 20%. Any additional 5% variation on the price of the security after that results in additional 10-minute successive suspension periods.

Table of Contents**DIVIDENDS AND 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 are allocated as follows:

5% of such net profits is allocated to our legal reserve, until such reserve amounts to 20% of our capital stock;

a certain amount determined at a shareholders meeting is allocated to compensation of our directors and the members of our Supervisory Committee; and

additional amounts are allocated for the payment of dividends or to optional reserve funds, or to establish reserves or for whatever other purpose our shareholders determine.

On May 2, 2006, we entered into a US\$8 million loan agreement with Credit Suisse which imposes restrictions on our ability to pay dividends. Under this loan agreement, which matures on November 2, 2008, we are not permitted to make dividends or other restricted payments (including purchases or redemptions of our capital stock), in cash, obligations or other property, in an aggregate amount exceeding US\$5 million in any calendar year.

The following table sets forth the dividend payout ratio and the amount of dividends paid on each fully paid common share each year since 1996. Amounts in Pesos are presented in historical, non-inflation adjusted Pesos as of the respective payment dates. See Exchange Rates and Exchange Controls.

| Year | Total Dividend (in millions of Pesos) | Dividend per Common Share ⁽¹⁾ (Pesos) |
|---------------------|--|---|
| 1996 | | |
| 1997 | | |
| 1998 | 3.8 | 0.099 |
| 1999 | 11.0 | 0.092 |
| 2000 | 1.3 | 0.011 |
| 2001 | 8.0 | 0.030 |
| 2002 | | |
| 2003 | 1.5 | 0.012 |
| 2004 | 3.0 | 0.020 |
| 2005 | 10.0 | 0.059 |
| 2006 | 5.5 | 0.024 |
| 2007 ⁽²⁾ | | |

(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 and Exchange Controls.

(2) The amount of dividends, if any to be paid in respect of our fiscal year ended June 30, 2007, will be determined by our shareholders at our next shareholders meeting currently expected to occur in October, 2007.

Future dividends with respect to our common shares, if any, will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that our shareholders at a general shareholders meeting may deem relevant. As a result, we cannot give you any assurance that we will pay any dividends at any time in the future.

Table of Contents**CAPITALIZATION**

The following table sets forth our consolidated capitalization in accordance with Argentine GAAP, as of June 30, 2007 and as adjusted to give the effect of the sale of common shares assuming a subscription price of .

| | As of June 30, 2007 | |
|--|---------------------|----------------------------|
| | Actual | As adjusted ⁽¹⁾ |
| Short-term debt (guaranteed and secured) | | |
| Short-term debt (unguaranteed and unsecured) | 122,749,734 | |
| Long-term debt (guaranteed and secured) ⁽²⁾ | 24,744,000 | |
| Minority interest | 836,872 | |
| Shareholders' equity: | | |
| Common stock | 309,576,220 | |
| Inflation adjustment of common stock | 166,218,124 | |
| Paid-in capital | 164,923,025 | |
| Legal reserve ⁽³⁾ | 13,176,701 | |
| Reserve for new developments ⁽⁴⁾ | 120,099,646 | |
| Accumulated retained earnings | 49,362,269 | |
| Translation differences | 1,598,230 | |
| Total shareholders' equity | 824,954,215 | |
| Total capitalization⁽⁵⁾ | 973,284,821 | |

- (1) Assumes net proceeds of the rights offering of US\$. million resulting from the issuance of common shares, net of expenses, related to the rights offering.
- (2) As of June 30, 2007, an amount of 1,834,860 ADRs of IRSA are restricted as collateral for the financing. The collateral is based on a fixed ratio of debt coverage, accordingly, such amounts may be released and/or increased depending on the market value of the shares underlying the ADRs and subsequent payments.
- (3) Under Argentine law, we are required to allocate 5% of our net income to a legal reserve until the amount of such legal reserve equals 20% of our outstanding capital.
- (4) Pursuant to a resolution of the *Inspeccion General de Justicia*, companies should indicate the intended use of the accumulated retained earnings balance of the period. Accordingly, we transferred the balance of accumulated retained earnings to a special reserve labeled as Reserve for New Developments. This reclassification has no impact on our total shareholders' equity.
- (5) Total capitalization consists of the sum of short-term and long-term debt, minority interest and shareholders' equity.

Table of Contents**EXCHANGE RATES AND EXCHANGE CONTROLS****Exchange Rates**

In April 1991, Argentine law established a fixed exchange rate according to which the Central Bank was statutorily obliged to sell U.S. dollars to any individual at a fixed exchange rate of Ps.1.00 per US\$1.00. On January 7, 2002, the Argentine congress enacted the Public Emergency Law, abandoning over ten years of fixed Peso-U.S. dollar parity at Ps.1.00 per US\$1.00. After devaluing the Peso and setting the official exchange rate at Ps.1.40 per US\$1.00, on February 11, 2002, the government allowed the Peso to float. The shortage of U.S. dollars and their heightened demand caused the Peso to further devalue significantly in the first half of 2002. Since June 30, 2002, the Peso has appreciated versus the U.S. dollar from an exchange rate of Ps.3.80=US\$1.00 to an exchange rate of Ps.3.1560 =US\$1.00 at September 1, 2007 as quoted by *Banco de la Nación Argentina* at the U.S. dollar selling rate. The Central Bank may indirectly affect this market through its active participation.

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

Nominal Exchange Rates

| | Exchange Rate | | | Period Closing |
|---------------------------------|---------------------|--------------------|------------------------|----------------|
| | High ⁽¹⁾ | Low ⁽²⁾ | Average ⁽³⁾ | |
| Fiscal year ended June 30, 2002 | 3.7400 | 0.9990 | 1.8206 | 3.7900 |
| Fiscal year ended June 30, 2003 | 3.7400 | 2.7120 | 3.2565 | 2.8000 |
| Fiscal year ended June 30, 2004 | 2.9510 | 2.7100 | 2.8649 | 2.9580 |
| Fiscal year ended June 30, 2005 | 3.0400 | 2.8460 | 2.9230 | 2.8670 |
| Fiscal year ended June 30, 2006 | 3.0880 | 2.8590 | 3.0006 | 3.0860 |
| Fiscal year ended June 30, 2007 | 3.1080 | 3.0480 | 3.0862 | 3.0930 |
| April 2007 | 3.1010 | 3.0830 | 3.0909 | 3.0900 |
| May 2007 | 3.0900 | 3.0750 | 3.0850 | 3.0770 |
| June 2007 | 3.0930 | 3.0720 | 3.0793 | 3.0930 |
| July 2007 | 3.1800 | 3.0910 | 3.1131 | 3.1210 |
| August 2007 | 3.1780 | 3.1330 | 3.1530 | 3.1560 |
| September 2007 | 3.1650 | 3.1310 | 3.1477 | 3.1500 |

Source: *Banco de la Nación Argentina*

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

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

Exchange Controls

On December 1, 2001, Decree No. 1570/2001 imposed significant limitations upon the availability of the bank deposits as well as foreign exchange controls which restricted cash outflows. In 2001 and 2002 and until February 7, 2003, the Central Bank, among other restrictive measures, restricted the transfer of U.S. dollars abroad without its prior approval except for transfers related to foreign trade transactions, payments of expenses or withdrawals made abroad through debit or credit cards issued in Argentina. In 2003 and 2004, the government substantially eased these restrictions.

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From February to December 2002, any distribution of dividends outside Argentina was subject to prior authorization from the Central Bank. In December 2002, the rule was amended and purchases of foreign currency were authorized without prior authorization for an amount equal to US\$150,000 (in the aggregate) per calendar month.

On January 7, 2003, the Central Bank issued Communication A 3859 which is still in place. Pursuant to this communication, purchases of foreign currency and distributions of dividends outside Argentina by Argentine companies are subject to no limitation, provided that such purchases or distributions of dividends are duly approved and reflected in the audited financial statements of such companies.

Restrictions also apply to foreign investments in Argentina. On June 26, 2003, the government set restrictions on capital flows into Argentina which mainly consisted of a prohibition against the transfer abroad of any funds until 180 days after their entry into the country. Since the Argentine crisis, the Central Bank has gradually softened most of the foreign exchange restrictions that were in place during the crisis. However, starting on June 10, 2005 the government established further restrictions on capital flows into Argentina. As of June 10, 2005, certain transactions have to be registered with the Central Bank, all currency inflow has to remain in Argentina for a minimum term of 365 days, and a mandatory deposit equivalent to 30% of the total currency inflow is required. This deposit which must be made in U.S. dollars with a local financial institution does not bear interest and cannot be used as collateral and it will only be returned after 365 days of its constitution. Pursuant to Decree No. 616/2005, these restrictions do not apply, between others, to the primary subscription of shares of resident companies which are allowed to do public offering and listed on a self-regulated market.

Table of Contents**THE RIGHTS OFFERING****Statutory Preemptive and Accretion Rights**

Pursuant to our bylaws and as required by Argentine law, each existing holder of our common shares has the following rights:

a preemptive right to subscribe for new issues of common shares in proportion to such shareholder's respective shareholding, and

an accretion right which provides that if any new common shares are not subscribed for by our shareholders pursuant to their preemptive rights, the shareholders which have exercised their preemptive rights are entitled to subscribe for such unsubscribed common shares in proportion to the number of new common shares purchased by such exercising shareholders pursuant to their exercise of preemptive rights.

On _____, 2007, our shareholders authorized the future issuance of common shares. We are offering to the existing holders of our common shares rights to subscribe for additional common shares. Each _____ common share held of record as of 6:00 p.m. (Buenos Aires, Argentina time) on _____, 2007 (as reflected in our share register with *Caja de Valores*) entitles its holder to one common share right. _____ common share rights will entitle their holder (i) to subscribe for one common share pursuant to its exercise of preemptive rights, (ii) to subscribe at the same price for additional common shares remaining unsubscribed after the preemptive rights offering pursuant to its exercise of accretion rights and (iii) to receive free of charge, for each new common share that it purchases pursuant to its exercise of preemptive and accretion rights, one warrant to purchase 0.3334 additional common shares. The subscription price for each new common share will be payable in Argentine pesos in an amount equal to the Argentine peso equivalent (determined on the basis of the seller's reference exchange rate (*tipo de cambio vendedor*) published by *Banco de la Nación Argentina* on _____, 2007) of the U.S. dollar subscription price for each new ADS, divided by 10, determined on the basis of the exchange rate quoted by the Banco de la Nación Argentina on _____, 2007.

Our holders of ADSs are also entitled to preemptive and accretion rights to subscribe for ADSs. Each _____ ADS held of record as of 5:00 p.m. (New York City time) on _____, 2007 (as reflected in the depository's books and records) entitles the holder thereof to one ADS right, _____ ADS rights will entitle its holder (i) to subscribe for one new ADS pursuant to its exercise of ADS preemptive rights, (ii) to subscribe at the same price for additional ADSs remaining unsubscribed after the preemptive rights offering pursuant to its exercise of accretion rights and (iii) to receive free of charge, for each new ADS that it purchases pursuant to its exercise of preemptive and accretion rights, 10 warrants each of which will entitle such holder to purchase 0.3334 additional common shares. The subscription price for each new ADS will be payable in U.S. dollars and will be published by us on _____, 2007 in (*La Nación*, *Ámbito Financiero*, the *Official Gazette* of Argentina,) the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and PR Newswire.

Subscription Forms

As described below, different deadlines are applicable to the subscription forms and the instruction letter. To subscribe for common shares or ADSs in the exercise of preemptive and accretion rights, each holder of such right must fill in and submit the relevant forms to the common share rights agent or the ADS rights agent, as the case may be. Such submission will represent an irrevocable exercise of preemptive and accretion rights to purchase common shares or ADSs, as the case may be. In the case of holders of common shares, such form must be accompanied by a certificate of ownership issued by the *Caja de Valores* or evidence of assignment of the rights in his/her favor. Timely submission of these documents is necessary for effective subscription of common shares, and prospective subscribers should carefully review these documents. Forms for completion and submission have been delivered with this prospectus. Prospective subscribers requiring additional or replacement copies of such forms, may obtain them upon request from The Bank of New York in its capacity as our ADS rights agent or in its capacity as our common share rights agent. Our ADS rights agent will not accept subscriptions for common shares from holders of our common shares.

Subscription Period

Ten calendar days, from _____, 2007 through 4:30 p.m. (Buenos Aires, Argentina time) in the case of the common share rights and through 5:00 p.m. (New York City time) in the case of the ADS rights on _____, 2007.

To exercise common share rights, you must deliver to our common shares rights agent, a properly completed subscription form accompanied by a certificate of ownership issued by the *Caja de Valores* or evidence of assignment of the common share rights in your favor by 4:30 p.m. (Buenos Aires, Argentina time) on _____, 2007, or your common share rights will lapse and will have no further value. Deposit in the mail will

not constitute delivery to us.

To exercise ADS rights, you must deliver to the ADS rights agent a properly completed ADS rights certificate by 5:00 p.m. New York City time on _____, 2007, or your ADS rights will lapse and you will have no rights other than the right to receive the net proceeds, if any (after deducting all applicable taxes and any fees and expenses of the depository and ADS rights agent), from the sale of such unexercised ADS rights. Deposit in the mail will not constitute delivery to the ADS rights agent.

The exercise of common share rights and ADS rights is irrevocable and may not be canceled or modified.

Important Dates

The summary timetable set forth below lists certain important dates relating to the exercise of rights:

| | | | |
|--|--|-------------|--------|
| Common share record date | 6:00 p.m. (Buenos Aires, Argentina time) | | , 2007 |
| ADS record date | 5:00 p.m. (New York City time) | | , 2007 |
| Common share rights commence trading on the Buenos Aires Stock Exchange (<i>Bolsa de Comercio de Buenos Aires</i>) | | | , 2007 |
| Subscription period | | | , 2007 |
| | | to | , 2007 |
| Last day for ADS holders to instruct the ADS rights agent to sell ADS rights | | | , 2007 |
| End of common share rights trading on the Buenos Aires Stock Exchange (<i>Bolsa de Comercio de Buenos Aires</i>) | | | , 2007 |
| Expiration date for ADS holders | | | , 2007 |
| Expiration date for holders of common shares | | | , 2007 |
| Allocation of accretion rights | | | , 2007 |
| Allocation of unsubscribed common shares and ADSs | | | , 2007 |
| Payment date for ADS preemptive rights | | | , 2007 |
| Payment date for ADS accretion rights | | On or about | , 2007 |
| Payment date for common share preemptive rights | | On or about | , 2007 |
| Payment date for common share accretion rights | | On or about | , 2007 |

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Fractional Entitlements

We will not issue fractional common shares or ADSs, pursuant to this rights offering or the exercise of the warrants, and entitlements to common shares or ADSs will be rounded down to the nearest whole common share or ADS, as the case may be.

Trading of Common Share and ADS Rights

Common share rights will trade separately from such common shares on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) from the third business day preceding the subscription period. A holder of record of common shares that sells rights on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) will transfer to the purchaser thereof the right to participate in this rights offering and shall have no further right to participate in the rights offering, regardless of whether such holder continues to hold its common shares.

Any holder of ADS rights may transfer its ADS rights, but ADS rights will not be listed on any securities exchange.

Common Share Subscription Agent and ADS Subscription Agent

, located at , Buenos Aires, Argentina is acting as our common share rights agent for the common share rights offering. Holders of common shares who wish to subscribe for additional common shares must subscribe through the common share rights agent. The common share rights agent will not accept subscriptions from holders of ADSs.

The Bank of New York, located at 101 Barclay Street, New York, New York 10286, is acting as the ADS rights agent. Holders of ADSs who wish to subscribe for additional ADSs must subscribe through the ADS rights agent. The ADS rights agent will not accept subscriptions from holders of common shares.

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Reference Price

On _____, 2007, which is the fifth Argentine business day before the preemptive rights subscription period begins, we will publish in the *Official Gazette* of Argentina, a newspaper of general circulation in Argentina (*La Nación*, *Ámbito Financiero* or both), and PR Newswire an initial reference price for the new common shares and new ADSs to be determined by our board of directors within the range determined by our shareholders at the shareholders' meeting held on _____, 2007.

Subscriptions for new common shares and new ADSs pursuant to the exercise of preemptive and accretion rights during the period in which the reference price is calculated and established will be binding even though the definitive subscription price will not have been established at the time of such exercise and the definitive subscription price subsequently determined may differ from, and therefore may be higher than, the reference price.

Subscription Price

The subscription price for the preemptive and accretion rights will be established by our board of directors on _____, 2007 which is at least six Argentine business days prior to closing of the preemptive rights subscription period, reported to the *Comisión Nacional de Valores* and published in the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and PR Newswire on the following day prior to the opening of the stock market in Argentina.

The subscription price for each new common share will be payable to the common share rights agent in Argentine pesos in an amount equal to the Argentine peso equivalent (determined on the basis of the seller's reference exchange rate (*tipo de cambio vendedor*) published by *Banco de la Nación Argentina* on _____, 2007) of the U.S. dollar-denominated subscription price for each new ADS, divided by 10.

The subscription price for each new ADS will be payable in the U.S. dollars and will be published by us on _____, 2007 in a newspaper of general circulation in Argentina (*La Nación*, *Ámbito Financiero* or both), the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and PR Newswire. Together with the subscription price for each new ADS, holders of ADS rights subscribing for new ADSs must pay to the ADS rights agent an additional amount in U.S. dollars sufficient to cover the fee of the depository of US\$0.05 per new ADS.

Allocation of Accretion Rights

Under Argentine law, if any shares are not subscribed for by shareholders in the exercise of their preemptive rights, the remaining shareholders who have exercised their preemptive rights shall have accretion rights pursuant to which they may purchase unsubscribed shares in proportion to the shares purchased by such exercising shareholder pursuant to their preemptive rights. Shareholders will be asked to indicate in the subscription form which they submit with respect to the exercise of their preemptive rights, the number of common shares they are willing to acquire pursuant to their accretion rights in the event there are common shares which remain unsubscribed after the exercise of preemptive rights. No later than two days after termination of the subscription period, shareholders that have indicated that they wish to exercise accretion rights will be notified by publication of a notice in the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) of the aggregate number of unsubscribed common shares. Based on this notice, we will allocate unsubscribed common shares to shareholders in accordance with their accretion rights.

ADS holders that subscribe for new ADSs pursuant to preemptive rights may indicate on their subscription forms a number of additional ADSs for which they would be willing to subscribe pursuant to accretion rights. ADS holders must submit the ADS subscription price (plus an amount sufficient to cover the fee of the depository of US\$ 0.05 per new ADS) with their subscription forms for the full number of additional ADSs requested pursuant to accretion rights. If accretion rights are allocated to the depository, the ADS rights agent will allocate additional ADSs to ADS holders that requested them. If the amount of additional ADSs available pursuant to accretion rights are insufficient to fill in all requests, the ADS rights agent will allocate the available additional ADSs among requesting ADS holders pro rata to the numbers of additional ADSs they requested.

On _____, 2007, which is one business day after the end of the subscription period, we will notify holders of our common shares and ADS holders who have indicated that they wish to exercise their accretion rights of the aggregate number of unsubscribed common shares and ADSs, as applicable, by publication of a notice in the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), a newspaper of general circulation in Argentina (*La Nación*, *Ámbito Financiero* or both) and PR Newswire. Based on this notice, we will allocate unsubscribed common shares to holders of common shares and ADSs to ADS holders, as applicable, in accordance with their accretion rights.

Method of Exercising of Rights

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During the subscription period, holders of rights will be permitted to exercise their rights by delivering a signed subscription form to our common share rights agent or ADS rights agent. Our common share rights agent and ADS rights agent have discretion to refuse any improperly completed or delivered or unexecuted subscription form.

The subscription period is the sole opportunity to exercise preemptive and accretion rights with respect to the common shares and ADSs. After 4:30 p.m. (Buenos Aires time) on _____, 2007, any holder of common shares (and after 5:00 p.m. (New York City time) on _____, 2007, any holder of ADSs) who has not validly submitted a duly completed subscription form will be deemed to have forfeited its rights to subscribe for common shares or ADSs, as the case may be, and such rights will lapse.

Results of the Rights Offering

On _____, 2007, which is the third Argentine business day after the end of the subscription period, we will notify holders of our common shares and ADS holders by publication of a notice in the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), a newspaper of general circulation in Argentina (*La Nación*, *Ámbito Financiero* or both) and PR Newswire of the final results of the offering for common share rights and ADS rights.

Payment and Method of Purchase

Payment in full of the subscription price for common shares purchased pursuant to the exercise of preemptive rights and accretion rights relating to common shares must be received by our common share rights agent in Argentine pesos by _____ p.m. (Buenos Aires time) on _____, 2007 and _____, 2007, respectively.

Payment in full of the subscription price for each ADS purchased pursuant to the exercise of preemptive rights and accretion rights relating to ADSs must be received by our ADS rights agent in U.S. dollars by 5:00 p.m. (New York time) on _____, 2007.

Exercising shareholders who do not pay for their common shares or ADSs by such time on the payment date will forfeit their rights to such common shares or ADSs. Such payment should be made in cash to our common share rights agent by means of a wire transfer to _____ at the _____, Buenos

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Aires, Argentina, , or by check or wire transfer to our ADS rights agent at The Bank of New York, ABA# 021000018, A/C# 8900060603, Account Name: Reorg. Incoming Wire Transfer, Ref: Cresud, by mail at The Bank of New York, Tender and Exchange Department, P.O. Box 11248, Church Street Station, New York, New York 10286-1248, or by hand, express mail or overnight courier at The Bank of New York, Tender and Exchange Department, 101 Barclay Street. Receive and Delivery Window Street Level, New York, New York 10286. Any payment to our common share rights agent must be made in Argentine pesos, any payment to our ADS rights agent must be made in U.S. dollars.

Failure to pay for the common shares or ADSs will result in non-compliance with the respective payment terms established above. In case of non-payment, our board of directors may take any action with respect to the common shares or ADSs that is allowed under Argentine corporate law. If our board of directors chooses to declare the rights of any non-paying party void, it must decide upon the treatment to be given to the unpaid common shares or ADSs which may be offered to third parties at the same subscription price.

THE METHOD OF DELIVERY OF SUBSCRIPTION FORM AND PAYMENT OF THE SUBSCRIPTION PRICE TO THE COMMON SHARE RIGHTS AGENT OR THE ADS RIGHTS AGENT WILL BE AT THE ELECTION AND RISK OF THE HOLDERS OF COMMON SHARE RIGHTS AND ADS RIGHTS. IF SENT BY MAIL, HOLDERS OF SUCH RIGHTS ARE URGED TO SEND SUBSCRIPTION FORMS AND PAYMENTS BY REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, AND ARE URGED TO ALLOW A SUFFICIENT NUMBER OF DAYS TO ENSURE DELIVERY TO THE COMMON SHARE RIGHTS AGENT OR THE ADS RIGHTS AGENT, AS THE CASE MAY BE, AND CLEARANCE OF PAYMENT PRIOR TO THE RELEVANT EXPIRATION DATE. HOLDERS OF COMMON SHARE RIGHTS AND ADS RIGHTS ARE STRONGLY URGED TO PAY, OR ARRANGE FOR PAYMENT, BY MEANS OF CERTIFIED OR CASHIER S CHECK OR MONEY ORDER.

Determinations of Timeliness, Validity, Form and Eligibility

All questions concerning the timeliness, validity, form and eligibility of any purchase in the common share rights offering and the ADS rights offering will be determined by us, and our determinations will be final and binding. We in our sole discretion may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as we may determine, or reject the purported exercise of any preemptive right or accretion right. Any subscription form for common shares or ADSs will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as we determine, in our sole discretion. Neither we, our common share rights agent nor our ADS rights agent will be under any duty to give notification of any defect or irregularity in connection with the submission of any such notice or will incur any liability for failure to give such notification.

Table of Contents**DILUTION**

If you invest in our ADSs in this offering, your ownership interest will be diluted to the extent of the difference between the initial offering price per ADS and the pro forma net book value per ADS upon the completion of this offering. Dilution results from the fact that the per-ADS offering price of ADSs in this offering could be substantially in excess of the book value per ADS attributable to the ADSs. Pro forma net book value per ADS representing our total book value as of _____, 2007 was approximately Ps. _____ million or US\$ _____ million, or approximately Ps. _____ per common share or US\$ _____ per ADS.

Dilution of shareholders' interest after this offering

At June 30, 2007, we had a net tangible book value of Ps. _____ per common share or US\$ _____ per ADS. Net tangible book value per share or ADS represents the amount of our total tangible assets (total assets less intangible assets) less total liabilities of Ps. _____, divided by _____, the total number of our common shares outstanding at June 30, 2007 or Ps. _____, the total number of ADSs that would represent such total number of common shares based on a share-to-ADS ratio of 10. After giving effect to the sale of the ADSs offered by us in this offering and, after, deducting the estimated offering expenses payable by us, our net tangible book value estimated at June 30, 2007 would have been approximately Ps. _____, representing Ps. _____ per common share or US\$ _____ per ADS. At the initial public offering price of US\$ _____ per ADS, or US\$ _____ per share, which is the price per ADS set forth on the cover page of this prospectus, this represents an immediate increase in net tangible book value of Ps. _____ per common share or US\$ _____ per ADS to existing shareholders and an immediate dilution in tangible book value of Ps. _____ per common share (US\$ _____) or US\$ _____ per ADS to purchasers of ADSs in this offering. Dilution for this purpose represents the difference between the price per ADS paid by these purchasers and net tangible book value per ADS immediately after the completion of this offering.

Dilution in net book value after this offering

A Ps.1.00 increase (decrease) in the public offering price of Ps. _____ per common share or US\$ _____ per ADS would increase (decrease) our pro forma net book value after this offering by approximately Ps. _____ or US\$ _____. The pro forma net book value per ADS after this offering by Ps. _____ per common share or US\$ _____ per ADS. The dilution in the pro forma net book value per ADS to investors in this offering by Ps. _____ or US\$ _____, assuming the number of common shares and ADSs offered under this offering, as set forth on the cover page of this prospectus, remains the same (before deducting underwriting discounts and commissions and offering expenses payable by us).

The following table illustrates this dilution of US\$ _____ per common share to purchasers of ADSs in this offering:

| | |
|---|------|
| Initial public offering price per share | US\$ |
| Net tangible book value per share at June 30, 2007 | |
| Increase in net tangible book value per share attributable to new investors | |
| Pro forma net tangible book value per share after this offering | |
| Dilution per share to new investors ¹ | US\$ |

¹ Each ADS represents ten common shares. Accordingly, the dilution per ADS to purchasers of ADSs in this offering will be US\$ _____.

Dilution in pro forma net book value resulting from the exercise of warrants

The dilution resulting from the exercise of the warrants will occur if such price of such exercise is lower than the pro forma net book value of the underlying share at the date of exercise. The percentage of such dilution will significantly depend on the difference between the exercise price and the pro forma net book value of the underlying shares.

The following table shows the dilution resulting from the exercise price of the warrants and corresponding issuance of shares, at the public offering price of US\$ _____ per ADS after this offering.

Table of Contents**Dilution resulting from the exercise of the warrants⁽¹⁾****Ps. (except where indicated)**

| | Shares | ADSs |
|---|--------|------|
| Price per share ADS | | |
| Pro forma net book value per share/ADS after this offering and before the exercise of the warrants | | |
| Increase in pro forma net book value per share/ADS attributable to the issuance of warrants | | |
| Pro forma net book value per share/ADS after this offering and after the exercise of the warrants | | |
| Dilution (increase) in pro forma net book value per share/ADS of the warrants | | |
| Percentage of dilution (increase) of the issuance of the warrants | % | % |
| Dilution (increase) in pro forma net book value per share/ADS for the shareholders not subscribing warrants | | |

(1) Before deducting expenses and underwriting discounts and commissions payable by us in connection with this offering.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION**

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 Cresud's Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. The selected consolidated statement of income data for the years ended June 30, 2005, 2006 and 2007 and the selected consolidated balance sheet data as of June 30, 2006 and 2007 have been derived from our consolidated financial statements included in this prospectus. The consolidated financial statements as of June 30, 2006 and 2007 and for the three years in the period ended June 30, 2007 have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm. The selected consolidated income statement data for the years ended June 30, 2003 and 2004 and the selected consolidated balance sheet data as of June 30, 2003, 2004 and 2005 have been derived from our Annual Report on Form 20-F for the year ended June 30, 2006 which is incorporated by reference herein.

Effective July 1, 2006, we adopted Technical Resolution No. 22 Agricultural Activities (RT No. 22). RT No. 22 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activity. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets. RT No. 22 prescribes, among other things, the accounting treatment for biological assets during the period of growth, degeneration, production, and procreation, and for the initial measurement of agricultural produce at the point of harvest. It requires measurement at fair value less estimated point-of-sale costs from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. RT No. 22 requires that a change in fair value less estimated point-of-sale costs of a biological asset be included in profit or loss for the period in which it arises. RT No. 22 also requires that gains or losses arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs to be included in profit or loss for the period in which it arises. The adoption of RT No. 22 did not have a significant impact in our measurement and recognition of biological transformation. Rather, it changed the format of our income statement. Under RT No. 22 we disclose certain components of our costs as separate line items in the income statement. Adoption of RT No. 22 did not result in any change to our consolidated gross profit for any of the periods presented.

In order to comply with regulations of the *Comisión Nacional de Valores*, we recognized deferred income tax assets and liabilities on an undiscounted basis. This accounting practice represented a departure from Argentine GAAP for the years ended June 30, 2006 and 2005. However, such a departure has not had a material effect on the consolidated financial statements as of those dates. As further discussed below, the CPCECABA issued revised accounting standards. One of these standards required companies to account for deferred income taxes on an undiscounted basis, thus aligning the accounting to that of the *Comisión Nacional de Valores*. Since the *Comisión Nacional de Valores* adopted the CPCECABA standards effective for our fiscal year beginning July 1, 2006, there is no longer a difference on this subject between Argentine GAAP and the *Comisión Nacional de Valores* regulations.

Additionally, after considerable inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government 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 1.1232. Since Argentine GAAP required companies to discontinue inflation adjustments only as from October 1, 2003, the application of the *Comisión Nacional de Valores* resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March to September 2003, such a departure has not had a material effect on the accompanying consolidated financial statements.

As of June 30, 2007 we owned a 25.0% equity interest in IRSA. In compliance with Rule 3-09 of Regulation S-X, also contained in this prospectus are the audited consolidated financial statements of IRSA as of June 30, 2006 and 2007 and for the years ended June 30, 2005, 2006 and 2007. As of June 30, 2007, IRSA had a significant investment in Banco Hipotecario that accounted for 7.3% of IRSA's total consolidated assets at such date.

Table of Contents**Selected Consolidated Financial Information for Cresud**

| | 2003 ⁽¹⁾ | 2004 | As of the year ended June 30 | | 2007 | 2007 ⁽²⁾ |
|---|---------------------|---------------------|------------------------------|---------------------|---------------------|---------------------|
| | (Ps.) | (Ps.) | 2005 | 2006 | (Ps.) | (US\$) |
| | | | (Ps.) | (Ps.) | | |
| INCOME STATEMENT DATA | | | | | | |
| <i>Argentine GAAP</i> | | | | | | |
| Production income: | | | | | | |
| Crops | 24,883,609 | 24,369,232 | 44,052,970 | 37,005,907 | 72,426,012 | 23,416,105 |
| Beef cattle | 16,584,204 | 20,637,512 | 19,993,923 | 20,452,655 | 19,462,410 | 6,292,405 |
| Milk | 2,414,992 | 3,191,948 | 3,463,144 | 7,892,462 | 10,911,397 | 3,527,771 |
| Total production income | 43,882,805 | 48,198,692 | 67,510,037 | 65,351,024 | 102,799,819 | 33,236,281 |
| Cost of production: | | | | | | |
| Crops | (18,770,450) | (17,616,790) | (34,463,844) | (35,799,706) | (52,401,684) | (16,942,025) |
| Beef cattle | (8,813,155) | (15,112,209) | (17,012,337) | (18,780,372) | (15,050,438) | (4,865,968) |
| Milk | (1,483,172) | (1,307,962) | (2,094,975) | (5,845,360) | (8,476,391) | (2,740,508) |
| Total cost of production | (29,066,777) | (34,036,961) | (53,571,156) | (60,425,438) | (75,928,513) | (24,548,501) |
| Gross income from production | 14,816,028 | 14,161,731 | 13,938,881 | 4,925,586 | 26,871,306 | 8,687,780 |
| Sales: | | | | | | |
| Crops | 50,167,010 | 26,838,376 | 30,893,216 | 61,659,566 | 53,401,376 | 17,265,236 |
| Beef cattle | 20,566,175 | 27,723,604 | 36,826,885 | 33,713,479 | 31,966,582 | 10,335,138 |
| Milk | 2,414,992 | 3,191,948 | 3,463,144 | 7,892,462 | 9,730,929 | 3,146,113 |
| Feed lot | 4,453,320 | 7,120,335 | 2,129,838 | 2,721,377 | 3,102,229 | 1,002,984 |
| Other | 1,985,004 | 4,778,545 | 4,859,931 | 6,353,777 | 12,116,372 | 3,917,353 |
| Total sales | 79,586,501 | 69,652,808 | 78,173,014 | 112,340,661 | 110,317,488 | 35,666,824 |
| Cost of sales: | | | | | | |
| Crops | (47,129,107) | (23,941,415) | (30,460,110) | (53,286,035) | (50,434,966) | (16,306,163) |
| Beef cattle | (19,450,110) | (26,478,681) | (35,810,780) | (32,993,523) | (30,272,710) | (9,787,491) |
| Milk | (2,414,992) | (3,191,948) | (3,463,144) | (7,892,462) | (9,730,929) | (3,146,113) |
| Feed lot | (4,193,288) | (6,185,771) | (1,855,278) | (2,318,102) | (2,823,865) | (912,986) |
| Other | (1,387,411) | (1,196,060) | (1,546,204) | (2,093,332) | (5,870,058) | (1,897,853) |
| Total cost of sales | (74,574,908) | (60,993,875) | (73,135,516) | (98,583,454) | (99,132,528) | (32,050,606) |
| Gross income from sales | 5,011,593 | 8,658,933 | 5,037,498 | 13,757,207 | 11,184,960 | 3,616,218 |
| Gross profit | 19,827,621 | 22,820,664 | 18,976,379 | 18,682,793 | 38,056,266 | 12,303,998 |
| Selling expenses | (6,115,048) | (5,740,115) | (6,599,566) | (10,151,452) | (9,971,891) | (3,224,019) |
| Administrative expenses | (4,567,091) | (4,957,250) | (7,271,279) | (11,560,307) | (16,628,088) | (5,376,039) |
| Net gain on sale of farms | 4,869,484 | 1,668,751 | 19,987,989 | 9,897,186 | 22,255,710 | 7,195,509 |
| Unrealized gain on inventories: | | | | | | |
| Beef cattle | 12,402,776 | 2,236,255 | 11,620,779 | 2,847,711 | 5,102,943 | 1,649,836 |
| Crops | 1,590,397 | 1,783,574 | (456,710) | 1,391,209 | (805,910) | (260,559) |
| Operating income | 28,008,139 | 17,811,879 | 36,257,592 | 11,107,140 | 38,009,030 | 12,288,726 |
| Financial results, net | (11,065,223) | (18,969) | 63,751,386 | 12,373,958 | (10,457,994) | (3,381,181) |
| Gain on equity investees | 67,706,143 | 26,669,884 | 28,087,632 | 22,140,997 | 40,198,825 | 12,996,710 |
| Other expense, net | (2,091,884) | (363,761) | (5,065,386) | (3,367,594) | (4,250,800) | (1,374,329) |
| Management fee | (7,224,996) | (3,567,003) | (8,533,213) | (3,836,470) | (5,484,697) | (1,773,261) |
| Income before income tax and minority interest | 75,332,179 | 40,532,030 | 114,498,011 | 38,418,031 | 58,014,364 | 18,756,665 |

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| | | | | | | |
|--------------------|--------------|-------------|--------------|-------------|-------------|-------------|
| Income tax expense | (10,531,263) | (8,570,269) | (37,787,594) | (5,431,831) | (8,375,095) | (2,707,758) |
| Minority interest | 224,045 | 141,261 | 88,501 | (102,924) | (277,000) | (89,557) |
| Net income | 65,024,961 | 32,103,022 | 76,798,918 | 32,883,276 | 49,362,269 | 15,959,350 |

U.S. GAAP

| | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Total sales | 71,878,218 | 62,179,287 | 75,582,982 | 105,371,504 | 104,493,979 | 33,784,022 |
| Total cost of sales | (50,578,787) | (40,330,843) | (52,000,895) | (83,441,671) | (62,333,457) | (20,153,074) |
| Gross profit | 21,299,431 | 21,848,444 | 23,582,087 | 21,929,833 | 42,160,522 | 13,630,948 |
| Administrative expenses | (9,025,339) | (4,561,060) | (16,466,503) | (14,298,716) | (21,878,033) | (7,073,402) |
| Operating income | 6,159,044 | 11,547,269 | 516,018 | (2,520,335) | 10,346,605 | 3,345,168 |
| Financial results, net | (27,336,810) | (8,998,813) | 54,964,547 | 2,017,841 | (18,181,646) | (5,878,321) |
| Gain on equity investees | 67,342,113 | 3,455,098 | 47,201,959 | 21,758,975 | 40,562,309 | 13,114,229 |
| Income before income tax and minority interest | 48,941,947 | 7,197,759 | 117,631,326 | 27,864,275 | 50,856,515 | 16,442,456 |
| Income tax expense | (2,646,951) | (3,945,940) | (31,025,373) | (272,575) | (1,244,203) | (402,264) |
| Minority interest | 83,008 | 35,483 | 88,501 | (102,924) | (277,000) | (89,557) |
| Net income | 46,378,004 | 3,287,302 | 86,694,454 | 27,488,776 | 49,335,312 | 15,950,635 |

BALANCE SHEET DATA

Argentine GAAP

Current assets:

| | | | | | | |
|----------------------------------|------------|------------|------------|------------|------------|------------|
| Cash and banks and investments | 23,363,232 | 14,624,161 | 74,446,153 | 32,221,149 | 86,772,082 | 28,054,342 |
| Inventories | 23,305,421 | 35,441,885 | 46,293,640 | 28,932,135 | 52,460,289 | 16,960,973 |
| Trade and other receivables, net | 13,639,837 | 24,221,264 | 32,002,331 | 33,829,580 | 77,542,466 | 25,070,309 |

Non-current assets:

| | | | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Other receivables | 672,817 | 101,758 | 6,480,334 | 36,005,292 | 43,236,560 | 13,978,843 |
| Inventories | 37,796,987 | 44,740,030 | 53,223,179 | 62,712,423 | 68,345,438 | 22,096,812 |
| Investments | 338,604,025 | 393,382,176 | 394,899,782 | 505,423,985 | 541,328,760 | 175,017,381 |
| Negative goodwill, net | (19,347,598) | (25,869,346) | (30,430,822) | (76,825,838) | (67,306,386) | (21,760,875) |
| Property and equipment, net | 150,932,466 | 160,026,473 | 166,497,596 | 224,775,512 | 245,919,561 | 79,508,426 |
| Intangible assets, net | 369,637 | | | 23,581,646 | 23,581,646 | 7,624,199 |

| | | | | | | |
|--------------|-------------|-------------|-------------|-------------|---------------|-------------|
| Total assets | 569,336,824 | 646,668,401 | 743,412,193 | 870,655,884 | 1,071,880,416 | 346,550,410 |
|--------------|-------------|-------------|-------------|-------------|---------------|-------------|

Current liabilities:

| | | | | | | |
|------------------------|-----------|------------|------------|------------|------------|------------|
| Trade accounts payable | 8,002,449 | 10,840,177 | 17,894,529 | 26,438,528 | 30,935,851 | 10,001,892 |
|------------------------|-----------|------------|------------|------------|------------|------------|

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| | As of the year ended June 30 | | | | | |
|---|------------------------------|---------------|---------------|---------------|---------------|-------------------------------|
| | 2003 ⁽¹⁾ (Ps.) | 2004 (Ps.) | 2005 (Ps.) | 2006 (Ps.) | 2007 (Ps.) | 2007 ⁽²⁾ (US\$) |
| Short-term debt | 1,425,499 | 8,090,261 | 11,499,782 | 66,421,573 | 122,749,734 | 39,686,303 |
| Other liabilities, taxes, charges, salaries and social security payable | 7,158,058 | 10,370,898 | 36,585,829 | 9,048,990 | 14,006,121 | 4,528,329 |
| <i>Non-current liabilities:</i> | | | | | | |
| Long-term debt | 137,995,607 | 125,920,201 | 114,798,751 | 99,550,449 | 27,085,386 | 8,756,995 |
| Taxes payable | 22,749,374 | 26,213,217 | 39,285,385 | 42,770,882 | 51,312,237 | 16,589,795 |
| Total liabilities | 177,330,987 | 181,434,754 | 220,064,276 | 244,230,422 | 246,089,329 | 79,563,314 |
| Minority interest | 206,712 | 65,451 | 276,947 | 559,871 | 836,872 | 270,570 |
| Shareholders' equity | 391,799,125 | 465,168,196 | 523,070,970 | 625,865,591 | 824,954,215 | 266,716,526 |
| U.S. GAAP | | | | | | |
| <i>Non-current assets:</i> | | | | | | |
| Inventories | 11,158,969 | 14,371,493 | 16,950,827 | 26,348,869 | 32,297,175 | 10,442,022 |
| Investments | 206,463,936 | 236,526,965 | 289,309,184 | 444,010,858 | 597,100,979 | 193,049,136 |
| Total assets | 423,698,035 | 478,020,170 | 625,764,749 | 843,456,953 | 1,158,910,758 | 374,688,250 |
| <i>Non-current liabilities:</i> | | | | | | |
| Long-term debt | 82,925,903 | 76,346,451 | 74,810,412 | 69,708,185 | 4,722,857 | 1,526,950 |
| Taxes payable | 54,668,735 | 53,809,128 | 60,714,471 | 59,020,118 | 60,586,895 | 19,588,392 |
| Total liabilities | 151,247,284 | 155,443,201 | 199,627,882 | 228,821,956 | 233,001,458 | 75,331,865 |
| Shareholders' equity | 272,349,817 | 322,511,158 | 425,859,920 | 614,066,773 | 925,072,428 | 299,085,816 |
| CASH FLOW DATA | | | | | | |
| Argentine GAAP | | | | | | |
| Net cash provided by (used in) operating activities | 12,435,796 | (280,751) | (10,100,935) | (21,470,041) | (56,140,794) | (18,150,919) |
| Net cash provided by (used in) investing activities | (200,614,009) | (25,089,388) | 62,734,033 | (110,865,934) | (866,877) | (280,271) |
| Net cash provided by (used in) financing activities | 165,644,376 | 16,670,247 | 1,691,457 | 92,250,539 | 115,813,757 | 37,443,827 |
| U.S. GAAP⁽⁹⁾ | | | | | | |
| Net cash (used in) provided by operating activities | 14,521,304 | (13,156,027) | 54,735,816 | (3,839,611) | (62,359,968) | (20,161,645) |
| Net cash (used in) provided by investing activities | (194,782,124) | (12,983,501) | (1,918,881) | (133,000,622) | 5,295,891 | 1,712,218 |
| Net cash provided by (used in) financing activities | 165,644,376 | 16,670,247 | 1,691,457 | 92,250,539 | 115,813,757 | 37,443,827 |
| Effects of exchange rate changes | (13,656,319) | 1,272,280 | (183,837) | 4,504,528 | 56,406 | 18,237 |
| Effects of inflation accounting | 4,863,453 | | | | | |
| OTHER FINANCIAL DATA | | | | | | |
| Argentine GAAP | | | | | | |
| Basic net income per share ⁽³⁾ | 0.54 | 0.23 | 0.49 | 0.19 | 0.20 | 0.06 |
| Diluted net income per share ⁽⁴⁾ | 0.19 | 0.13 | 0.25 | 0.13 | 0.16 | 0.05 |
| Basic net income per ADS ⁽³⁾⁽⁵⁾ | 5.40 | 2.30 | 4.90 | 1.93 | 2.00 | 0.65 |
| Diluted net income per ADS ⁽⁴⁾⁽⁵⁾ | 1.90 | 1.30 | 2.50 | 1.32 | 1.60 | 0.52 |
| Weighted average number of common shares outstanding | 121,388,429 | 137,137,783 | 155,343,629 | 170,681,455 | 247,149,373 | |
| Weighted average number of common shares outstanding plus assumed conversion ⁽⁶⁾ | 246,526,666 | 321,214,392 | 321,214,392 | 321,214,392 | 321,214,392 | |
| Dividends paid ⁽⁷⁾ | 1.50 | 3.00 | 10.00 | 5.50 | | |
| Dividends per share | 0.012 | 0.020 | 0.059 | 0.024 | | |
| Dividends per ADS ⁽⁵⁾ | 0.12 | 0.20 | 0.59 | 0.24 | | |

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| | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-----------|
| Depreciation and amortization | 3,825,546 | 3,937,141 | 4,169,139 | 5,112,088 | 4,333,122 | 1,400,945 |
| Capital expenditures ⁽⁸⁾ | 31,129,070 | 15,189,386 | 25,959,614 | 55,770,620 | 29,326,622 | 9,481,611 |
| Gross margin ⁽¹⁰⁾ | 16.1% | 19.4% | 13.0% | 10.5% | 17.9% | 17.9% |
| Operating margin ⁽¹¹⁾ | 22.7% | 15.1% | 24.9% | 6.3% | 17.8% | 17.8% |
| Net margin ⁽¹²⁾ | 52.7% | 27.2% | 52.7% | 18.5% | 23.2% | 23.2% |
| Ratio of current assets to current liabilities | 3.64 | 2.54 | 2.31 | 0.93 | 1.29 | 0.42 |
| Ratio of shareholders' equity to total liabilities | 2.21 | 2.56 | 2.38 | 2.56 | 3.35 | 1.08 |
| Ratio of non current assets to total assets | 0.89 | 0.89 | 0.79 | 0.89 | 0.80 | 0.26 |
| U.S. GAAP | | | | | | |
| Basic net income per share ⁽³⁾ | 0.38 | 0.02 | 0.56 | 0.16 | 0.20 | 0.06 |
| Diluted net income per share ⁽⁴⁾ | 0.19 | 0.02 | 0.34 | 0.15 | 0.18 | 0.06 |
| Basic net income per ADS ⁽³⁾⁽⁵⁾ | 3.80 | 0.24 | 5.58 | 1.61 | 2.00 | 0.65 |
| Diluted net income per ADS ⁽⁴⁾⁽⁵⁾ | 1.90 | 0.24 | 3.38 | 1.54 | 1.80 | 0.58 |
| Weighted average number of common shares outstanding | 121,388,429 | 137,137,783 | 155,343,629 | 170,681,455 | 247,149,373 | |
| Weighted average number of common shares outstanding plus assumed conversion ⁽⁶⁾ | 194,235,230 | 137,137,783 | 283,140,627 | 282,836,274 | 308,253,058 | |
| Gross margin ⁽¹⁰⁾ | 29.6% | 35.1% | 31.2% | 20.8% | 40.3% | 40.3% |
| Operating margin ⁽¹¹⁾ | 8.6% | 18.6% | 0.7% | (2.4%) | 9.9% | 9.9% |
| Net margin ⁽¹²⁾ | 64.5% | 5.3% | 114.7% | 26.1% | 47.2% | 47.2% |

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- (1) We have complied with the Comisión Nacional de Valores' resolution in connection with the discontinuance of inflation accounting and accordingly have recorded the effects of inflation until February 28, 2003. We have restated comparative figures until that date. In addition, in fiscal year 2003, as required by Argentine GAAP, we restated the prior year's financial statements to give retroactive effect to new accounting standards adopted in that year, except for certain valuation and disclosure criteria that in accordance with the transition provisions were applied prospectively. See notes 2.d and 3 to our audited consolidated financial statements included elsewhere in this prospectus.
- (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, 2007 which was Ps.3.093 = US\$1.00. 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 and Exchange Controls.
- (3) Basic net income per share is computed by dividing the net income available to common shareholders for the period by the weighted average common shares outstanding during the period.
- (4) Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common shares assuming the total conversion of outstanding notes. See Notes 13 and 17.II.f) to our audited consolidated financial statements included elsewhere in this prospectus for details on the computation of earning per share under Argentine GAAP and U.S. GAAP, respectively.
- (5) Determined by multiplying per share amounts by ten (one ADS equals ten common shares).
- (6) Assuming (i) conversion into common shares of all of our outstanding convertible notes due 2007 and (ii) exercise of all outstanding warrants to purchase our common shares.
- (7) The amount of dividends, if any to be paid in respect of our fiscal year ended June 30, 2007, will be determined by our shareholders at our next shareholders' meeting currently expected to occur in October, 2007.
- (8) Includes the purchase of farms and other property and equipment.
- (9) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of SFAS No. 95 under U.S. GAAP. See Note 17.II.e) to our audited consolidated financial statements included elsewhere in this prospectus for details of the differences in classifications affecting the categories of cash flows.
- (10) Gross profit divided by the sum of production income and sales.
- (11) Operating income divided by the sum of production income and sales.
- (12) Net income divided by the sum of production income and sales.

Table of Contents**Selected Financial Information for IRSA**

| | 2003 | 2004 | Year Ended June 30, | | 2007 | 2007 ⁽¹⁾ |
|---|-----------|---------------------------------|---------------------|-----------|-----------|---------------------|
| | | (Ps. thousands ⁽²⁾) | 2005 | 2006 | | (US\$ thousands) |
| INCOME STATEMENT DATA | | | | | | |
| Argentine GAAP | | | | | | |
| Revenues | | | | | | |
| Development and sale of properties | 46,616 | 30,257 | 32,311 | 103,966 | 75,751 | 24,491 |
| Office and other non-shopping center rental properties | 17,770 | 15,144 | 19,431 | 30,565 | 55,683 | 18,003 |
| Shopping centers | 88,819 | 113,216 | 165,529 | 215,003 | 270,266 | 87,380 |
| Credit card operations | 24,935 | 30,034 | 64,558 | 122,969 | 212,965 | 68,854 |
| Hotel operations | 57,730 | 71,295 | 87,120 | 103,763 | 122,681 | 39,664 |
| Financial operations and others | 625 | 859 | 940 | 1,414 | 1,410 | 456 |
| Total revenues | 236,495 | 260,805 | 369,889 | 577,680 | 738,756 | 238,848 |
| Costs | | | | | | |
| | (154,667) | (147,416) | (168,074) | (243,831) | (311,647) | (100,759) |
| Gross profit (loss) | | | | | | |
| Development and sale of properties | 89 | 4,408 | 14,769 | 49,766 | 17,928 | 5,796 |
| Office and other non-shopping center rental properties | 8,677 | 6,871 | 11,685 | 21,578 | 38,984 | 12,604 |
| Shopping centers | 30,061 | 52,734 | 95,748 | 137,621 | 179,154 | 57,922 |
| Credit card operations | 16,605 | 18,069 | 41,456 | 79,036 | 136,714 | 44,201 |
| Hotel operations | 26,357 | 31,246 | 38,196 | 45,792 | 53,721 | 17,369 |
| Financial operations and others | 39 | 61 | (39) | 56 | 608 | 197 |
| Total gross profit | 81,828 | 113,389 | 201,815 | 333,849 | 427,109 | 138,089 |
| Gain from recognition of inventories at net realizable value | | | 17,317 | 9,063 | 20,737 | 6,704 |
| Selling expenses | (28,555) | (21,988) | (36,826) | (60,105) | (113,709) | (36,763) |
| Administrative expenses | (46,493) | (51,400) | (70,670) | (96,882) | (141,427) | (45,725) |
| Gain on purchasers rescissions of sales | 9 | | | | | |
| Net (loss) income from retained interest in securitized receivables | (4,077) | 261 | 423 | 2,625 | 3,254 | 1,052 |
| Gain from operations and holdings of real estate assets, net | 21,507 | 63,066 | 27,938 | 12,616 | 2,568 | 830 |
| Operating income (loss) | | | | | | |
| Development and sale of properties | 2,262 | 183 | 20,566 | 44,277 | 6,177 | 1,997 |
| Office and other non-shopping center rental properties | 1,688 | 29,685 | 13,220 | 11,862 | 19,626 | 6,345 |
| Shopping centers | 18,709 | 58,771 | 81,638 | 105,583 | 124,832 | 40,360 |
| Credit card operations | (4,616) | 4,490 | 13,546 | 24,836 | 32,636 | 10,552 |
| Hotel operations | 6,176 | 10,138 | 11,066 | 14,552 | 14,653 | 4,737 |
| Financial operations and others | | 61 | (39) | 56 | 608 | 197 |
| Total operating income | 24,219 | 103,328 | 139,997 | 201,166 | 198,532 | 64,188 |
| Amortization of goodwill | (6,631) | (2,904) | (1,663) | (1,080) | (1,472) | (476) |
| (Loss) gain on equity investees | (14,701) | 26,653 | 67,207 | 41,657 | 40,026 | 12,941 |
| Financial results, net | 315,645 | 12,203 | (11,848) | (40,926) | 4,099 | 1,325 |
| Other income (expenses), net | 96 | (12,856) | (14,089) | (18,263) | (14,100) | (4,559) |
| Income before taxes and minority interest | 318,628 | 126,424 | 179,604 | 182,554 | 227,085 | 73,419 |
| Income tax and minimum presumed income tax | 3,529 | (25,720) | (53,207) | (58,791) | (87,539) | (28,302) |
| Minority interest | (35,712) | (12,842) | (23,152) | (27,190) | (32,449) | (10,491) |
| Net income | 286,445 | 87,862 | 103,245 | 96,573 | 107,097 | 34,626 |
| U.S. GAAP | | | | | | |
| Revenues | 280,690 | 327,424 | 426,499 | 621,012 | 867,452 | 280,457 |
| Costs | (208,149) | (216,742) | (235,341) | (321,788) | (413,957) | (133,837) |
| Gross profit | 72,541 | 110,682 | 191,158 | 299,224 | 453,495 | 146,620 |
| Gain from recognition of inventories at net realizable value | | | | | | |

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| | | | | | | |
|-------------------------|----------|----------|----------|----------|-----------|----------|
| Selling expenses | (28,555) | (23,937) | (36,255) | (66,278) | (104,997) | (33,947) |
| Administrative expenses | (50,139) | (57,928) | (77,451) | (97,956) | (142,714) | (46,141) |

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| | 2003 | 2004 | Year Ended June 30, | | 2007 | 2007 ⁽¹⁾ |
|---|----------|---------------------------------|---------------------|----------|----------|---------------------|
| | | (Ps. thousands ⁽²⁾) | 2005 | 2006 | | (US\$ thousands) |
| Gain on purchasers rescissions of sales | 9 | | | | | |
| Net income (loss) from retained interest in securitized receivables | 1,392 | (1,526) | 4,591 | (12,274) | (115) | (37) |
| Operating (loss) income | (4,752) | 27,291 | 82,043 | 121,716 | 205,669 | 66,495 |
| (Loss) gain on equity investees | (5,621) | (20,161) | 138,560 | 64,697 | 42,957 | 13,888 |
| Financial results, net | 265,753 | 21,195 | (31,072) | (50,854) | (43,705) | (14,130) |
| Other incomes (expenses), net | 9,880 | (4,026) | (10,271) | (7,338) | (13,433) | (4,343) |
| Income before taxes and minority interest | 265,260 | 24,299 | 179,259 | 128,221 | 191,488 | 61,910 |
| Income tax and minimum presumed income tax | 3,020 | (12,528) | (34,747) | (18,678) | (39,176) | (12,666) |
| Minority interest | (33,154) | (8,946) | (15,114) | (19,597) | (49,090) | (15,871) |
| Net income | 235,126 | 2,825 | 129,398 | 89,946 | 103,222 | 33,373 |

BALANCE SHEET DATA**Argentine GAAP**

| | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash and banks and current investments | 232,001 | 163,900 | 211,934 | 233,438 | 856,707 | 276,983 |
| Inventories | 23,854 | 29,711 | 99,811 | 162,110 | 256,203 | 82,833 |
| Mortgages and lease receivables, net | 39,181 | 37,267 | 73,246 | 147,955 | 212,065 | 68,563 |
| Non-current investments ⁽³⁾ | 412,789 | 519,499 | 542,863 | 647,981 | 673,273 | 217,676 |
| Fixed assets, net | 1,235,223 | 1,274,675 | 1,445,551 | 1,413,212 | 2,027,311 | 655,451 |
| Total current assets | 297,476 | 261,651 | 389,735 | 481,788 | 1,175,790 | 380,145 |
| Total assets | 2,081,956 | 2,208,326 | 2,524,426 | 2,740,121 | 4,144,899 | 1,340,090 |
| Short-term debt ⁽⁴⁾ | 96,159 | 143,126 | 130,728 | 142,140 | 214,193 | 69,251 |
| Total current liabilities | 188,738 | 256,022 | 310,977 | 419,228 | 652,082 | 210,825 |
| Long-term debt ⁽⁵⁾ | 592,104 | 468,807 | 422,412 | 295,282 | 1,222,423 | 395,222 |
| Total non-current liabilities | 629,988 | 522,213 | 515,381 | 385,138 | 1,395,693 | 451,242 |
| Minority interest | 454,044 | 470,237 | 445,839 | 449,989 | 450,410 | 145,622 |
| Shareholders' equity | 809,186 | 959,854 | 1,252,229 | 1,485,766 | 1,646,714 | 532,400 |

U.S. GAAP

| | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash and banks and current investments | 231,293 | 163,435 | 212,855 | 233,032 | 856,318 | 276,857 |
| Inventories | 23,584 | 25,374 | 46,702 | 61,720 | 160,961 | 52,040 |
| Mortgages and lease receivables, net | 39,181 | 37,267 | 72,577 | 145,718 | 205,267 | 66,365 |
| Other receivables and prepaid expenses | 80,799 | 127,114 | 113,395 | 131,502 | 241,656 | 78,130 |
| Non-current investments ⁽³⁾ | 281,583 | 327,883 | 436,063 | 599,679 | 590,646 | 190,962 |
| Fixed assets, net | 1,221,859 | 1,230,020 | 1,392,626 | 1,360,136 | 1,912,457 | 618,318 |
| Intangible assets, net | 1,629 | 666 | 712 | 468 | 22,226 | 7,186 |
| Total current assets | 313,595 | 270,883 | 386,051 | 471,053 | 1,183,147 | 382,524 |
| Total assets | 1,874,299 | 1,923,456 | 2,291,808 | 2,503,812 | 3,997,217 | 1,292,343 |
| Trade accounts payable | 30,432 | 46,414 | 68,372 | 136,362 | 293,522 | 94,899 |
| Other liabilities | 40,382 | 46,524 | 90,106 | 94,655 | 101,764 | 32,902 |
| Short-term debt ⁽⁴⁾ | 83,217 | 135,661 | 111,994 | 120,172 | 216,829 | 70,103 |
| Total current liabilities | 202,679 | 260,521 | 314,939 | 431,422 | 669,983 | 216,613 |
| Long-term debt ⁽⁵⁾ | 600,616 | 465,099 | 413,812 | 298,570 | 1,225,212 | 396,124 |
| Total non-current liabilities | 801,806 | 696,791 | 698,344 | 558,951 | 1,603,747 | 518,509 |
| Minority interest | 367,012 | 378,404 | 357,062 | 355,385 | 366,381 | 118,455 |
| Shareholders' equity | 502,803 | 587,740 | 921,718 | 1,158,364 | 1,358,739 | 439,295 |

CASH FLOW DATA**Argentine GAAP**

| | | | | | | |
|---|----------|----------|-----------|-----------|-----------|-----------|
| Net cash provided by operating activities | 93,945 | 74,691 | 93,490 | 194,685 | 163,099 | 52,732 |
| Net cash used in investing activities | (40,603) | (97,186) | (126,682) | (136,567) | (510,774) | (167,935) |

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| | | | | | | |
|--|----------|-----------|-----------|-----------|-----------|-----------|
| Net cash provided by (used in) financing activities | 109,439 | (47,649) | 52,868 | (36,767) | 892,258 | 291,273 |
| <i>U.S. GAAP⁽⁶⁾</i> | | | | | | |
| Net cash provided by operating activities | 55,135 | 92,378 | 105,655 | 192,589 | 111,936 | 36,190 |
| Net cash used in investing activities | (52,260) | (105,061) | (141,746) | (128,687) | (470,318) | (152,059) |
| Net cash provided by (used in) financing activities | 109,439 | (47,649) | 52,868 | (36,767) | 900,907 | 291,273 |
| Effect of exchange rate changes on cash and cash equivalents | 51,743 | (8,081) | 2,899 | (5,784) | 2,058 | 665 |

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| | 2003 | Year Ended June 30, | | | | 2007 ⁽¹⁾ (US\$ thousands) |
|--|---------|---------------------|--------|---------|---------|--|
| | | 2004 | 2005 | 2006 | 2007 | |
| Effect of inflation accounting | (1,472) | | | | | |
| OTHER FINANCIAL DATA | | | | | | |
| Argentine GAAP | | | | | | |
| Capital expenditures ⁽⁷⁾ | 10,991 | 26,908 | 79,997 | 116,201 | 428,026 | 138,385 |
| Depreciation and amortization ⁽⁸⁾ | 69,437 | 65,491 | 74,091 | 80,979 | 96,996 | 31,360 |
| Ratio of current assets to current liabilities | 1.576 | 1.022 | 1.253 | 1.149 | 1.803 | 1.803 |
| Ratio of shareholders' equity to total liabilities | 0.988 | 1.233 | 1.515 | 1.847 | 0.804 | 0.804 |
| Ratio of non-current assets to total assets | 0.857 | 0.882 | 0.846 | 0.824 | 0.716 | 0.716 |
| Working capital ⁽⁹⁾ | 108,738 | 5,629 | 78,758 | 62,560 | 523,708 | 169,320 |

- (1) Solely for the convenience of the reader, IRSA has translated Argentine Peso amounts into U.S. dollars at the exchange rate quoted by Banco de la Nación Argentina for June 30, 2007 which was Ps.3.093 per US\$1.00. We make no representation that the Argentine Peso or U.S. dollar amounts actually represent, could have been or could be converted into Dollars at the rates indicated, at any particular rate or at all. See Exchange Rates and Exchange Controls . Sums may not total due to rounding.
- (2) In thousands of constant Pesos of June 30, 2007. Includes adjustment for inflation through February 28, 2003. Sums may not total due to rounding.
- (3) Includes IRSA's 11.8% investment in Banco Hipotecario and IRSA's investments in undeveloped plots of land.
- (4) Includes short-term debt (including the current portion of seller financing) and current mortgages payable.
- (5) Includes long-term debt (including the non-current portion of seller financing) and non-current mortgages payable.
- (6) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of SFAS No. 95 under U.S. GAAP. See Note 28 to IRSA's audited consolidated financial statements included elsewhere in this prospectus for details of the differences in classifications affecting the categories of cash flows.
- (7) Includes the purchase of fixed assets (including facilities and equipment), undeveloped plots of land and renovation and remodeling of hotels and shopping centers.
- (8) Corresponds to depreciation and amortization included in operating income.
- (9) Working capital is calculated by subtracting consolidated current liabilities from consolidated current assets.

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**CRESUD S MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

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 prospectus. 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 without limitation those set forth elsewhere in this prospectus.

For purposes of the following discussion, unless otherwise specified, references to fiscal years 2005, 2006 and 2007 relate to the fiscal years ended June 30, 2005, 2006 and 2007, respectively.

We maintain our financial books and records in Argentine Pesos. We prepare our consolidated financial statements in conformity with Argentine GAAP and the regulations of the *Comisión Nacional de Valores* which differ in significant respects from U.S. GAAP. These differences involve methods of measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC. See Note 17 to our audited consolidated financial statements set forth elsewhere herein 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 our net income and shareholders equity.

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 Argentine GAAP. However, we believe that such departures have not had a material effect on our financial statements.

Revenue Recognition

We derive our revenues primarily from (i) the sale of crops, milk and live beef cattle, (ii) cattle feed lot operations, (iii) leasing of our farms to third parties and (iv) commodity brokerage activities.

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

From time to time we sell properties which we consider not essential to our core operations in order to profit from real estate appreciation opportunities. We record farmland sales under the accrual method of accounting and do not recognize such sales until (i) the sale is consummated, (a sale is not considered consummated until (a) the parties are bound by the terms of a contract, (b) all consideration has been exchanged, (c) any permanent financing for which the seller is responsible has been arranged and (d) all conditions precedent to closing have been performed); (ii) we determine that the buyer s initial and continuing investments in the property being sold are adequate to demonstrate its commitment to pay for the property (the adequacy of a buyer s initial investment is measured by (a) its composition and (b) its size compared with the sale value of the property); (iii) the corresponding receivable is not subject to future subordination (our receivable will not be placed in or occupy a lower rank, class or position with respect to other obligations of the buyer) and (iv) we have transferred to the buyer the usual risks and rewards of ownership and have no continuing substantial involvement in the property.

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Effects of Devaluation and Economic Crisis

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. However, during 2003, certain signs of economic recovery appeared and have continued from 2004 through 2007.

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% 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, closing the year with year on year growth of 11.7%. Exceeding growth expectations, in 2004 the GDP increased 9.0% in comparison with 2003 and during 2005 the economy also expanded strongly at a rate of 9.2%.

On December 23, 2001, President Adolfo Rodríguez Saá declared the suspension of the payment of foreign debt and later President 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, 2005 and 2006.

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 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. On the other hand, in February 2006, the government paid the total debt to the International Monetary Fund (IMF) through the payment of US\$9.530 million, reducing significantly the sovereign debt of the country.

This significant advancement represented an opportunity for the country to recover the international market reliability and allowed generating an economic context of higher feasibility, which in turn will encourage the concretion of future investments.

Factors Affecting Comparability

Purchase and Sales of Farms

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

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Seasonality

Our business activities are inherently seasonal. Harvest and sales of grains (corn, soybean and sunflower) in general take place from February to June. Wheat is harvested from December to January. Others segments of our activities, such as our sales of cattle and milk and our forestry activities tend to be more of a successive character than of a seasonal character. However, the production of beef and milk is generally higher during the second quarter, when pasture conditions are more favorable. In consequence, there may be significant variations in results from one quarter to the other.

Critical Accounting Policies

In connection with the preparation of our consolidated financial statements included in this prospectus, we have relied on variables and assumptions derived from historical experience and various other factors that we deemed reasonable and relevant. Although we review these estimates and assumptions in the ordinary course of business, the presentation of our financial condition and results of operations often requires our management to make judgments regarding the effects of matters that are inherently uncertain on the carrying value of our assets and liabilities. Actual results may differ significantly from those estimated under different variables, assumptions or conditions. We have described each of the following critical accounting policies and estimates in order to provide an understanding about how our management forms judgments and views with respect to such policies and estimates, as well as the sensitivity of such policies and estimates:

investments in affiliates;

impairment of long-lived assets;

intangible assets concession rights;

derivative instruments; and

deferred income tax.

Investments in affiliates

We use the equity method of accounting for investments in affiliates in which we have significant influence (including both IRSA and BrasilAgro). 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 taxes.

As of June 30, 2007, investments in affiliates were Ps.450.1 million, representing 42.0% of our total assets.

IRSA

We own approximately 25.0% of the common shares of IRSA, one of Argentina's largest real estate companies. IRSA is engaged in a range of diversified real estate activities including residential properties, office buildings, shopping centers and luxury hotels in Argentina. A majority of our directors are also directors of IRSA, and we are under common control by the same group of controlling shareholders. We own convertible notes issued by IRSA and warrants to acquire shares of its common shares which entitle us to increase our shareholding in IRSA up to approximately 34.3% of its share capital (assuming conversion of all convertible notes and exercise of all warrants by all other holders). At June 30, 2007, our investment in IRSA (including its convertible notes) represented approximately 35.7% of our total consolidated assets, and during the fiscal year ended on June 30, 2007, our gain from our investment in IRSA was Ps.33.1 million.

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BrasilAgro

We own 7.4% of BrasilAgro and have the ability to exercise significant influence over such company. We value our investment in BrasilAgro under the equity method of accounting because of (a) our capacity to affect the operational and financial decisions due to the fact that (i) in accordance with BrasilAgro's by-laws, we are entitled to appoint three of BrasilAgro's nine directors (including the president of its board of directors every other two years), (ii) three are designated by BrasilAgro's other shareholders and (iii) the remaining three are independent directors appointed jointly by all shareholders and (b) our rights under the shareholders agreement among BrasilAgro's three founding shareholders (Tarpon Agro Llc, Cape Town Llc, and us) which in the aggregate own 12.8% of BrasilAgro's capital and voting stock. Under the terms of this shareholders' agreement, the signatories have agreed to vote together in shareholder meetings in respect of matters related to proposals to change directors' and administrators' fees, increases of capital stock and declaration of dividends, among other issues.

Impairment of long-lived assets

We periodically evaluate the carrying value of our long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We consider the carrying value of a long-lived asset to be impaired when the expected cash flows, from 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, the impairment loss is recorded in the income statement against a liability account. This liability account is a contra account to fixed assets which means it is presented on the balance sheet as a direct reduction from the book value of the fixed assets to arrive at the fixed asset's carrying value at any particular point in time. The liability account is depreciated over the useful life of the related asset decreasing depreciation expense each period. Under Argentine GAAP, 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. Both the impairment charge and the impairment reversal are recognized in earnings.

We believe that the accounting policy concerning the impairment of long-lived assets is a critical accounting policy, because considerable judgment is necessary to estimate future cash flows and may differ from actual results. For example, farms are non-depreciable assets, and their value could be calculated as a perpetuity (i.e., dividing the expected return of each farm by a discount rate commensurate with the market risk involved). As farming is a low-risk business we used a 6% discount rate for the purposes of the perpetuity value calculation. Even if there had been a 20% reduction in the expected return, it would not have been necessary to recognize any loss for impairment of our farm assets.

Intangible assets - concession rights

We record concession received for the acquisition Agropecuaria Cervera S.A. (Agropecuaria Cervera) as an amortizable intangible asset at its fair value. Concession rights will be amortized over the life of the concession, which was set at 35 years, with an option to extend it for an additional 29-year period. Amortization will start as from the commencement of substantial activities.

This intangible will be tested for impairment whenever events or circumstances indicate that impairment may have occurred. If the carrying amount of an intangible asset exceeds its fair value

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based on estimated future undiscounted cash flows, an impairment loss would be indicated. The amount of the impairment loss to be recorded would be based on the excess of the carrying amount of the intangible asset over its discounted future cash flows. Judgment is used in assessing whether the carrying amount of intangible assets is not expected to be recoverable over their estimated remaining useful lives. The determination of fair value requires significant management judgment including estimating future sales volumes, selling prices and costs, changes in working capital, investments in property and equipment and the selection of an appropriate discount rate. Sensitivities of these fair value estimates to changes in assumptions for sales volumes, selling prices and costs are also tested.

Derivative instruments

We record all derivative instruments as assets or liabilities on our balance sheet at fair value. We record changes in the fair value of derivatives either in income or other comprehensive income, as appropriate. The gain or loss on derivatives designated as fair value hedges and the offsetting loss or gain on the hedged item attributable to the hedged risk are included in current income in the period that changes in fair value occur. The gain or loss on derivatives designated as cash flow hedges is included in other comprehensive income in the period that changes in fair value occur and is reclassified to income in the same period that the hedged item affects income.

Deferred income tax

We record income taxes using the deferred tax liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax 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. We have treated the differences between the price-level restated amounts of assets and liabilities and their historical basis as permanent differences for deferred income tax calculation purposes.

At the end of the fiscal year there are temporary net liabilities (tax liabilities) mainly originated in the beef cattle valuation and the sale of and reimbursement in fixed assets. Management has made estimations that allow us to recognize this deferred tax.

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

it is highly susceptible to change from period to period because it requires us 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.

Adoption by the Comisión Nacional de Valores of CPCECABA standards.

The *Comisión Nacional de Valores* issued General Resolutions 485 and 487 on December 29, 2005 and January 26, 2006, respectively, adopting, with certain modifications, the new accounting standards previously issued by CPCECABA through its Resolution CD 93/2005. These standards became effective for our fiscal year ended June 30, 2007. The most significant changes included in the accounting standards adopted by the *Comisión Nacional de Valores* relate to:

changes in the impairment test of long-lived assets; and

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changes to deferred income tax accounting.

Under the new standards, the carrying value of a long-lived asset is considered impaired by a company when the expected cash flows from such asset is separately identifiable and less than its carrying value. Expected cash flows are determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. The new standards also provide for the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes when companies prepare price-level restated financial statements. The new accounting standard mandates companies to treat these differences as temporary differences but allows a one-time accommodation to continue treating the differences between the tax basis and indexed book basis of non-monetary items as permanent at the time of adoption of the standard. As a result, we elected to continue treating differences as permanent. In addition, the new standards provide for the recognition of deferred income taxes on a non-discounted basis.

Principal differences between Argentine GAAP and U.S. GAAP

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

Effect of U.S. GAAP adjustments on our equity investment in IRSA;

Valuation of inventories;

Deferred income tax;

Elimination of gain on acquisition of minority interest;

Available-for sale securities;

Effect of U.S. GAAP adjustments on our equity investees excluding IRSA;

Accounting for stock options;

Accounting for convertible notes;

Effect of U.S. GAAP adjustments on management fee; and

Effect of changes in the classification of securities.

In addition, certain other disclosures required under U.S. GAAP have been included in the U.S. GAAP reconciliation. See Note 17 to our audited consolidated financial statements included else where in this prospectus.

Net income under Argentine GAAP for the years ended June 30, 2005, 2006 and 2007 was approximately Ps.76.8 million, Ps.32.9 million and Ps.49.4 million, respectively, compared to approximately Ps.86.7 million, Ps.27.5 million and Ps.49.3 million, respectively, under U.S. GAAP. Shareholders' equity under Argentine GAAP as of June 30, 2006 and 2007, was Ps.625.9 million and Ps.825.0 million, respectively, compared to Ps.614.1 million and Ps.925.1 million, respectively, under U.S. GAAP.

Segment Information

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We are required to disclose segment information in accordance with RT 18. RT 18 establishes standards for reporting information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial reports issued to shareholders. Operating segments are components of a company about which separate financial information is available that is regularly evaluated by the chief operating decision maker(s) in

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deciding how to allocate resources and assess performance. The statement also establishes standards for related disclosures about a company's products and services, geographical areas and major customers.

We are primarily engaged in agricultural operations, which are subject to risk, including market prices, weather conditions and environmental concerns. From time to time we sell properties to profit from real estate appreciation opportunities and which, in the judgment of management, are surplus to the Company's primary operations. Gain on the sale of properties is presented in a separate line within operating income in the consolidated statement of income.

For the years ended June 30, 2005, 2006 and 2007, our principal operations were carried out in Argentina, our country of domicile. As discussed in Note 2.f to our audited consolidated financial statements included elsewhere in this prospectus, in March 2006, we formed BrasilAgro to replicate our business strategy in Brazil. The results of this equity investee are included in our Non operating segment.

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

Our Crops segment includes the planting and harvesting and sale of fine and coarse grains and oilseeds, including wheat, corn, soybeans and sunflowers.

Our Beef Cattle segment consists of (i) the raising and fattening of beef cattle from our owned cattle stock and (ii) the purchase and fattening of beef cattle for sale to meat processors.

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

Our Feed lot segment includes our cattle feeding operation.

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

Our Non-operating segment includes gains or losses from equity investees and depreciation for corporate assets. Accordingly, segment information for the fiscal years ended June 30, 2005 and 2006 includes our pro rata portion of the results of our equity interest in Cactus on a line-by-line basis due to our proportional consolidation of such results for such fiscal years. As of January 1, 2007, however, we began accounting for our investment in Cactus under the equity method of accounting. Accordingly, the segment information for the year ended June 30, 2007 includes the gain on this equity investee under the Non-operating segment.

We evaluate the performance of our business segments based on segment gain which constitutes gross profit less selling expenses plus unrealized gains or losses on inventories. In the column titled Total, total segment gain (the addition of the five operating business segments) does not include gain or loss on equity investees which is included in the Non-operating segment and is not included in the Total for performance evaluation purposes. Accounting policies of the five reportable segments are the same as those described in the summary of significant accounting policies. Intercompany transactions between segments, if any, are eliminated.

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Financial information for each segment follows:

Year ended June 30, 2007:

| | Crops | Beef Cattle | Milk | Feed lot | Others | Non Operating ⁽ⁱ⁾ | Total |
|---|----------------|----------------|---------------|---------------|---------------|------------------------------|------------------|
| Income Statement | | | | | | | |
| Data | | | | | | | |
| Production income | Ps. 72,426,012 | Ps. 19,462,410 | Ps.10,911,397 | Ps. | Ps. | Ps. | Ps. 102,799,819 |
| Cost of production | (52,401,684) | (15,050,438) | (8,476,391) | | | | (75,928,513) |
| Sales | 53,401,376 | 31,966,582 | 9,730,929 | 3,102,229 | 12,116,372 | | 110,317,488 |
| Cost of sales | (50,434,966) | (30,272,710) | (9,730,929) | (2,823,865) | (5,870,058) | | (99,132,528) |
| Unrealized (loss) / gain on inventories | (805,910) | 4,195,377 | 845,483 | 62,083 | | | 4,297,033 |
| Selling expenses | (7,779,324) | (1,155,190) | (78,466) | | (958,911) | | (9,971,891) |
| Gain on equity investees | | | | | | 40,198,825 | |
| Segment gain | 14,405,504 | 9,146,031 | 3,202,023 | 340,447 | 5,287,403 | | 32,381,408 |
| Operating margin ⁽ⁱⁱ⁾ | 11.4% | 17.8% | 15.5% | 11.0% | 43.6% | | 15.2% |
| Depreciation | (2,032,714) | (1,198,203) | (431,035) | | (164,730) | (506,440) | (4,333,122) |
| Balance Sheet | | | | | | | |
| Data | | | | | | | |
| Assets ⁽ⁱⁱⁱ⁾ | Ps.207,607,195 | Ps.165,295,847 | Ps.28,954,741 | Ps.11,166,028 | Ps. 1,736,875 | Ps.657,119,730 | Ps.1,071,880,416 |

(i) Not included in the segment gain.

(ii) Segment gain divided by the sum of production income and sales.

(iii) Includes Ps.436,554,114 related to our equity interests in IRSA, BrasilAgro, Cactus and Agro Uranga. Remaining assets comprise cash and banks, current investments, trade account receivables, other receivables and intangible assets.

Year ended June 30, 2006:

| | Crops | Beef Cattle | Milk | Feed lot | Others | Non Operating ⁽ⁱ⁾ | Total |
|---|----------------|----------------|---------------|---------------|---------------|------------------------------|----------------|
| Income Statement | | | | | | | |
| Data | | | | | | | |
| Production income | Ps. 37,005,907 | Ps. 20,452,655 | Ps. 7,892,462 | Ps. | Ps. | Ps. | Ps. 65,351,024 |
| Cost of production | (35,799,706) | (18,780,372) | (5,845,360) | | | | (60,425,438) |
| Sales | 61,659,566 | 33,713,479 | 7,892,462 | 2,721,377 | 6,353,777 | | 112,340,661 |
| Cost of sales | (53,286,035) | (32,993,523) | (7,892,462) | (2,318,102) | (2,093,332) | | (98,583,454) |
| Unrealized gain / (loss) on inventories | 1,391,209 | 2,979,122 | (144,941) | 13,530 | | | 4,238,920 |
| Selling expenses | (8,657,797) | (1,026,535) | (51,782) | (53,852) | (361,486) | | (10,151,452) |
| Gain on equity investees | | | | | | 22,140,997 | |
| Segment gain | 2,313,144 | 4,344,826 | 1,850,379 | 362,953 | 3,898,959 | | 12,770,261 |
| Operating margin ⁽ⁱⁱ⁾ | 2.3% | 8.0% | 11.7% | 13.3% | 61.4% | | 7.2% |
| Depreciation | (2,071,636) | (1,385,720) | (540,989) | (304,637) | (78,714) | (730,392) | (5,112,088) |
| Balance Sheet | | | | | | | |
| Data | | | | | | | |
| Assets ⁽ⁱⁱⁱ⁾ | Ps.133,840,099 | Ps.147,615,752 | Ps.20,382,880 | Ps. 3,641,461 | Ps. 3,903,962 | Ps.561,271,730 | Ps.870,655,884 |

(i) Not included in the segment gain.

(ii) Segment gain divided by the sum of production income and sales.

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- (iii) Includes Ps.391,545,431 related to our equity interests in IRSA, BrasilAgro and Agro Uranga. Remaining assets comprise cash and banks, current investments, trade account receivables, other receivables and intangible assets.

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Year ended June 30, 2005:

| | Crops | Beef Cattle | Milk | Feed lot | Others | Non Operating ⁽ⁱ⁾ | Total |
|---|-----------------|-----------------|----------------|---------------|---------------|------------------------------|-----------------|
| Income Statement Data | | | | | | | |
| Production income | Ps. 44,052,970 | Ps. 19,993,923 | Ps. 3,463,144 | Ps. | Ps. | Ps. | Ps. 67,510,037 |
| Cost of production | (34,463,844) | (17,012,337) | (2,094,975) | | | | (53,571,156) |
| Sales | 30,893,216 | 36,826,885 | 3,463,144 | 2,129,838 | 4,859,931 | | 78,173,014 |
| Cost of sales | (30,460,110) | (35,810,780) | (3,463,144) | (1,855,278) | (1,546,204) | | (73,135,516) |
| Unrealized (loss) / gain on inventories | (456,710) | 10,160,759 | 1,460,020 | | | | 11,164,069 |
| Selling expenses | (4,789,970) | (1,542,432) | (33,263) | (3,925) | (229,976) | | (6,599,566) |
| Gain on equity investees | | | | | | 28,087,632 | |
| Segment gain | 4,775,552 | 12,616,018 | 2,794,926 | 270,635 | 3,083,751 | | 23,540,882 |
| Operating margin ⁽ⁱⁱ⁾ | 6.4% | 22.2% | 40.4% | 12.7% | 63.5% | | 16.2% |
| Depreciation | (1,874,960) | (1,223,081) | (375,340) | (296,316) | (84,364) | (315,078) | (4,169,139) |
| Balance Sheet Data | | | | | | | |
| Assets ⁽ⁱⁱⁱ⁾ | Ps. 133,819,848 | Ps. 140,555,289 | Ps. 18,289,060 | Ps. 4,198,895 | Ps. 1,798,025 | Ps. 444,751,076 | Ps. 743,412,193 |

(i) Not included in the segment gain.

(ii) Segment gain divided by the sum of production income and sales.

(iii) Includes Ps.258,960,447 related to our equity interests in IRSA and Agro Uranga. Remaining assets comprise cash and banks, current investments, trade account receivables and other receivables.

Our Results of Operations

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

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

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

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

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

The adoption of RT No. 22 did not affect our recognition of revenue which is included in the line item titled *Sales* in our income statement. See Note 3 a) to our consolidated financial statements. As a result of the adoption of RT No. 22, our costs of sales show direct costs related to the sales of agricultural produce other than selling expenses. RT No. 22 intends to purport that costs of sales are not significant in agricultural activities while costs of biological transformation into agricultural produce represent the major costs of these activities.

In addition, under RT No. 22, the exhibits titled *Cost of Sales* and *Cost of Production* included in Notes 18 e) and f) to our consolidated financial statements present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the relevant periods. This reconciliation includes (a) the gain or loss arising from changes in fair value less estimated point-of-sale costs; (b) increases due to purchases; (c) decreases attributable to sales and biological assets classified as held for sale; (d) decreases due to harvest; (e) increases resulting from business combinations, if any; (f) other changes.

The following terms used herein with the meanings specified:

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

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

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

Cost of Sales. Our cost of sales consists of certain direct costs related to the sales of agricultural produce other than selling expenses.

Unrealized gain on inventory. Our gain from inventory holding consists of the changes in the carrying amount of biological assets between the beginning and the end of current period.

Table of Contents**Fiscal year ended June 30, 2007 compared to fiscal year ended June 30, 2006*****Production income***

Production income was Ps.102.8 million for the fiscal year ended June 30, 2007, 57.3% higher than the amount recorded the previous fiscal year. This was primarily attributable to a Ps.35.4 million increase in our Grains segment and a Ps.3.0 million increase in our Milk segment, partially offset by a Ps.1.0 million decrease in production income of our Cattle segment.

Grains

Production income from our Grains segment increased 95.7%, from Ps.37.0 million for the fiscal year 2006 to Ps.72.4 million for fiscal year 2007, primarily as a result of:

a 64.2% increase in production volumes, from 106,867 tons in our fiscal year 2006 to 175,455 tons in our fiscal year 2007 (the corn and soy production increased 155.8% and 43.2%, respectively, partially offset by decreases of 23.6% and 6.9% in wheat and sunflower production, respectively); and

a 19.2% increase in average prices for our grains.

The 64.2% increase in production volumes from our Grains segment was mainly due to a 29.7% increase in the total sown surface for production, from 37,022 hectares during fiscal year 2006 to 49,244 hectares during fiscal year 2007. Our owned sown surface for production increased from 20,018 hectares during fiscal year 2006 to 22,712 hectares during fiscal year 2007, and our leased sown surface for production increased from 17,004 hectares during fiscal year 2006 to 25,307 hectares during fiscal year 2007. The sown surface for production under concession through our subsidiary Agropecuaria Cervera was 1,225 hectares.

The 64.2% increase in production volumes from our Grains segment was also due to a 23.4% increase in our average yields, from 2.89 tons per hectare in our fiscal year 2006 to 3.56 tons per hectare in our fiscal year 2007. This increase in average total yields was a result of better weather conditions in comparison to the previous fiscal year.

The average prices for our grains (at realizable net value) increased 19.2 % in fiscal year 2007, from Ps.346 per ton in our fiscal year 2006 to Ps.413 per ton in our fiscal year 2007.

The following table sets forth the average board prices as of June, 30 2007 and 2006:

| | Grain (Board average price) ⁽¹⁾ | | |
|-----------|---|-------------|---------------|
| | Year ended June 30, | | |
| | 2006 | 2007 | Change |
| Wheat | 312 | 393 | 81 |
| Sunflower | 513 | 676 | 163 |
| Corn | 240 | 313 | 73 |
| Soybean | 508 | 597 | 89 |

⁽¹⁾ Board price Rosario.

Cattle

Production income from our Cattle segment decreased 4.8%, from Ps.20.5 million for the fiscal year ended June 30, 2006 to Ps.19.5 million for the fiscal year ended June 30, 2007. Production volumes increased slightly 1.1%, from 9,803 tons in fiscal year 2006 to 9,913 tons in fiscal year 2007.

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It is worth mentioning that during the current fiscal year, the income and volume of beef cattle production include the proportional consolidation of 50.0% in the subsidiary Cactus for only 6 months up to December 2006 (due to the change of valuation method for decrease in our share participation, from 50.0% to 24.0%) compared to the proportional consolidation of this subsidiary during fiscal 2006.

The increase in volume is mainly due to a higher volume of beef cattle generated in our own fields and to the improvement of weather conditions on the production of grass. These were negatively impacted by the lasting effect of the 2006 drought on this fiscal year. Also, during fiscal year 2007 a lower number of cattle finished in feed lot was noted, as a consequence of the effects of the drought that affected fiscal year 2006.

Although our Cattle segment had a price increase in the rodeo categories, the re-categorization of cattle produced a negative impact on the production income of the current fiscal year which generated a 5.9% decrease in the average value per kilogram of beef cattle produced, from Ps.2.1 in fiscal year 2006 to Ps.2.0 in fiscal year 2007. Consequently, the categories that generated a higher number of kilograms were those that did not suffer a significant price increase. Beef cattle are re-categorized to reflect different stages in their life cycle.

The number of hectares dedicated to beef cattle production increased from 100,724 hectares in fiscal year 2006 (29,222 leased hectares corresponding to contracts expired before closing of fiscal year 2006 are not included) to 114,056 hectares in fiscal year 2007 (41 hectares corresponding to Cactus are not included). This increase was mainly due to a higher number of hectares leased and to the conversion of hectares of land reserve into cattle in the Los Pozos farm during the current fiscal year, negatively compensated by the retirement of cattle hectares due to the sale of the Tapenagá farm.

Milk

Milk production income increased 38.3%, from Ps.7.9 million in fiscal year 2006 to Ps.10.9 million in fiscal year 2007, including Ps.1.2 million generated by the re-categorization of milking yard cattle. Milking yard cattle are re-categorized to reflect different stages in their life cycle. This increase was primarily as a result of (i) a 14.2% increase in production volumes, from 14.6 million liters in fiscal year 2006 to 16.7 million liters in fiscal year 2007, and (ii) a 7.9% increase in average prices of milk, from Ps.0.54 per liter in fiscal year 2006 to Ps.0.58 per liter in fiscal year 2007.

This increase in production income was mainly due to (i) higher production volume of the milk, (ii) an increase in the average number of milking cows (from 2,410 in fiscal year 2006 to 2,677 in fiscal year 2007), in part due to the start of production in the new milking yard of our La Juanita farm, Province of Buenos Aires, which increased its milking capacity to 1,800 cows and (iii) a 2.8% improvement in the efficiency level of average daily milk production per cow (from 16.6 liters in fiscal year 2006 to 17.1 liters in the fiscal year 2007).

Cost of production

Cost of production increased 25.7%, from Ps.60.4 million in fiscal year 2006 to Ps.75.9 million in fiscal year 2007. This increase is mainly attributable to a Ps.16.6 million increase in our Grains segment and a Ps.2.6 million increase in our Milk segment, partially offset by a Ps.3.7 million decrease in our Cattle segment.

Grains

Cost of production from our Grains segment increased 46.4%, from Ps.35.8 million in fiscal year 2006 to Ps.52.4 million for the fiscal year 2007. This increase is mainly due to a 64.2% increase in the volume of production in our Grains segment as a consequence a 29.7% increase in surface produced in our fiscal year 2007 compared to the previous fiscal year.

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Cost of production per ton decreased 12.5 %, from Ps.345 in fiscal year 2006 to Ps.302 in fiscal year 2007, primarily as a result of better yields that had the effect of reducing the cost per ton produced in fiscal year 2007. Cost of production in fiscal year 2006 reflected the negative effects of a drought on certain farms.

Cattle

Cost of production from our Cattle segment decreased 19.9%, from Ps.18.8 million in fiscal year 2006 to Ps.15.1 million for the fiscal year 2007. The direct cost per kilogram produced decreased 30.4%, from Ps.1.28 in fiscal year 2006 to Ps.0.89 in fiscal year 2007 primarily as a result of a higher volume of beef cattle production that allowed diluting the cost per kilogram produced in the current fiscal year.

Lower cost of production from our Cattle business segment as compared to the previous fiscal year is mainly attributable to the increase in feeding and health costs in line with the effects of the drought.

Considering the our total production increase in the current fiscal year, the decrease in costs of production was due to higher number of tons produced per hectare assigned to the activity, from 0.07 ton per hectare in fiscal year 2006 to 0.08 ton per hectare in fiscal year 2007.

Milk

Cost of production from our Milk segment increased 45.0%, from Ps.5.8 million in our fiscal year 2006 to Ps.8.5 million in our fiscal year 2007. Such increase was mainly due to:

a 14.2% increase in milk production in fiscal year 2007; and

the impact of higher feeding costs as a consequence of the increase in corn prices and other raw materials of the milk segment. Cost of production from our Milk business segment per thousand liters increased from Ps.401 in fiscal year 2006 to Ps.509 in fiscal year 2007.

Sales

Sales for the fiscal year ended June 30, 2007 decreased 1.8%, from Ps.112.3 million in fiscal year 2006 to Ps.110.3 million in fiscal year 2007 primarily as a result of a Ps.8.3 million decrease in our Grain segment and a Ps.1.7 million decrease in our Cattle segment, partially offset by higher sales in our Milk, Feedlot and Other segments of Ps.1.8 million, Ps.0.4 million and Ps.5.8 million, respectively.

Grain

Sales from our Grain segment decreased 13.4%, from Ps.61.7 million in fiscal year 2006 to Ps.53.4 million in fiscal year 2007 primarily as a result of a 24.0% decrease in sales volume, from 164,104 tons in fiscal year 2006 to 124,652 tons in fiscal year 2007 which was partially offset by a 14.0% increase in average prices, from Ps.376 per ton in fiscal year 2006 to Ps.428 in fiscal year 2007.

Although the production volume of grain in fiscal year 2007 was 64.2% higher than in fiscal year 2006, our sales volume was lower in fiscal year 2007 than in fiscal year 2006 primarily as a

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result of lower levels of grain inventories at the beginning of fiscal year 2007 (90,060 tons at the beginning of fiscal year 2006 compared to 28,315 tons at the beginning of fiscal year 2007).

| | Grain Inventories (in tons) | | |
|---|-----------------------------|-----------|----------|
| | Year ended June 30, | | |
| | 2006 | 2007 | Change |
| Inventories at the beginning of the fiscal year | 90,060 | 28,315 | (61,745) |
| Purchases | 21,182 | 9,202 | (11,980) |
| Production | 106,867 | 175,455 | 68,588 |
| Sales | (164,104) | (124,652) | 39,452 |
| Transfer of unharvested crops to expenses | (25,690) | (13,757) | 11,933 |
| Inventories at the end of the fiscal year | 28,315 | 74,563 | 46,248 |

Cattle

Sales from our Cattle segment decreased 5.2%, from Ps.33.7 million in our fiscal year 2006 to Ps.32.0 million in our fiscal year 2007 primarily as a result of a 9.7% decrease in sales volume, from 14,762 tons in fiscal year 2006 to 13,332 tons in fiscal year 2007, which was partially offset by a 5.0% increase in the average price per kilogram, from Ps.2.28 in fiscal year 2006 to Ps.2.40 in fiscal year 2007.

The decrease in the sales volume was mainly due to a lower number of finished cattle in the feedlot, from 21,400 in fiscal year 2006 to 11,900 in fiscal year 2007, as a consequence of lower beef cattle purchases during fiscal year 2007.

The average cattle stock increased from 91,500 heads in fiscal year 2006 to 97,111 in fiscal year 2007.

Milk

Sales from our Milk segment increased 23.3%, from Ps.7.9 million in our fiscal year 2006 to Ps.9.7 million in our fiscal year 2007, primarily as a result of:

a 14.2% increase in production volume due to an increase in the average number of milking cows and improvement in the efficiency level of average daily milk production per cow; and

a 7.9% increase in average prices of milk, from Ps.0.54 per liter in fiscal year 2006 to Ps.0.58 per liter in fiscal year 2007.

Feedlot

Sales from our Feedlot segment increased 14.0%, from Ps.2.7 million in our fiscal year 2006 to Ps.3.1 million in our fiscal year 2007, primarily as a result of:

an increase in the level of occupation of our feedlot, from 15,400 heads in fiscal year 2006 to 19,400 heads in fiscal year 2007;

an increase in the price of the feed as a consequence of an increase in the price of corn; and

the fact that during fiscal year 2007 the cattle raiser sent for feeding in our feedlot cattle of higher weight which consumed larger feed volumes.

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It should be mentioned that, we have changed the valuation method of our investment in Cactus because of a decrease in our share participation in Cactus, from 50.0% to 24.0% compared with the proportional consolidation of this subsidiary during fiscal year 2006.

Other

Sales from our Other segment increased 90.7%, from Ps.6.4 million in fiscal year 2006 to Ps.12.1 million for fiscal year 2007, mainly due to a Ps.0.3 million increase in sales of services, Ps.0.8 increase in sales from leasing of our farms to third parties and Ps.3.4 million increase from commodity brokerage services (from Futuros y Opciones.com). Sales of services to third parties are services for weighing and re-conditioning of cereal and watering.

Although the number of owned hectares leased to third parties during fiscal year 2007 was slightly lower in fiscal year 2007 than in fiscal year 2006, the higher average leasing prices more than compensated for the reduction in hectares leased.

Cost of sales

Cost of sales for our fiscal year 2007 were Ps.99.1 million, 0.6% lower than cost of sale for fiscal year 2006, primarily as a result of lower cost of sales in our Grain and Cattle segments of 5.4% and 8.2%, respectively, which were partially offset by higher cost of sales in our Milk, Feedlot and Other segments of 23.3%, 21.8% and 180.4%, respectively.

Cost of sales as percentage of net sales were 87.8% in fiscal year 2006 and 89.9% in fiscal year 2007.

Grains

Cost of sales from our Grain segment decreased 5.4%, from Ps.53.3 million in fiscal year 2006 to Ps.50.4 million in fiscal year 2007, primarily as a result of:

a 24.0% reduction in the volume of grain sold in fiscal year 2007 compared to fiscal year 2006; and

a higher average prices of commodities in fiscal year 2007.

The average cost per ton sold in fiscal year 2007 increased 24.6%, from Ps.325 in fiscal year 2006 to Ps.405 in fiscal year 2007.

Cattle

Cost of sales from our Cattle segment decreased 8.2%, from Ps.33.0 million in fiscal year 2006 to Ps.30.3 million in fiscal year 2007, primarily as a result of a 9.7% decrease in production volume of Cattle compared to fiscal year 2006 due to a lower number of finished cattle in the feedlot.

Milk

Cost of sales from our Milk segment increased 23.3%, from Ps.7.9 million in fiscal year 2006 to Ps.9.7 million in fiscal year 2007 primarily as a result of a 14.2% increase in production volume of milk in fiscal year 2007.

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Feedlot

Cost of sales from our Feedlot business segment increased 21.8%, from Ps.2.3 million in fiscal year 2006 to Ps.2.8 million in fiscal year 2007, primarily as a result of a 26.0% increase in average occupation of the feedlot in fiscal year 2007 and to higher volumes of feed consumed due to incoming cattle of higher average weight that required higher feeding costs. The price per ton of feed portion increased 37.0%, from Ps.207 in year 2006 to Ps.284 in year 2007, mainly due to an increase in the price of corn during fiscal year 2007. The cost of feedlot services as percentage of sales increased 85.2% in fiscal year 2006 to 91.0% in fiscal year 2007. It should be mentioned that, we have changed the valuation method of our investment in Cactus because of a decrease in our share participation in Cactus, from 50.0% to 24.0% compared with the proportional consolidation of this subsidiary during fiscal year 2006.

Other

Cost of sales from our Other segment increased 180.4%, from Ps.2.1 million for the fiscal year 2006 to Ps.5.9 million for the fiscal year 2007 primarily as a result of higher costs arising from Futuros y Opciones.com and costs generated by services to third parties.

Gross profit

As a result of the above mentioned issues, gross profit increased 103.7%, from Ps.18.7 million for fiscal year 2006 to Ps.38.1 million for fiscal year 2007. Our gross margin, calculated as our gross profit divided by the sum of our production income and sales, increased from 10.5% for fiscal year 2006 to 17.9% for fiscal year 2007, primarily as a result of:

a 140.0% increase in gross profit from our Grain segment, from Ps.9.6 million for fiscal year 2006 to Ps.23.0 million for fiscal year 2007;

a 155.2% increase in gross profit from our Cattle segment, from Ps.2.4 million for fiscal year 2006 to Ps.6.1 million for fiscal year 2007;

a 18.9% increase in gross profit from our Milk segment, from Ps.2.0 million for fiscal year 2006 to Ps.2.4 million for fiscal year 2007;

a 31.0% decrease in gross profit from our Feed Lot segment, from Ps.0.4 million for fiscal year 2006 to Ps.0.3 million for fiscal year 2007;
and

a 46.6% increase in gross profit from our Other segment, from Ps.4.3 million for fiscal year 2006 to Ps.6.2 million for fiscal year 2007.

Selling expenses

Selling expenses decreased 1.8%, from Ps.10.2 million in fiscal year 2006 to Ps.10.0 million for fiscal year 2007. Selling expenses of the Grains, Cattle and Other segments represented 77.8%, 11.4% and 10.0%, respectively, of our total selling expenses in fiscal year 2007.

Grains

Selling expenses of Grains as a percentage of sales of Grains increased from 14.1% in fiscal year 2006 to 14.5% in fiscal year 2007 as a result of higher cost of freight, conditioning and storage. Selling expenses per ton of grain sold increased 17.8%, from Ps.53 per ton in fiscal year 2006 to Ps.62 per ton in fiscal year 2007.

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Cattle

Selling expenses of Cattle as a percentage of sales of Cattle were 3.1% in fiscal year 2006 and 3.6% in fiscal year 2007.

Milk

Milk sales did not generate significant selling expenses during fiscal years 2006 or 2007, as all the production was marketed directly to dairy producers.

Administrative expenses

Administrative expenses increased 43.8%, from Ps.11.6 million in fiscal year 2006 to Ps.16.6 million in fiscal year 2007, mainly due to the increase in fees and compensations for services (includes consulting fees with respect to Sarbanes-Oxley compliance, accounting, legal and tax fees and migration system), salaries and social contributions, taxes, rates and contributions and office and administration expenses.

Net gain on sale of farms

Net gain on sale of farms increased 124.9%, from Ps.9.9 million for the fiscal year 2006 to Ps.22.3 million for fiscal year 2007, primarily as a result of the following sales:

Fiscal year 2007:

On June 6, 2007 we sold 20,833 hectares of the Tapenagá farm for Ps.22.0 million, generating a gain of approximately Ps.15.4 million;

On June 5, 2007 we sold a fraction of 14,516 hectares of the Los Pozos farm for Ps.6.7 million, generating a gain of approximately Ps.6.4 million; and

On January 19, 2007 we sold a fraction of 50 hectares of the El Recreo farm for Ps.0.7 million, generating a gain of approximately Ps.0.5 million.

Fiscal year 2006:

On July 25, 2005 we sold 5,727 hectares of the El Gualicho farm in the Province of Córdoba for Ps.17.5 million, generating a gain of Ps.9.9 million.

Gain from inventory holding

Gain from inventory holding increased 1.4%, from Ps.4.2 million in fiscal year 2006 to Ps.4.3 million in fiscal year 2007, primarily as a result of an increase during fiscal year 2007 of prices for our holdings of cattle, grains and raw materials.

Operating income

Operating income increased 242.2%, from Ps.11.1 million in fiscal year 2006 to Ps.38.0 million in fiscal year 2007. Our operating margin, calculated as our operating income divided by the sum of our production income and sales, increased from 6.3% for fiscal year 2006 to 17.8% for fiscal year 2007 primarily as a result of:

a 103.7% increase in gross profit, from Ps.18.7 million for fiscal year 2006 to Ps.38.1 million for fiscal year 2007;

a 1.8% decrease in selling expenses, from Ps.10.2 million for fiscal year 2006 to Ps.10.0 million for fiscal year 2007;

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a 43.8% increase in administrative expenses, from Ps.11.6 million for fiscal year 2006 to Ps.16.6 million for fiscal year 2007;

a 124.9% increase in net gain on sale of farms, from Ps.9.9 million for fiscal year 2006 to Ps.22.3 million for fiscal year 2007; and

a 1.4% increase in unrealized gain on inventory, from Ps.4.2 million for fiscal year 2006 to Ps.4.3 million for fiscal year 2007.

Net financial results

We had net financial income of Ps.12.4 million in our fiscal year 2006 compared to a net financial loss of Ps.10.5 million for the fiscal year 2007. The principal differences between both fiscal years were:

Ps.14.9 million of income realized in fiscal year 2006 in connection with our exchange of convertible bonds of IRSA for shares of Agropecuaria Cervera;

Ps.5.1 million increase in net interest expense in fiscal year 2007 compared to fiscal year 2006 as a result of higher levels of average debt during fiscal; and

Ps.3.2 million increase in fiscal year 2007 in the loss generated by the differences in exchange rates.

Our net financial loss in fiscal year 2007 arise from (i) a Ps.10.0 million loss generated by the negative impact of interests for debt financing, (ii) a Ps.1.9 million loss generated by the debits and credits tax and (iii) a Ps.1.9 million loss derived from exchange differences and other factors. These losses were partially offset by (i) Ps.1.1 million of income derived from operations with securities and shares and (ii) Ps.2.2 million of interest income from convertible notes issued by IRSA, including interest paid from convertible bonds issued by Cresud and other interest.

Other income and expenses, net

Other income and expenses, net, represented a net expense of Ps.3.4 million in fiscal year 2006 compared to a net expense of Ps.4.3 million in fiscal year 2007, mainly due to a higher negative impact of Ps.0.6 million for the tax on personal assets of our shareholders.

Gain on equity investments

Gain on our equity investments increased 81.6%, from income of Ps.22.1 million in fiscal year 2006 to income of Ps.40.2 million in fiscal year 2007 primarily as a result of:

higher income of Ps.9.7 million of gain with respect to our investment in IRSA (including amortization of goodwill of Ps.2.9 million);

higher income of Ps.6.7 million of gain with respect to our investment in BrasilAgro;

higher income of Ps.2.0 million of gain with respect to our investment in Agro Uranga S.A.; and

lower income of Ps.0.3 million with respect to our investments in other subsidiaries and affiliates companies which partially offset the above-mentioned gains.

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During fiscal year 2007 our shareholding in Cactus Argentina S.A. decreased from 50.0 % to 24.0% due to the addition of a new shareholder on December 31, 2006; and as a result we consolidated 50.0% of Cactus results of operations through December 31, 2006 and 24% thereafter.

Table of Contents***Management Fee***

Under the consulting agreement entered into with Consultores Asset Management, we pay a fee equal to 10% of our net income for agricultural advisory services and other management services. The fees amounted to Ps.5.5 million and Ps.3.8 million in the fiscal years 2007 and 2006, respectively.

Income tax expense

Our Income tax expenses increased 54.2%, from Ps.5.4 million in fiscal year 2006 to Ps.8.4 million in fiscal year 2007. We recognized our 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. Our effective tax rate in fiscal year 2007 was 17.0% compared to 16.5% in fiscal year 2006.

Minority interest

During fiscal years 2006 and 2007, a negative participation of third parties of Ps.0.1 million and Ps.0.3 million respectively was recorded to reflect the minority participation in the income of subsidiaries.

Net income

Due to the above-mentioned issues, our net income increased 50.1%, from Ps.32.9 million for fiscal year 2006 to Ps.49.4 million for fiscal year 2007. Our net margin, calculated as our net income for a fiscal year divided by the sum of our production income and sales was 18.5% for fiscal year 2006 and 23.2% for fiscal year 2007.

Fiscal year ended June 30, 2006 compared to fiscal year ended June 30, 2005***Production income***

Production income for our fiscal year 2006 was Ps.65.4 million, 3.2% lower than the amount recorded during fiscal year 2005. The decrease in production income was mainly due to a lower production income in our Grains segment with a decrease of 16.0%, compensated by an increase in Production income in our Cattle and Milk business segments of 2.3% and 127.9%, respectively.

Grains

Production income from our Grains segment decreased 16.0%, from Ps.44.1 million in our fiscal year 2005 to Ps.37.0 million in fiscal year 2006. Production volumes decreased 28.7%, from 149,785 tons in fiscal year 2005 to 106,867 tons in fiscal year 2006 (sunflower production increased 45.3% and wheat, corn and soybean decreased 8.1%, 52.0% and 12.2%, respectively). This overall decrease in production volumes was mainly due to lower yields per crop in the harvest of fiscal year 2006 compared to fiscal year 2005, mainly as a consequence of the drought in fiscal year 2006.

The decrease in production income had a positive impact of 7.2% during fiscal year 2006, as a consequence of the increase in prices of commodities.

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The following table sets forth the average board prices as of June 30, 2006 and 2005:

| | Grain (Board average price) ⁽¹⁾ | | |
|-----------|--|------|--------|
| | Year ended June 30, | | |
| | 2005 | 2006 | Change |
| Wheat | 285 | 312 | 27 |
| Sunflower | 513 | 513 | |
| Corn | 198 | 240 | 42 |
| Soybean | 478 | 508 | 30 |

⁽¹⁾ Board price Rosario.

The 28.7% decrease in production volumes in our Grains segment was mainly due to the adverse consequences of the drought during fiscal year 2006, partially offset by a 2.0% increase in the total sown surface for production, from 36,293 hectares during fiscal year 2005 to 37,022 hectares during fiscal year 2006. Our owned sown surface for production increased from 19,994 hectares during fiscal year 2005 to 20,018 hectares during fiscal year 2006, and our leased sown surface for production increased from 16,299 hectares during fiscal year 2005 to 17,004 hectares during year 2006.

Cattle

Production income from our Cattle business segment increased 2.3%, from Ps.20.0 million in fiscal year 2005 to Ps.20.5 million in our fiscal year 2006. Production volumes decreased 8.0%, from 10.657 tons in fiscal year 2005 to 9.803 tons in fiscal year 2006.

This decrease resulted from the effects of the drought that adversely affected the grass in fields where we produce beef cattle at lower price, and lower numbers of finished cattle in the feed lot. The number of privately owned hectares engaged in cattle production decreased 20.6%, from 126,879 hectares in fiscal year 2005 to 100,724 hectares in fiscal year 2006 primarily as a result of our sale of the Ñacurutú and El Gualicho farms, partially offset by our purchase of the San Pedro farm and the conversion of hectares of land reserve to cattle in Los Pozos farm.

The lower production volume was partially offset by a 10.3% increase in average cattle prices during the fiscal year 2006 compared to fiscal year 2005.

Milk

Production income from our Milk business segment increased 127.9%, from Ps.3.5 million in fiscal year 2005 to Ps.7.9 million during our fiscal year 2006, primarily as a result of:

a 99.5% increase in production volumes, from 7.3 million liters in fiscal year 2005 to 14.6 million liters in fiscal year 2006, primarily as a result of (i) our inauguration on March 1, 2005 of a large milking yard in our field El Tigre having last generation technology and (ii) to a lesser extent, a change in the feeding system as a consequence of the drought; and

14.2% increase in average prices of milk in fiscal year 2006 compared to fiscal year 2005.

Cost of production

Cost of production for the fiscal year 2006 was Ps.60.4 million, 12.8% higher than the cost of production recorded during fiscal year 2005. This increase is mainly attributable to a Ps.1.3 million increase in our Grains segment, a Ps.1.8 million increase in our Cattle segment, and a Ps.3.7 million increase in our Milk segment.

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Grains

Cost of production from our Grains segment increased 3.9%, from Ps.34.5 million in fiscal year 2005 to Ps.35.8 million in our fiscal year 2006. Direct and indirect costs per ton produced were 53.2% higher in fiscal year 2006 due to a decrease in the production level of cereals respect to the previous fiscal year, as a consequence of the drought. Consequently, the cost of production per ton produced was Ps.345 in fiscal year 2006 compared to Ps.225 in fiscal year 2005. This lower volume of cereals production did not allow a higher absorption or dilution of the costs structure. The increase in cost of production was mainly attributable to and increase in the price of raw materials.

Cattle

Cost of production from our Cattle segment increased 10.4%, from Ps.17.0 million in fiscal year 2005 to Ps.18.8 million in our fiscal year 2006. Direct costs per kilogram produced increased 12.1%, from Ps.1.14 in fiscal year 2005 to Ps.1.28 in fiscal year 2006, primarily as a result of (i) higher fattening and health costs as a consequence of the drought and (ii) to a lesser extent, the increase in the price of raw materials during fiscal year 2006 compared to fiscal year 2005. Although our total production volume decreased 8.0% in fiscal year 2006 compared to 2005, the increase in costs of production reflected a lower volume of tons produced per hectare, from 0.08 tons per hectare in fiscal year 2005 to 0.07 tons per hectare in fiscal year 2006.

Milk

Cost of production from our Milk segment increased 179.0%, from Ps.2.1 million in fiscal year 2005 to Ps.5.8 million in our fiscal year 2006, primarily as a result of:

a 99.5% increase in the level of milk production during fiscal year 2006;

a 16.2% increase in the direct and indirect costs as a consequence of the drought during fiscal year 2006; and

inauguration of our milking yard of the El Tigre farm which only generated income during the last four months of fiscal year 2005. Cost of production per thousand liters from the Milk segment increased from Ps.286 in fiscal year 2005 to Ps.401 in fiscal year 2006.

Sales

Sales for our fiscal year 2006 increased 43.7%, from Ps.78.2 million in fiscal year 2005 to Ps.112.3 million in fiscal year 2006, primarily as a result of a Ps.30.8 million increase in our Grain segment, Ps.4.4 million increase in our Milk segment, Ps.0.6 million increase in our Feed Lot segment and a Ps.1.5 million increase in our Other segment, partially offset by a Ps.3.1 million decrease in our Cattle segment.

Grains

Sales from our Grains segment increased 99.6%, from Ps.30.9 million in fiscal year 2005 to Ps.61.7 million in fiscal year 2006, primarily as a result of:

a 86.2% increase in the volume of sales in fiscal year 2006, from 164,104 tons in fiscal 2005 to 88,123 tons in fiscal year 2006; and

a 7.2% increase in average prices in fiscal year 2006, from Ps.351 per ton in fiscal year 2005 to Ps.376 per ton in fiscal year 2006.

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Although our volume of grain production volume was 28.7% lower in fiscal year 2006 than in fiscal year 2005, we had higher sales in this segment due to higher grain inventories at beginning of fiscal year 2006 compared to the beginning of fiscal year 2005.

| | Grain Inventories (in tons) | | |
|---|-----------------------------|-----------|----------|
| | Year ended June 30, | | |
| | 2005 | 2006 | Change |
| Inventories at the beginning of the fiscal year | 34,424 | 90,060 | 55,636 |
| Purchases | 18,480 | 21,182 | 2,702 |
| Production | 149,785 | 106,867 | (42,918) |
| Sales | (88,123) | (164,104) | (75,981) |
| Transfer of unharvested crops to expenses | (24,506) | (25,690) | (1,184) |
| Inventories at the end of the fiscal year | 90,060 | 28,315 | (61,745) |

Cattle

Sales from our Cattle segment decreased 8.5%, from Ps.36.8 million for fiscal year 2005 to Ps.33.7 million for fiscal year 2006. The decrease of 17.0% in the sales volume from this segment was compensated by an increase of 10.3% in the price of ton sold. Sales volume from this segment decreased from 17,783 tons to 14,762 tons, and the price of sale increased from Ps.2.07 per kilogram in fiscal year 2005 to Ps.2.28 per kilogram in fiscal year 2006. The decrease in the sales volume was mainly due to a lower level of beef cattle production of 854 tons and lower cattle stocks of 4,017 tons at the beginning of the fiscal year 2006 compared to fiscal year 2005. The cattle-beef average stock decreased from 96,231 heads in fiscal year 2005 to 91,500 in fiscal year 2006.

Milk

Sales from the Milk segment increased 127.9%, from Ps.3.5 million in fiscal year 2005 to Ps.7.9 million during fiscal year 2006, primarily as a result of:

a 99.5% increase in the production volume, mainly generated by the inauguration on March 1, 2005 of our milking yard of El Tigre farm; and

a 14.2% increase in average prices for milk, from Ps.474 per thousand liters in fiscal year 2005 to Ps.541 per thousand liters in fiscal year 2006.

Feedlot

Sales from our Feedlot segment increased 27.8%, from Ps.2.1 million in fiscal year 2005 to Ps.2.7 million in our fiscal year 2006, primarily as a result of the fact that during fiscal year 2006 the cattle raiser sent to our feed lot cattle of higher weight which required higher volumes of feed. This positive factor was partially offset by a 5.5% reduction in occupation levels of our feedlot, from an average of 16,300 heads during fiscal year 2005 to an average of 15,400 heads during fiscal year 2006.

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Other

Sales from Other segment increased 30.7%, from Ps.4.9 million during fiscal year 2005 to Ps.6.4 million in our fiscal year 2006, primarily as a result of a higher level of income from watering and other services to third parties and the increase of income arising from Futuros y Opciones.com.

Cost of sales

Cost of sales for our fiscal year 2006 were Ps.98.6 million, 34.8% higher than cost of sale for fiscal year 2005, primarily as a result of higher cost of sales in our Grain, Milk, Feedlot and Other segments of 74.9%, 127.9%, 24.9% and 35.4% respectively, which were partially offset by lower cost of sales in our Cattle segment of 7.9%.

Cost of sales as percentage of net sales were 93.6% in fiscal year 2005 and 87.8% in fiscal year 2006.

Grains

Cost of sales from our Grains segment increased 74.9%, from Ps.30.5 million in fiscal year 2005 to Ps.53.3 million during fiscal year 2006 primarily as a result of:

a 86.2% increase in grains sales volume;

higher average price levels of commodities during fiscal year 2006; and

higher level of grain inventories at the beginning of fiscal year 2006 that reduced our cost of sales for such fiscal year.

Cattle

Cost of sales from our Cattle business segment decreased 7.9%, from Ps.35.8 million in fiscal year 2005 to Ps.33.0 million during fiscal year 2006. This decrease was mainly due to a 17.0% decrease in sales volume compared to the previous fiscal year, as a consequence of the drought that adversely affected agricultural areas by reducing the average number of finished cattle sent to the feed lot. These effects were partially offset by a 10.3% increase in the average price of beef cattle during fiscal year 2006.

Milk

Cost of sales from our Milk segment increased 127.9%, from Ps.3.5 million in fiscal year 2005 to Ps.7.9 million during fiscal year 2006, primarily as a result of a 99.5% increase in milk sales volume during fiscal year 2006.

Feedlot

Cost of sales from our Feedlot segment increased 24.9%, from Ps.1.9 million in fiscal year 2005 to Ps.2.3 million in fiscal year 2006, primarily as a result of:

higher volumes of feed consumed as a consequence of incoming beef cattle of higher weight which consumed more feed, and

an 8.5% increase in the average price per ton of feed, from Ps.191 in fiscal year 2005 to Ps.207 in fiscal year 2006, as a consequence of the increase in the price of corn during fiscal year 2006.

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Cost of sales of this segment as percentage of sales from this segment decreased from 87.1% in fiscal year 2005 to 85.2% during our fiscal year 2006.

Other

Cost of sales from our Other segment increased 35.4%, from Ps.1.6 million in our fiscal year 2005 to Ps.2.1 million in fiscal year 2006, primarily as a result of higher costs arising from Futuros y Opciones.com.

Gross profit

As a result of the above-mentioned issues, our gross profit decreased 1.5%, from Ps.19.0 million during fiscal year 2005 to Ps.18.7 million in fiscal year 2006. Our gross margin, calculated as our gross profit divided by the sum of our production income and sales, decreased from 13.0% for fiscal year 2005 to 10.5% for fiscal year 2006 primarily as a result of:

a 4.4% decrease in gross profit from our Grain segment, from Ps.10.0 million for fiscal year 2005 to Ps.9.6 million for fiscal year 2006;

a 40.2% decrease in gross profit from our Cattle segment, from Ps.4.0 million for fiscal year 2005 to Ps.2.4 million for fiscal year 2006;

a 49.6% increase in gross profit from our Milk segment, from Ps.1.4 million for fiscal year 2005 to Ps.2.0 million for fiscal year 2006;

a 46.9% increase in gross profit from our Feed Lot segment, from Ps.0.3 million for fiscal year 2005 to Ps.0.4 million for fiscal year 2006;
and

28.6% increase in gross profit from our Other segment, from Ps.3.3 million for fiscal year 2005 to Ps.4.3 million for fiscal year 2006.

Selling expenses

Selling expenses increased 53.8%, from Ps.6.6 million during fiscal year 2005 to Ps.10.1 million in our fiscal year 2006. Selling expenses from our Grains segment represented 85.4% of our total selling expenses, selling expenses from our Cattle segment represented 10.2% of our total selling expenses, and the remaining 3.9% was represented by selling expenses from our Other segment.

Grains

Selling expenses from the Grains segment as a percentage of sales from the same segment decreased from 15.3% during fiscal year 2005 to 14.1% during fiscal year 2006 as a result of lower cost of freight, conditioning and storage. Selling expenses per ton of grain sold decreased 1.7%, from Ps.54 in fiscal year 2005 to Ps.53 per ton in fiscal year 2006.

Cattle

Selling expenses from our Cattle segment as percentage of sales from this segment decreased from 4.0% in fiscal year 2005 to 3.1% during fiscal year 2006 due to better commercial agreements with our clients.

Milk

Milk sales did not generate significant selling expenses during fiscal years 2005 or 2006, as all the production was marketed directly to dairy producers.

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Administrative expenses

Administrative expenses increased 59.0%, from Ps.7.3 million in fiscal year 2005 to Ps.11.6 million in fiscal year 2006, mainly due to the increase in fees and compensations for services (includes consulting fees with respect to Sarbanes-Oxley compliance, accounting, legal and tax fees and migration system), salaries and social contributions, taxes, rates and contributions and office and administration expenses.

Net gain on sale of farms

Net gain on sale of farms decreased 50.5%, from Ps.20.0 million for the fiscal year 2005 to Ps.9.9 million for fiscal year 2006, primarily as a result of the following sales:

Fiscal year 2006:

On July 25, 2005 we sold 5,727 hectares of the El Gualicho farm in the Province of Córdoba for Ps.17.5 million, generating a gain of approximately Ps.9.9 million.

Fiscal year 2005:

On February 1, 2005 we sold 30,350 hectares of the Ñacurutú farm in the Province of Santa Fe for Ps.16.3 million, generating a gain of Ps.7.6 million;

On June 8, 2005, we sold 977 hectares of the San Enrique farm in the Province of Santa Fe for Ps.14.7 million, generating a gain of Ps.12.3 million; and

On June 29, 2005, we sold 2 hectares located in the Province of Catamarca for Ps.0.06 million, generating a gain of Ps.0.06 million.

Gain from inventory holding

Gain from inventory holding decreased 62.0%, from Ps.11.2 million in fiscal year 2005 to Ps.4.2 million in fiscal year 2006, primarily as a result of an increase during fiscal year 2007 of prices for our holdings of cattle, grains and raw materials.

Operating income

Operating income decreased 69.4%, from Ps.36.3 million in fiscal year 2005 to Ps.11.1 million in fiscal year 2006. Our operating margin, calculated as our operating income divided by the sum of our production income and sales, decreased from 24.9% for fiscal year 2005 to 6.3% for fiscal year 2006 primarily as a result of:

a 1.5% decrease in gross profit, from Ps.19.0 million for fiscal year 2005 to Ps.18.7 million for fiscal year 2006;

a 53.8% increase in selling expenses, from Ps.6.6 million for fiscal year 2005 to Ps.10.2 million for fiscal year 2006;

a 59.0% increase in administrative expenses, from Ps.7.3 million for fiscal year 2005 to Ps.11.6 million for fiscal year 2006;

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a 50.5% decrease in net gain on sale of farms, from Ps.20.0 million for fiscal year 2005 to Ps.9.9 million for fiscal year 2006; and

62.0% decrease in gain from inventory holding, from Ps.11.2 million for fiscal year 2005 to Ps.4.2 million for fiscal year 2006.

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Net financial results

Our net financial income decreased 80.6%, from Ps.63.8 million in fiscal year 2005 to Ps.12.4 million in fiscal year 2006. The principal differences between both fiscal years were:

a Ps.53.9 million decrease of income realized in connection with a higher sale of notes of IRSA during fiscal year 2005 compared to fiscal year 2006; and

a Ps.3.6 million increase from net effect generated by the difference of exchange and interests.

Our net financial income for fiscal year 2006 arose from (i) Ps.14.9 million of income for the sale of notes issued by IRSA and (ii) Ps.2.2 million of income derived from net exchange rate differences. These gains were partially offset by (i) a Ps.2.2 million loss generated by the tax on debits and credits and (ii) a Ps.2.5 million loss derived from interest and other.

Other income and expenses, net

Other income and expenses, net for fiscal year 2006 represented a loss of Ps.3.4 million compared to a loss of Ps.5.1 million during fiscal year 2005, primarily as a result of a lower negative impact of Ps.1.4 million for the personal assets tax on our shareholders.

Gain on equity investments

Income from related companies decreased 21.2%, from income of Ps.28.1 million in fiscal year 2005 to income of Ps.22.1 million during fiscal year 2006, primarily as a result of:

lower income of Ps.3.7 million of gain with respect to our investment in IRSA (including amortization of goodwill of Ps.0.3 million);

a loss of Ps.2.5 million with respect to our investment in BrasilAgro;

lower income of Ps.0.6 million of gain with respect to our investment in Agro Uranga S.A.; and

lower income of Ps.0.8 million with respect to our investments in other subsidiaries and affiliates companies which partially offset the above-mentioned gains.

Management Fee

Under the consulting agreement entered into with Consultores Asset Management, we pay a fee equal to 10% of our net income for agricultural advisory services and other management services. The fees amounted to Ps.3.8 million and Ps.8.5 million in the fiscal years 2006 and 2005, respectively.

Income tax expense

Our Income tax expenses decreased 85.6%, from Ps.37.8 million in fiscal year 2005 to Ps.5.4 million in fiscal year 2006. We 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.

Table of Contents**Minority interest**

During fiscal years 2005 and 2006, a positive participation of third parties of Ps.0.1 million and a negative participation of third parties of Ps.0.1 million respectively was recorded to reflect the minority participation in the income of subsidiaries.

Net income

Due to the above-mentioned issues, our net income decreased 57.2%, from Ps.76.8 million for fiscal year 2005 to Ps.32.9 million for fiscal year 2006. Our net margin, calculated as our net income for a fiscal year divided by the sum of our production income and sales was 52.7% for fiscal year 2005 and 18.5% for fiscal year 2006.

Our Liquidity and Capital Resources**Liquidity**

Our principal sources of liquidity have historically been:

cash generated by operations;

cash from borrowings and financings arrangements (including cash from the exercise of warrants); and

cash proceeds from the sale of farms.

Our principal cash requirements or uses (other than in connection with our operating activities) have historically been:

capital expenditures for property, plant and equipment (including acquisitions or purchases of farms);

interest payments and repayments of short-term and long-term debt; and

payments of dividends.

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

Cash Flows

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

| | As of end for the year ended June 30, | | |
|--|---------------------------------------|--------|--------|
| | 2006 | 2007 | 2005 |
| | <i>(in millions of Pesos)</i> | | |
| Net cash (used in) provided by operating activities | (21.5) | (56.1) | (10.1) |
| Net cash provided by financing activities | 92.3 | 115.8 | 1.7 |
| Net cash provided by (used in) investing activities | (110.9) | (0.9) | 62.7 |
| Net increase (decrease) in cash and cash equivalents | (40.1) | 58.8 | 54.3 |

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As of June 30, 2007, we had cash and cash equivalents of Ps.86.2 million, an increase from the Ps.27.4 million balance as of June 30, 2006. The increase was primarily due to our acquisition and improvement of fixed assets for Ps.29.3 million, cash inflows from the sale of farms for Ps.25.3 million, cash outflows used in operating activities for Ps.56.1 million and dividend payments of Ps.5.5 million, partially offset by cash proceeds from the exercise of warrants for Ps.84.2 million and the net proceeds from short-term and long-term debt for Ps.39.4 million.

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As of June, 2006, we had cash and cash equivalents totaling Ps.27.4 million, a decrease from the Ps.67.5 million balance as of June 30, 2005. This decrease was primarily due to our acquisition and improvement of fixed assets for Ps.55.8 million, an increase in investments in related companies of Ps.64.6 million, cash outflows used in operating activities for Ps.21.5 million and dividend payments of Ps.10.0 million, partially offset by cash proceeds from the exercise of warrants for Ps.53.6 million and the net proceeds from short-term and long-term debt for Ps.65.0 million.

*Net Cash (Used in) Provided by Operating Activities**2006/2007*

Net cash used in operations increased from Ps.21.5 million in fiscal year 2006 to Ps.56.1 million in fiscal year 2007. The increase in net cash used in operating activities was primarily due to the increase in current investments of Ps.1.1 million in fiscal year 2006 compared to fiscal year 2007, an increase in trade accounts receivable of Ps.27.2 million, an increase in other payables of Ps.3.8 million and an increase in inventories of Ps.39.6 million, which were partially offset by a Ps.28.7 million decrease in other receivables, in trade accounts payable and in social security payable, charges, taxes payable and advances to customers. Our operating activities resulted in net cash outflows of Ps.56.1 million for fiscal year 2007, essentially due to a decrease in current investments, in social security payable, charges, taxes payable and advances to customers and dividends collect of Ps.13.1 million that was offset by an increase in trade accounts receivable, other receivables, inventories and trade accounts payable amounting to Ps.83.9 million.

2005/2006

Net cash used in operations increased from Ps.10.1 million in fiscal year 2005 to Ps.21.4 million in fiscal year 2006. The increase in net cash used in operations activities was primarily due to the increase in other receivables, in trade accounts payable and in social security payable, charges, taxes payable and advances to customers for Ps.40.3 million, which were partially offset by a decrease in current investments of Ps.3.2 million in fiscal year 2005 compared to fiscal year 2006. Our operating activities resulted in net cash outflows of Ps.21.5 million for fiscal year 2006, essentially due to a decrease in current investments, inventories other debts and dividends collect of Ps.23.2 million that was offset by an increase in trade accounts receivable, other receivables, taxes payable, and advances to customers amounting to Ps.51.5 million.

*Net Cash Provided by (Used in) Investing Activities**2006/2007*

Net cash used in investing activities increased from Ps.110.9 million in fiscal year 2006 to a net cash out-flows of Ps.0.9 million in fiscal year 2007. Our investing activities resulted in net cash outflow of Ps.0.7 million in fiscal year 2007 mainly due to the acquisition and upgrading of fixed assets for Ps.29.3 million partially offset by the sale of fixed assets for Ps.25.3 million and collection of secured receivables from sale of farms for Ps.3.9 million.

2005/2006

Net cash used in investing activities decreased from Ps.62.7 million in fiscal year 2005 to a net cash out-flows of Ps.110.9 million in fiscal year 2006. Our investing activities resulted in net cash outflow of Ps.110.9 million in fiscal year 2006 mainly due to investments in related companies of Ps.64.6 million and the acquisition and upgrading of fixed assets for Ps.55.8 million partially offset by the sale of fixed assets for Ps.5.6 million and collection of secured receivables from sale of farms for Ps.5.7 million.

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Net Cash Provided by (Used in) Financing Activities

2006/2007

Net cash provided from financing activities increased from Ps.92.3 million in fiscal year 2006 to Ps.115.8 million in fiscal year 2007 primarily due to a decrease in proceeds of financial loans for Ps.25.6 million partially offset by the increase by the exercise of warrants for Ps.30.6 million and by the payment of secured payable from the purchase of farms for Ps.14.3 million. Our financing activities resulted in net cash inflows of Ps.115.8 million primarily due to the exercise of warrants and proceeds from financial loans for Ps.168.7 million partially offset by dividend payments and payments of financial loans for Ps.50.6 million.

2005/2006

Net cash provided from financing activities increased from Ps.1.7 million in fiscal year 2005 to Ps.92.3 million in fiscal year 2006 primarily due to an increase in proceeds of financial loans for Ps.72.4 million and by the exercise of warrants for Ps.42.7 million partially offset by the payment of secured payable from the purchase of farms for Ps.16.5 million. Our financing activities resulted in net cash inflows of Ps.92.3 million primarily due to the exercise of warrants and proceeds from financial loans for Ps.137.8 million partially offset by dividend payments, payments of financial loans and payment of secured payable from purchase of farms for Ps.29.0 million.

We believe 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

Convertible Note due 2007

On November 21, 2002, we issued US\$50.0 million of convertible notes due November 2007. The convertible notes accrue interest at 8% per annum, payable on a semi-annual basis. The conversion price is US\$0.5078 per common share, which means that each Convertible Note may be exchanged for 1.9693 common shares. Additionally each Convertible Note contains a warrant attached that grants an option to acquire 1.9693 shares at a price of US\$0.6093 each.

From the date of issuance through June 30, 2007, the holders of our convertible notes exercised their conversion rights for a total of 47.2 million units with a face value of US\$1.0 each, issuing 92.9 million common shares with a face value of Ps.1.0 each. In addition, from the date of issuance through June 30, 2007, warrants issued by us were exercised for a total amount of 46.9 million, and 92.3 million shares were issued in exchange. We received funds aggregating US\$56.2 million.

As of June 30, 2007, the outstanding amount of our convertible notes and warrants was US\$2.8 million and 3.1 million, respectively, and the amount of our outstanding shares was 309,576,220. On July 31, 2007 our shares traded at US\$1.98 per share. Hence, if on July 31, 2007, a convertible note holder had exercised its rights and sold shares into which its convertible note had been converted, it would have received for each US\$1.00 principal amount so converted approximately US\$3.90. Moreover, if on such date a warrant holder had exercised its warrants by paying the exercise price of US\$1.20 per warrant and sold the shares underlying the warrant, it would have received US\$3.90 for such sale. If all the holders of our convertible notes and warrants were to exercise their conversion and exercise rights, the amount of our shares outstanding would be increased to 321,212,205, and we would receive cash proceeds of approximately US\$3.7 million.

Table of Contents*Credit Suisse Loan Agreement*

On May 2, 2006, we entered into a loan agreement with Credit Suisse for a total consideration of US\$8 million (the *Loan Agreement*). The maturity of the loan agreement is on November 2, 2008, and the interest rate is 3-month LIBOR plus 375 basis points. The Loan Agreement had collateral of US\$10 million IRSA's Convertible Bonds that were replaced for 1,834,860 of IRSA's ADRs. The proceeds have been fully applied to the subscription of BrasilAgro's shares.

Under the Loan Agreement there are some restrictions on the payment of dividends. We can pay or distribute, directly or indirectly, whether in cash or other property or in obligations to any other person up to US\$5,000,000 for any calendar year:

any dividend or other distribution on our capital stock or any interest on capital, excluding any dividends, distributions or interest paid solely in our capital stock or in options, warrants or other rights to acquire capital stock;

in respect of the purchase, acquisition, redemption, retirement, defeasance or other acquisition for value of any of our capital stock or any warrants, rights or options to acquire such capital stock;

in respect of the return of any capital to our stockholders as such;

in connection with any distribution or exchange of property in respect of our capital stock, warrants, rights, options, obligations or securities to or with our stockholders as such; or

in return of any irrevocable equity contributions or in payment of interest other.

Other Loans

As a result of the investment opportunities seized in the course of the previous fiscal year, such as our ownership interest in BrasilAgro, the acquisition of farms and the growing investments in developments in Northwestern Argentina in the course of this fiscal year, we have assumed indebtedness for levels higher than those incurred in previous fiscal years, totaling as of June 30, 2007 indebtedness in the amount of Ps.138.7 million without including our convertible notes.

As of June 30, 2007 we had total loans for Ps.147.4 million, compound by: non-guaranteed loans, for Ps.97.2 million denominated in Argentine Pesos and Ps.16.8 million denominated in United States Dollars; Ps.24.7 million are guaranteed loan contracts for the purpose of financing our investment in BrasilAgro; and Ps.8.7 million are our convertible notes.

For the coming fiscal year we intend to match these maturities to our cash flows and do not rule out a reduction in the indebtedness as a result of future cash inflows arising from our ordinary course of business, the sale of assets or the exercise of warrants attached to our convertible notes.

The following table presents our indebtedness as of June 30, 2007:

| | Currency | Timetable of Maturity or Depreciation | | | | | Total | Interest rate Annual average |
|---|----------|---------------------------------------|--|--|--|-----------------|----------------------------|------------------------------------|
| | | Under 1 year | Over 1 year and up to 2 years | Over 2 year and up to 3 years | Over 3 year and up to 5 years | Over 5 years | | |
| (in million Pesos, constant, as of June 30, 2007) ⁽¹⁾ ⁽²⁾ | | | | | | | | |
| Loans | | | | | | | % | |
| Non-guaranteed loans | ARS | 97.2 | | | | 97.2 | Floating (average 8.17) | |

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| | | | | | | |
|--------------------------|------|--------------|-------------|--------------|--------------|------|
| Non-guaranteed loans | US\$ | 16.8 | | 16.8 | 5.6 | 6.05 |
| Guaranteed loan contract | US\$ | | 24.7 | 24.7 | Libor + 3.75 | |
| Cresud convertible notes | US\$ | 8.7 | | 8.7 | 8.00 | |
| Total loans | | 122.7 | 24.7 | 147.4 | | |
| Total debt | | 122.7 | 24.7 | 147.4 | | |

(1) Exchange rate as of June 30, 2007 US\$1.00 = Ps.3.093.

(2) Includes earned interests

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Our Capital Expenditures

Capital expenditures totaled Ps.29.3 million, Ps.55.8 million and Ps.25.9 million for the fiscal years ended June 2007, 2006 and 2005, 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 2008 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, 2007, our main investments consisted of Ps.9.7 million in the acquisition of real estate (including Ps.5.7 million in development of land reserve, Ps.3.9 million as partial payment for the purchase of 8 de Julio farm and Ps.0.1 million in forestry activities), Ps.1.5 million in improvements (including Ps.0.6 million in wire fences, Ps.0.3 million in watering troughs, Ps.0.2 million in roads, Ps.0.2 million in improvements in third parties buildings and Ps.0.2 million in corrals and leading lanes), Ps.0.9 million in facilities, Ps.0.3 million in vehicles, Ps.14.6 million for construction in progress (including Ps.10.8 million in development of land reserve, Ps.2.4 million in dairy farm and Ps.1.3 million in wire fences, new pastures, improvement in the main house and water extractions), Ps.0.8 million in machinery, Ps.0.6 million in computer and communication accessories, Ps.0.7 million in construction, Ps.0.1 million in forest products post and Ps.0.1 million in advances.

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

For the fiscal year ended June 30, 2005, our main investments consisted of Ps.12.5 million in the acquisition of real estate (including Ps.8.9 million in the purchase of El Invierno farm, Ps.1.1 million in the additional purchase of 72 hectares of La Adela farm, Ps.2.3 million in development of land reserve and Ps.0.2 million in forestry activities), Ps.0.2 million in improvements, Ps.0.1 million in furniture and equipment, Ps.4.2 million in facilities (including Ps.1.9 million in irrigation facilities, Ps.1.8 million in milking facilities and Ps.0.5 million in general 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 (including Ps.1.2 million in irrigation machinery, Ps.0.4 million in milking machinery and Ps.0.1 million in general machinery), Ps.0.3 million in computer and communication accessories, Ps.4.6 million in construction in progress (including Ps.2.2 million in development of land reserve, Ps.1.0 million in watering troughs, Ps.0.6 million in roads and Ps.0.6 million in wire fences), Ps.0.1 million in feed lot and Ps.0.1 million in advances.

Table of Contents**Our Contractual Obligations**

The following table shows our contractual obligations as of June 30, 2007:

| Detail | Payments due by period (In million of Pesos) ⁽⁵⁾ | | | | |
|---|---|------------------|-------------|----------|-------------------|
| | Total | Less than 1 year | 1-3 year | 3-5 year | More than 5 years |
| Short-term debt | | | | | |
| Convertible notes accrued interest | 0.89 | 0.89 | | | |
| Convertible notes ⁽²⁾ | 8.7 | 8.7 | | | |
| Charitable donations ⁽¹⁾ | 1.8 | 1.8 | | | |
| Non-guaranteed loans ⁽³⁾ | 114.0 | 114.0 | | | |
| Secured farm purchase obligations | 4.48 | 4.48 | | | |
| Unsecured farm purchase obligations | 3.71 | 3.71 | | | |
| Management fee payable ⁽¹⁾ | 2.8 | 2.8 | | | |
| Long-term debt | | | | | |
| Guaranteed loan contract ⁽⁴⁾ | 24.7 | | 24.7 | | |
| Total | 161.08 | 136.38 | 24.7 | | |

(1) Obligations do not accrue interest.

(2) Accrued interest at a fixed rate of 8% per annum.

(3) Accrues interest at a fixed rate of 8.17% for checking account overdrafts and fixed notes ranging from 5.6% to 6.05% for export refinancings.

(4) Accrues interest at a variable rate equal to Libor + 3.75% per annum.

(5) Includes accrued interest, as of June 30.

Off-balance sheet arrangements

At June 30, 2007, we did not have any off-balance sheet transactions, arrangements or obligations with unconsolidated entities or others that are reasonably likely to have a material effect on our financial condition, results of operations or liquidity.

Trend Information

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 representative of our future results. Our past results must not be considered indicative of our future performance. To mitigate certain risks associated with changes in weather and prices, we seek to apply hedging mechanisms through futures and option agreements in the grain market and to diversify our geographic areas of production.

Product Prospects

The sources of the following information are the Secretaría de Agricultura, Pesca y Alimentación de la República Argentina, the United States Department of Agriculture (USDA), the Instituto Interamericano de Cooperación para la Agricultura, Márgenes Agropecuarios, Food and Agriculture Organization of the United Nations and our information.

Wheat

USDA projections for the 2007/2008 campaign at global level estimate a production of approximately 612 million tons of wheat, 3% higher than the previous campaign. In the Northern Hemisphere, where many crops have reached a well-developed stage, a wheat production increase is forecast especially in North America and Europe.

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As regards Argentina, USDA projects a 14 million-ton production for the 2007/2008, 8% lower than the prior-year campaign. It is estimated that the sowed area will decrease by 3% due to the significant number of hectares that will be assigned to sunflower and soybean. A decrease in exports of about 14% is also expected.

Corn

Globally, USDA calculates a 777.1 million tons of corn and final stocks of 108.4 million, vis-à-vis 701 and 100.9 million, respectively, in the previous cycle. These figures show the impact of ethanol that takes up most of the production surplus. Given the demand of soybean and corn, in the fodder as well as in the power markets, and considering the current corn scarcity, it seem inevitable that in 2007/2008 the world area earmarked for corn will increase to the detriment of soybean.

The ongoing high corn prices would encourage farmers in Argentina and Brazil to increase the corn-sowed area to the detriment of the soybean area. For Argentina, USDA estimates that production would reach approximately 24 million tons, 7% higher than the previous campaign.

Soybean

In the case of soybean, for the 2007/2008 campaign, USDA projects a world production of 222.1 million tons, 14 million less than the previous year. This decrease is due to the USA decision to allot more land to corn to the detriment of the soybean sowed area by 15% in respect of the last campaign, estimating a 71 million-ton production. With world consumption growing from 9 million tons to 234.2 million tons, there would be a 12 million deficit, bringing world stock to 52 million tons.

On the other hand, USDA projects an increase in soybean sowing in South America where the soybean area is expected to increase by 1.4 million hectares in Brazil and 900,000 hectares in Argentina. Argentine production is estimated at approximately 47 million tons, slightly lower than the previous year.

Sunflower

Globally, sunflower production for the 2007/2008 campaign is projected at approximately 31 million tons compared to 32 million tons in the previous year. This decrease is due to a smaller sunflower sowing area in the main producing countries in the Northern Hemisphere. Sunflower production in the European Union is projected at 5.8 million tons vis-à-vis 6.2 million tons in the previous campaign.

International prices of vegetable oils, specially palm, rapeseed and soybean oils, are currently strong due to biofuel demand, a situation that affects sunflower oil prices. In Argentina, the interest for sunflower increased and it was reflected by a larger sowed areas based on high seed and oil prices, which are expected to increase during the 2007/08 campaign vis-à-vis the previous cycle.

Beef Cattle

World beef prices have remained generally stable since late 2006. World beef exportable supplies continue to be limited due to the slow recovery of beef exports from North America to the main Asian markets, due to the discovery of bovine spongiform encephalopathy (BSE) cases.

In many developing countries, consumers are diversifying traditional eating habits, leaving aside basic cereals and adopting more westernized foods such as beef. Although we believe that world beef production is likely to increase in 2007, export taxes, restrictions on beef exports and other government policies currently being enforced in Argentina to restrain increases in beef prices in the Argentine market are likely to result in a decrease in beef production for 2007.

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Milk

In recent months, prices of many dairy products in the international market have reached high levels, essentially due to the fact that world milk production has not kept pace with increasing demand. We believe milk production in Argentina is likely to grow in 2007. Investments made in the milk producing sector, in spite of export taxes, are enabling Argentina to focus on global export markets, especially in the powdered milk and cheese sectors. However, growth may be adversely affected by high prices in cereal crops, fodder cereals that reduce available pastures and adversely affect the profitability of dairy products.

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 F-3. Uncertainties that are either non financial or unable to be quantified, 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.

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 Risk

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.

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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 may adversely affect the U.S. dollar equivalent of the Peso price of our common shares on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), and as a result would likely affect the market price of our ADSs in the United States.

| | Average Interest Rate ⁽¹⁾ | As of June 30, 2007 Expected contractual maturity date (Ps. million) | | | | | |
|-------------------------------------|--------------------------------------|---|--------------|---------------------------------------|---------------------------------------|---------------------------------------|--|
| | | Total Long-Term Outstanding Debt 2007 | Under 1 year | More than 1 and not more than 2 years | More than 2 and not more than 3 years | More than 3 and not more than 5 years | More than 5 and not more than 10 years |
| Long-Term Debt: | | | | | | | |
| Fixed rate (US\$ denominated) | 6.60% | 25.5 | 25.5 | | | | |
| Variable rate (US\$ denominated) | Libor +3.75% | 24.7 | | 24.7 | | | |
| Fixed rate (Ps. denominated) | | | | | | | |
| Variable rate (Ps. denominated) | 8.17 | 97.2 | 97.2 | | | | |

⁽¹⁾ Average interest rate means the weighted average prevailing interest rate as of June 30, 2007.

Sensitivity to Exchange Rates and Interest Rates

We estimate, based on composition of our balance sheet as of June 30, 2007, that every variation in the exchange rate of Ps.0.10 against the U.S. dollars, plus or minus, would result in a variation of approximately Ps.1.62 million of our consolidated financial indebtedness.

We estimate, based on the current composition of our balance sheet as of June 30, 2007, that every variation in the interest rate of 100 basis points, plus or minus, to our current floating-rate consolidated debt would result in a variation of approximately Ps.1.22 million of interest expense on an annual basis, assuming no change in the principal amount of this indebtedness. This analysis is based on the assumption that such variation of interest rates occurred at the same time for the different type of floating rates to which our actual debt is exposed.

This sensitivity analysis provides only a limited, point-in-time view of the market risk sensitivity of certain of our financial instruments. The actual impact of our market foreign exchange rate and/or interest rate changes on our financial instruments may differ significantly from the impact shown in the sensitivity analysis.

Table of Contents**Commodity Price Risk and Derivative Financial Instruments**

We use derivative instruments to hedge risks arising out of our core agribusiness operations. We use a variety of commodity-based derivative instruments to manage our exposure to price volatility stemming from its integrated crop production activities. These instruments consist mainly of crop future contracts and put and call option contracts. Contract positions are designed to ensure that we will receive a defined minimum price for certain quantities of our production. The counterparties to these instruments generally are major financial institutions. In entering into these contracts, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts.

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. In the past, we have never kept a short position greater than our crop inventories. From time to time we may keep an additional long position in derivatives to improve the use of land and capital allocation (i.e., the use of land for rent). It is not our current 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 our 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 generally are large institutions with credit ratings equal to or higher than ours. We continually monitor the credit rating of such counterparties and seek to limit our financial exposure to 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.

Futures and Options

At June 30, 2007, we had outstanding futures and options as follows:

| Crop | Tons | Deposit/Cost (Ps.) | Premium Paid (Collected) (Ps.) | Option Market Value as of 06/30/07 (Ps.) | Market Value (Loss) Gain as of 06/30/07 (Ps.) |
|------------------|--------|-----------------------|-----------------------------------|---|--|
| FUTURES | | | | | |
| Purchase | | | | | |
| Corn | 9,525 | | | | (396,297) |
| Wheat | 4,080 | | | | (109,846) |
| Sale | | | | | |
| Corn | 5,300 | 113,266 | | | 33,217 |
| Soybean | 22,200 | 677,766 | | | (902,528) |
| Wheat | 21,140 | 44,879 | | | (16,528) |
| OPTIONS | | | | | |
| Call Buy | | | | | |
| Corn | 29,210 | | 1,009,017 | 265,979 | (743,038) |
| Soybean | 12,200 | | 574,727 | 654,228 | 79,501 |
| Wheat | 20,400 | | 793,780 | 472,948 | (320,832) |
| Call sale | | | | | |
| Corn | 25,400 | | (227,067) | (58,195) | 168,872 |
| Soybean | 10,200 | | (297,668) | (332,304) | (34,636) |
| Wheat | 26,380 | 52,509 | (844,414) | (832,807) | 11,607 |
| Put Buy | | | | | |
| Corn | 6,350 | | 45,795 | 78,229 | 32,434 |
| Wheat | 12,784 | (14,630) | 266,222 | 157,675 | (108,547) |
| Put Sale | | | | | |
| Corn | 29,210 | | (482,374) | (935,123) | (452,749) |
| Soybean | 12,700 | 3,999 | (287,135) | (205,071) | 82,064 |
| Wheat | 17,680 | | (235,081) | (236,665) | (1,584) |

| | | | | | |
|--------------|----------------|----------------|----------------|------------------|--------------------|
| Total | 264,759 | 877,789 | 315,802 | (971,106) | (2,678,890) |
|--------------|----------------|----------------|----------------|------------------|--------------------|

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The deposits/cost on open futures and options as of June 30, 2007 were Ps.0.9 million, and futures generated an unrealized loss of Ps.1.4 million. The premiums paid for open options as of June 30, 2007 were Ps.0.3 million ; the market value of such options was of Ps.(1.0 million). The options resulted in an unrealized loss of Ps.1.3 million. The total unrealized loss on open futures and options was Ps.3.8 million as of June 30, 2007.

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.

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**IRSA'S MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS**

The following management's discussion and analysis of financial condition and results of operations should be read in conjunction with IRSA's audited consolidated financial statements and related notes appearing elsewhere in this prospectus included elsewhere in this offering memorandum. This management's discussion and analysis of financial condition and results of operations discussion contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include, among others, those statements including the words "will", "expects", "anticipates", "intends", "believes" and similar language. IRSA's actual results may differ materially from those anticipated in these forward-looking statements as a result of many risk factors, including those set forth elsewhere in this prospectus.

For purposes of the following discussion, unless otherwise specified, references to fiscal years 2005, 2006 and 2007 relate to IRSA's fiscal years ended June 30, 2005, 2006 and 2007, respectively.

IRSA maintains its financial books and records in Argentine Pesos. IRSA prepares its consolidated financial statements in conformity with Argentine GAAP and the regulations of the *Comisión Nacional de Valores* which differ in significant respects from U.S. GAAP. These differences involve methods of measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC. See Note 17 to IRSA's audited consolidated financial statements included elsewhere in this prospectus herein 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 its net income and shareholders' equity.

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

IRSA's Results of Operations

Overview

IRSA's historical financial results have been, and are expected to continue to be, materially affected by the general level of economic activity and growth of per capita disposable income in Argentina (and in particular in the Buenos Aires area where its activities and investments are concentrated). From December 2001 through most of 2002, Argentina experienced a crisis that virtually paralyzed its economy and led to radical changes in government policies. Argentina's trade and fiscal deficits and the rigidity of its fixed exchange rate system (known as the convertibility regime), combined with the country's excessive reliance on foreign capital and with its mounting external debt, resulted in a deep contraction of the economy and in banking and fiscal crises when capital started to leave the country.

In response to the political and economic crisis, the Argentine government undertook a number of far-reaching initiatives that significantly changed the monetary and foreign exchange regime and the regulatory framework for conducting business in Argentina. Between December 2001 and January 2002, Argentina abolished the fixed parity between the Peso and the U.S. dollar, rescheduled bank deposits, asymmetrically pesified debts and suspended payment on a significant portion of its public debt.

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Most sectors of the Argentine economy were severely affected by the crisis and regulatory changes. In April 2002, the economy started its path to stabilization and realized a clear improvement of economic variables during the second half of the year, mainly as a result of expanding exports and decreasing imports. While the devaluation of the Peso had significant adverse consequences, it did result in a positive balance for Argentina's current account, which fostered a reactivation of domestic production. The sharp decline in the Peso's value against foreign currencies, together with a decline in production costs in U.S. dollar terms, made Argentine products relatively inexpensive in the export markets. At the same time, the costs of imported goods increased significantly due to the devaluation of the Peso, forcing Argentine consumers to substitute their purchase of foreign goods with domestic products, substantially boosting domestic demand for domestic products.

During the second half of 2002, Argentina's GDP increased 4.4%, and the consumer price index inflation was 8.0% for the six-month period ended December 31, 2002, compared to 30.5% for the six-month period ended June 30, 2002. The improving economic conditions, particularly the reduction of capital outflows from the Argentine economy and the banking system, allowed the government to begin lifting restrictions on bank withdrawals in November 2002.

Despite the improvement in economic conditions during the second half of 2002, Argentina's overall GDP contracted 10.9% for the full year, receding to 1993 values, investment collapsed (with, for example, negative growth of 43% in the second quarter compared to the second quarter of 2001), and inflation increased sharply. The main impact of the crisis was the tremendous social hardship. Unemployment rose from 12.9% to 19.7% between 1998 and 2002, real wages declined 24% in 2002, and the poverty index increased from 29% of the population in 2000 to 52% in 2002.

In May 2003, Argentina's political environment was reorganized when Dr. Néstor Kirchner took office as president. The economy continued to show indications of recovery, as GDP grew 8.8% in 2003. A combination of sound fiscal and monetary policies kept consumer price inflation under control at 3.5% in 2003. During 2003, Argentina moved towards normalizing its relationship with the IMF, withdrew all the national and provincial governments' quasi-money securities from circulation (amounting to Ps.7.8 billion), and eliminated all deposit restrictions. The trade balance experienced a sustained surplus, aided by the rise in commodity prices and export volumes. Social indicators also improved. The unemployment rate decreased to 17.3% in 2003 and real wages began to recover.

During 2004 and 2005, the Argentine economy continued to grow. GDP grew 9.0% in 2004 and 9.0% in 2005 according to the Central Bank's survey of independent forecasting firms. Inflation remained relatively low in 2004 although it almost doubled to 6.1% from 2003, and it increased to 12.3% during 2005 and 9.8% during 2006.

In June 2005, the Argentine government completed a restructuring of the federal government's public debt, which had been in default since December 2001. Argentina reduced the outstanding principal amount of its public debt from US\$191.3 billion to US\$126.6 billion and negotiated lower interest rates and extended payment terms. Approximately US\$19.5 billion of defaulted bonds held by creditors who did not participate in the exchange offer remain outstanding.

Over the past four years, the Argentine economy has recovered significantly from the crisis, and the business environment has largely stabilized. IRSA believes that the current recovery has led to significant improvements and sets the stage for growth opportunities. Nevertheless, we cannot assure you that the favorable economic conditions that Argentina has experienced in recent years will continue. See **Risk Factors** **Risks Related to Argentina**.

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Economic Recovery and Improvements in IRSA's Business Segments***Shopping centers***

The profitability of IRSA's shopping center business is highly sensitive to consumer spending, overall GDP growth in Argentina and availability of financing. The contraction in consumer spending and the greater reliance on informal and low quality products that characterized the Argentine economy during the crisis has been significantly lessened along with an increase in GDP growth. This economic reactivation has significantly increased the revenues of Alto Palermo, IRSA's subsidiary engaged in shopping center ownership and operation. During the fiscal years ended June 30, 2005, 2006 and 2007, IRSA's shopping center revenues were Ps.165.5 million, Ps.215.0 million and Ps.270.3 million respectively.

Credit card operations

Tarshop S.A. is a subsidiary of Alto Palermo through which IRSA has rolled out a credit card business. Economic reactivation and the consequent increase in consumer spending have been fueling the growth in this business as in the case of the shopping center segment. Conceived originally as a marketing tool intended to stimulate sales at IRSA's shopping centers, Tarshop's credit card business has extended beyond IRSA's shopping centers, becoming one of the fastest growing credit card businesses in the consumer credit industry in Argentina. As of June 30, 2007, Tarshop had 712,000 outstanding credit card accounts with more than Ps.700 million in outstanding loans most of which had been securitized as of such date. During the fiscal years ended June 30, 2005, 2006 and 2007, the revenues of IRSA's credit card operations were Ps.64.6 million, Ps.123.0 million and Ps.213.0 million, respectively.

Development and sale of properties

Demand for new residential units is influenced by a number of factors, including employment rates, short-term and long-term interest rates, availability of government-sponsored and private mortgage financing programs and products, consumer confidence, governmental policies, demographic factors and, to a lesser extent, changes in property taxes, energy costs and federal income tax rates. In addition, the feasibility of developing and marketing new residential units depend on a number of factors such as the inventory of existing units, zoning restrictions, government policies, cost and availability of land, construction and sales costs and the availability of financing on reasonable terms, among other factors. At the time of the crisis, residential sales came to a virtual standstill and real estate prices fell sharply. During the last four years, the market has begun to recover, making gradual progress. This continuing market stabilization accounts for much of the revenue increase in IRSA's development and sale of properties segment. During the fiscal years ended June 30, 2005, 2006 and 2007, IRSA's development and sale of properties segment had revenues of Ps.32.3 million, Ps.104.0 million and Ps.75.8 million, respectively.

Offices and other non-shopping center rental properties

The profitability of offices and other non-shopping center rental properties segment is similarly affected by the macroeconomic factors described above. Favorable market conditions and the incidence of bankruptcy are also closely related to levels of vacancy and to the price at which IRSA can lease its premises which in turn adversely affect IRSA's revenues in this segment. During the 2001 Argentine economic crisis and its aftermath, few development projects were built in Argentina. However, demand for office space and rental properties has increased substantially during the last four years, significantly raising prices. During the fiscal years ended June 30, 2005, 2006 and 2007, IRSA's offices and other non-shopping center rental properties segment had revenues of Ps.19.4 million, Ps.30.6 million and Ps.55.7 million, respectively.

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Hotel operations

The revenues from IRSA's hotel business are also highly sensitive to market conditions. For example, the devaluation of the Peso following the repeal of the Convertibility Law made Argentina a less expensive, and therefore a more attractive, tourist destination, significantly increasing the influx of foreign tourists. The appreciation of foreign currency also rendered domestic travel destinations more appealing to the Argentines, many of whom replaced foreign travel with local travel. During fiscal years ended June 30, 2005, 2006 and 2007, IRSA's Hotel operations segment had revenues of Ps.87.1 million, Ps.103.8 million and Ps.122.7 million, respectively.

Factors Affecting Comparability of Results of Operations

Described below are certain considerations that will facilitate an understanding of IRSA's overall operating results. These factors are based upon the information which is currently available to IRSA and do not represent all of the factors that are relevant to an understanding of IRSA's current and future results of operations.

Recent gains on equity investees

IRSA currently owns 11.8% of Banco Hipotecario, Argentina's leading mortgage lender and provider of mortgage-related insurance and mortgage loan services. Banco Hipotecario consummated a restructuring of its financial indebtedness in 2004 and since that time has recorded improving results of operations. For fiscal years ended June 30, 2006 and 2007, IRSA's investment in Banco Hipotecario generated a gain of Ps.47.0 million and Ps.41.4 million respectively. The gains IRSA recorded in its 2006 and 2007 fiscal years represented 48.7% and 38.6%, respectively, of its consolidated net income for such years. We cannot give you any assurance that IRSA's investment in Banco Hipotecario will continue to generate similar gains, if any, in the future.

Variability of results due to substantial property acquisitions and dispositions

The development and sale of large residential and other properties does not yield a stable, recurring stream of revenue. On the contrary, large acquisitions and sales significantly affect revenues for a reporting period, making it difficult to compare IRSA's year-to-year results. For example, the Ps.31.0 million sale to a third party of 10% of the plot known as Santa María de Plata and the Ps.26.2 million sale of plot Z of Dique III have significantly impacted IRSA's results for its 2007 fiscal year. IRSA's historical revenues have varied from period to period depending upon the timing of sales of properties, and IRSA's future period-on-period results of operations are likely to continue to vary, perhaps significantly, as a result of periodic acquisitions and dispositions of properties.

Critical Accounting Policies and Estimates

In connection with the preparation of the IRSA's consolidated financial statements included in this prospectus, IRSA has relied on variables and assumptions derived from historical experience and various other factors that IRSA deemed reasonable and relevant. Although IRSA reviews these estimates and assumptions in the ordinary course of business, the portrayal of its financial condition and results of operation often requires IRSA's management to make judgments regarding the effects of matters that are inherently uncertain on the carrying value of its assets and liabilities. Actual results may differ from those estimated under different variables, assumptions or conditions. In order to provide an understanding about how IRSA's 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:

revenue recognition;

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purchase accounting of real estate assets;

useful lives of real estate assets;

provision for allowances and contingencies;

impairment of long-lived assets;

debt restructuring;

deferred income tax; and

minimum presumed income tax.

Revenue recognition

IRSA primarily derives its revenues from domestic office space and shopping center leases and services operations, from the development and sale of properties, from credit card operations and from hotel operations.

Accounting for real estate barter transactions. During the years ended June 30, 2007, 2006 and 2005 IRSA entered into certain non-monetary transactions with third parties pursuant to which IRSA sold plots of land in the ordinary course of business in exchange for cash and/or other real estate properties. Under Argentine GAAP, these transactions were recorded based on the fair value of the assets involved and, as a result, a gain or loss was recognized at the time of the exchange. IRSA believes that this accounting policy is a critical accounting policy because the impact of accounting for real estate barter transactions under this method could have a material effect on IRSA's consolidated balance sheet as well as on its results of operations.

Recognition of inventories at net realizable value. Inventories, on which IRSA received payments in advance that fix the sales price and the terms and conditions of the contract assuring the closing of the transaction and the realization of the gain, are valued at net realizable value. At June 30, 2007, Ps.20.7 million was valued according these criteria, which was principally applied to the following developments: Dock III Plot X for Ps.18.4 million and San Martín de Tours for Ps.1.5 million. IRSA believes that the accounting policy related to recognition of inventories at net realizable value is a critical accounting policy because the impact of accounting under this method could have a material effect on IRSA's consolidated balance sheet as well as on its results of operations. The performance of a sensitivity analysis, which reduced the market value of the properties by 5%, would have resulted in a smaller Gain from recognition of inventories at net realizable value by Ps.2.3 million for IRSA's fiscal year ended June 30, 2007.

Leases and services from shopping center operations. IRSA accounts for its leases with tenants as operating leases. IRSA generally charge tenants a rent which consists of the higher of (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant's monthly gross retail sales (the Percentage Rent) (which generally ranges between 4% and 8% of tenant's gross sales). Furthermore, pursuant to the rent escalation clause in most leases, the tenant's Base Rent generally increases between 4% and 7% each year during the term of the lease. Certain of IRSA's lease agreements contain provisions which provide for rents based on a percentage of sales or based on a percentage of sales volume above a specified threshold. IRSA determines the compliance with specific targets and calculate the additional rent on a monthly basis as provided for in the contracts. Thus, IRSA does not recognize contingent rents until the required thresholds are exceeded.

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IRSA's lease agreements vary from 36 to 120 months. Law No. 24,808 provides that tenants may rescind commercial lease agreements after the initial six months, upon not less than 60 days' written notice, subject to penalties which vary from one to one and a half months rent if the tenant rescinds during the first year of its lease, and one month of rent if the tenant rescinds after the first year of its lease.

IRSA also charges its tenants a monthly administration fee, prorated among the tenants according to their leases, which varies from shopping center to shopping center, relating to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the overall shopping centers operations. IRSA recognizes administration fees monthly when earned. In addition to rent, IRSA generally charges tenants admission rights. Admission rights are non-refundable admission fees that tenants may be required to pay upon entering into a lease or upon lease renewal. An admission right is normally paid in one lump sum or in a small number of monthly installments. IRSA recognizes admission rights using the straight-line method over the life of the respective lease agreements. Furthermore, the lease agreements generally provide for the reimbursement of real estate taxes, insurance, advertising and certain common area maintenance costs. These additional rents and tenant reimbursements are accounted for on the accrual basis.

IRSA also derives revenues for parking lot fees charged to visitors. IRSA recognizes parking revenues as services are performed.

Leases and services from office and other buildings.

IRSA accounts for its leases with tenants as operating leases. IRSA charges tenants a base rent on a monthly basis. IRSA recognizes rental income on a straight-line basis over the term of the leases.

Development and sale of properties. IRSA records revenue from the sale of properties when all of the following criteria are met: (a) the sale has been consummated (a sale is not considered consummated until (i) the parties are bound by the terms of a contract, (ii) all consideration has been exchanged, (iii) any permanent financing for which the seller is responsible has been arranged and (iv) all conditions precedent to the closing have been performed); (b) IRSA determines that the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property (the adequacy of a buyer's initial investment is measured by (i) its composition and (ii) its size compared with the sales value of the property); (c) IRSA's receivables are not subject to future subordination (IRSA's receivables will not be placed in or occupy a lower rank, class or position with respect to other obligations of the buyer); and (d) IRSA has transferred to the buyer the risk and rewards of ownership and does not have a continuing involvement in the property.

IRSA generally enters into purchase and sale agreements with purchasers of units in its residential development properties prior to the commencement of construction. Pursuant to this practice, IRSA initiates its marketing and sales efforts on the basis of already-commissioned architectural designs and model units. As a general rule, purchasers pay a booking charge for the units and subsequently enter into fixed price purchase and sale agreements. The balance of the purchase price is due upon delivery of the constructed and completed unit.

Construction of such residential development properties is done pursuant to turn-key contracts with major Argentine and South American construction companies that provide for construction to be completed within a prescribed period and budget, subject to customary exceptions.

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IRSA uses the percentage-of-completion method of accounting with respect to sales of development properties under construction effected under fixed-priced contracts. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs applied to the total contract price. IRSA does not commence revenue and cost recognition until such time as the decision to proceed with the project is made and construction activities have begun.

The percentage-of-completion method of accounting requires management to prepare budgeted costs (i.e., the estimated costs of completion) in connection with sales of properties and/or units. All changes to estimated costs of completion are incorporated into revised estimates during the contract period.

Under this method of accounting, revenues for work completed may be recognized in the statement of income prior to the period in which actual cash proceeds from the sale are received. In this situation, a deferred asset is recorded. Alternatively, and as is more common for IRSA, where property and/or unit purchasers pay IRSA an advance down-payment and monthly cash installments prior to the commencement of construction, a liability is recorded. This is recorded as a customer advance in the financial statements.

Credit card operations

IRSA derives revenues from credit card transactions which primarily are comprised of (i) merchant discount fees which are recognized when transactional information is received and processed by the Company; (ii) data processing services which consist of processing and printing cardholders statement of accounts, and which are recognized as services are provided; and (iii) life and disability insurance charges to cardholders which are recognized on an accrual basis.

Hotel operations

IRSA recognizes revenues from occupation of rooms, catering, and restaurant facilities as earned on the close of each business day.

Purchase accounting of real estate assets

IRSA allocates the purchase price to assets acquired and liabilities assumed on a gross basis based on their fair values at the date of acquisition pursuant to the provisions of Technical Resolution No. 18 Specific Considerations for the Preparation of Financial Statements (RT No. 18). In estimating the fair value of the tangible and intangible assets and liabilities acquired, IRSA considers information obtained about each property as a result of IRSA's due diligence, marketing and leasing activities. It applies various valuation methods, such as estimated cash flow projections utilizing appropriate discount and capitalization rates, estimates of replacement costs net of depreciation, and available market information. Depending upon the size of the acquisition, IRSA may engage an outside appraiser to perform a valuation of the tangible and intangible assets acquired. IRSA is required to make subjective estimates in connection with these valuations and allocations.

When the sum of the individual fair values of the identifiable tangible and intangible assets exceeds the purchase price paid, negative goodwill exists. Under Argentine GAAP, when negative goodwill exists after an acquiring entity initially assigns values to all assets acquired and liabilities assumed, RT No. 18 states that the entity must first reassess whether all acquired assets and assumed liabilities have been identified and properly valued. If an amount of negative goodwill still results after this reassessment, intangible assets acquired (including above and below market leases, in-place leases and tenant relationships, as applicable), are subject to reduction. If after all of these intangible assets are

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reduced to zero and an amount of negative goodwill still remains, the remaining unallocated negative goodwill is amortized under the straight-line method over the weighted average useful life of the main tangible assets acquired.

Useful lives of real estate assets

IRSA is required to make subjective assessments as to the useful lives of its properties for purposes of determining the amount of depreciation to reflect on an annual basis with respect to those properties. These assessments have a direct impact on IRSA's net income. If IRSA would lengthen or shorten the expected useful life of a particular asset, it would be depreciated over more or less years and result in less or more depreciation expense and higher or lower net income.

Provisions for allowances and contingencies

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 its agreements. Allowances are determined on a case-by-case basis, where applicable, by considering the present value of expected future cash flow or the fair market value of collateral if the loan is securitized. Determinations that an allowance should be recognized are dependent on information available at the time of the determination. As a result, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used at the time of the determination. IRSA has considered all events and/or transactions subject to reasonable and standard estimation procedures. The consolidated financial statements reflect these considerations.

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 IRSA's 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. 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 is separately identifiable and less than its carrying value. IRSA determines the fair market value of a long-lived asset primarily using independent appraisals and utilizing anticipated cash flows discounted at a rate commensurate with the risk involved. The reposition value is mainly determined using independent appraisals or projections of future cash flows. 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. Impairments are allocated to the results of the period.

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 had 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.

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IRSA believes that the accounting estimate related to asset impairment is a critical accounting estimate because:

it is highly susceptible to change from period to period because it requires company management and/or independent appraisers to make assumptions such as, future sales and cost of sale, future vacancy rates and future prices, which requires significant adjustments because actual prices and vacancy rates have fluctuated in the past and are expected to continue to do so; and

because the impact that recognizing an impairment would have on assets reported on IRSA's balance sheet as well as on the results of IRSA's operations could be material. Independent appraisals about future sales prices and future vacancy rates require significant judgment because actual sales prices and vacancy rates have fluctuated in the past and are expected to continue to do so.

As of June 30, 2002 IRSA has reviewed its assets in all 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 fiscal year 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 the fair market values of the assets for which IRSA had recognized impairment losses, IRSA partially reversed those impairment losses, recognizing gains of Ps.25.4 million, Ps.63.0 million, Ps.28.2 million, Ps.12.6 million and Ps.2.6 million, for the years ended June 30, 2003, 2004, 2005 and 2006 and 2007 respectively. Assets related to those four segments represent approximately 98.5% of IRSA's total long-lived assets as of June 30, 2007.

The fair market value of IRSA's office and rental properties was determined following the rent value method, taking into consideration each property's future cash flow, its comparability with other properties in the market and its historic vacancy rates. The price per square meter of IRSA's properties varies according to the category and type of building, and to each property's idiosyncratic traits. Vacancy rates are the lowest in history with rates below 2%. Moreover, IRSA currently believes that a significant amount of new office space, comparable to its existing buildings in Buenos Aires, is not likely to become available in the City of Buenos Aires during IRSA's next two or three fiscal years. IRSA applied an assumed 5% vacancy rate in preparing its cash flow analyses. For buildings IRSA considers to be Class A (those having the best location and condition) the average price per square meter used was Ps.68/74 per square meter per month, while for buildings IRSA considers to be Class A/B (having very good location and/or condition) the average price was Ps.37/49 per square meter per month, and for buildings IRSA considers Class B/C (those having good location and/or condition) it was Ps.31 per square meter per month. The performance of a sensitivity analysis, which would have reduced the fair market value of these properties by 5%, would have resulted in a smaller reversal of impairment losses as of June 30, 2007, of Ps.0.4 million.

With respect to IRSA's Hotel Operations segment, the discounted cash flows methodology was applied by taking the forecasts of each hotel in a 10-year flow and discounting such estimated amounts at rates according to risk, location and other relevant factors. The cash flows to be discounted considered revenues per room, per guest, per additional charge as well as the fixed and variable expenditures related to the transaction. Rate increases and occupancy variations were estimated based on the information supplied by each hotel's management and comparing them to industry-specific data in the local market. IRSA believes that tourism activities and related industries in Argentina have grown in the range of 13% to 18% over the last 12 months, well above worldwide figures, according to inbound traveling and spending statistics provided by the National Tourism Agency.

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Shopping centers were valued according to the rent value method. IRSA calculated discount rates considering each property's location, its comparability with other properties in the market, its historic rental income, vacancy rates and cash flow. The average discount rates IRSA used ranged between 10.0% and 10.4%, and the average price per leasable square meter was Ps.7,043 and the average vacancy rate was calculated taking into consideration the real vacancy.

IRSA used the open market method for determining the fair market value of its land reserves and inventories. IRSA estimated the value of each site by taking into consideration the value of the property according to its surface area and location, as well as the availability of inventory. The performance of a sensitivity analysis, which would have reduced the fair market value of these properties by 5% would have resulted in increased recognition of impairment losses as of June 30, 2007, of Ps.0.7 million.

Debt restructuring

Extension of the maturity date of Alto Palermo's convertible notes. On August 20, 2002, Alto Palermo issued an aggregate amount of US\$50.0 million of unsecured convertible notes in exchange for cash and the settlement of certain liabilities. These convertible notes accrue interest at a fixed annual interest rate of 10% (payable semiannually), are convertible at any time at the option of the holder into common shares (at a conversion ratio of US\$0.3240 per share) and originally matured on July 19, 2006. On May 2, 2006, Alto Palermo's noteholders resolved to extend the maturity date of these convertible notes through July 19, 2014, the remaining terms and conditions remained unchanged.

Under Argentine GAAP, an exchange or modification of debt instruments is deemed to result in a substantially different debt instrument if the present value of the cash flows under the terms of the new debt instrument is at least 10% different from the present value of the remaining cash flows under the terms of the original instrument. The new debt instrument should be initially recorded at fair value, and that amount should be used to determine the extinguishment gain or loss to be recognized.

Fair value should be determined by the present value of the future cash flows to be paid under the terms of the new debt instrument discounted at a rate commensurate with the risks of the debt instrument and time value of money. If it is determined that the original and new debt instrument are not substantially different, then a new effective interest rate is to be determined based on the carrying amount of the original debt instrument and the revised cash flows.

IRSA believes that the accounting policy related to the extension of Alto Palermo's convertible notes' maturity date is a critical accounting policy because it required IRSA's management to make an estimate of the present value of the future cash flows, using an estimated discount rate which is highly susceptible to changes from period to period. The impact on the fair market value of IRSA's debt instruments could be material. Based on the analysis performed, IRSA concluded that the instruments were not substantially different and accordingly the old instrument was not extinguished.

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.

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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 IRSA's consolidated balance sheet as well as on the income tax result reported in IRSA's consolidated statement of income could be material.

Minimum presumed income tax

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

IRSA has recognized the minimum presumed income 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 relating to the minimum presumed income tax provision is a critical accounting policy because it requires management to make estimates and assumptions with respect to 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.

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:

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

the accounting for marketable securities;

the application of different useful lives for depreciation purposes;

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

the accounting for a mortgage payable with no stated interest;

the accounting for securitization programs;

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

the present-value accounting;

the restoration of previously recognized impairment losses accounting;

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the accounting for convertible notes;

the accounting for troubled debt restructuring;

the accounting for real estate barter transactions;

the accounting for the appraisal revaluation of fixed assets;

the accounting for deferred charges;

the amortization of fees related to the Senior Notes;

the accounting for software obtained for internal use;

the accounting for increasing rate debt;

the accounting for certain inventories to which IRSA has received advance payments that fix sales price and the contractual terms assure the closing of the sale and the realization of the gain;

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 U.S. GAAP are treated as temporary differences;

the effect of the reversal of gain from recognition of financial receivables at net realizable value;

the effect of the reversal of capitalized exchange differences;

the effects on deferred income tax of the foregoing taxes of the above-mentioned reconciling items, as appropriate;

the effect on minority interest of the above-mentioned reconciling items, as appropriate; and

the cumulative effect of initial application of SAB 108.

In addition, certain other disclosures required under U.S. GAAP have been included in the U.S. GAAP reconciliation. See note 17 to IRSA's audited consolidated financial statements included elsewhere in this prospectus.

Net income under Argentine GAAP for the years ended June 30, 2005, 2006 and 2007 was approximately Ps.103.2 million, Ps.96.6 million and Ps.107.1 million, respectively, compared to approximately Ps.129.4 million, Ps.89.9 million and Ps.103.2 million, respectively, under U.S. GAAP. Shareholders' equity under Argentine GAAP as of June 30, 2006 and 2007, was Ps.1,485.8 million and Ps.1,646.7 million, respectively,

compared to Ps.1,158.4 million and Ps.1,358.7 million, respectively, under U.S. GAAP.

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Business Segment Reporting

IRSA has determined that its reportable segments are those based on IRSA's method of internal reporting. Accordingly, IRSA has six reportable segments. These segments are shopping centers, credit card operations, development and sale of properties, offices and other non-shopping center rental properties, hotel operations and financial operations and others.

A general description of each segment follows:

Shopping centers. This segment includes the operating results of IRSA's shopping centers principally consisting of lease and service revenues from tenants.

Credit card operations. IRSA operates a credit card consumer finance business through Alto Palermo's majority-owned subsidiary Tarshop. IRSA's Credit card operations consist primarily of lending and servicing activities relating to the credit card products IRSA offers to consumers at shopping centers, hypermarkets and street stores. IRSA finances a substantial majority of IRSA's credit card activities through securitization of the receivables underlying the accounts IRSA originate. IRSA's revenues from credit card transactions are derived from interest income generated by financing and lending activities, merchants' fees, insurance charges for life and disability insurance and fees for data processing which consist of processing and printing cardholder's account statement.

Development and sale of properties. This segment includes the operating results of IRSA's construction and/or sale of residential buildings business.

Offices and other non-shopping center rental properties. This segment includes the operating results from IRSA's lease and service revenues for office space and other non-retail building properties.

Hotel operations. This segment includes the operating results of IRSA's hotels principally comprised of room, catering and restaurant revenues.

Financial operations and others. This segment primarily includes revenues and associated costs generated from the sale of equity securities, other securities-related transactions and other non-core activities.

IRSA measures its reportable segments based on net income. Inter-segment transactions, if any, are accounted for at current market prices. IRSA evaluates performance and allocates its resources to each segment based on net income. IRSA does not depend on any one customer for the majority of its business.

Allocation of expenses and other gains to business segments

Allocation of selling expenses to business segments

Selling expenses directly attributable to the Shopping centers, Credit card operations and Hotel Operations segments are directly allocated to these segments. These expenses are incurred individually by these segments. All other selling expenses are allocated appropriately among the remaining segments based on the specific segment which incurred the expenses.

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Allocation of administrative expenses to business segments

Administrative expenses directly attributable to the Shopping centers, Credit card operations and Hotel Operations segments are directly allocated to these segments. These expenses are incurred individually by these segments. All other administrative expenses are prorated among the Development and sale of properties segment and the Offices and other non-shopping center rental properties segments based on the percentage of the operating assets and revenues generated by each segment. Accordingly, 53.1% and 46.9% of administrative expenses (excluding expenses directly attributable to the Shopping centers, Credit card operations and Hotel Operations segments) are allocated to the Development and sale of properties segment and the Offices and other non-shopping center rental properties segments, respectively.

Allocation of results from retained interest in securitized receivables to business segments

Alto Palermo's profits from its interest in Tarjeta Shopping are allocated to IRSA's Credit card operations segment.

Allocation of results from operations and holdings of real estate assets, net

These results are allocated to the segment that generates them, which are Shopping centers, Development and sales of properties, Offices and other non-shopping center rental properties and Hotel Operations.

Allocation of the amortization of goodwill

Includes, principally, the amortization of goodwill generated from (i) the acquisition of Alto Palermo, (ii) the acquisition of Alto Palermo's subsidiaries, (iii) the purchase of Alto Palermo's convertible notes and (iv) the acquisition of 33% interest in Palermo Invest. The amortization is allocated to the segment that generates the corresponding goodwill.

Allocation of financial results to business segments

Financial results, net

Includes interest income, interest on discounting of assets and liabilities, gain on financial operations, financial expenses, exchange gain (loss) and other financial results allocated to each segment, as described below.

Gain (loss) on financial operations

The Shopping centers, Credit card operations and Hotel operations segments each manage their financial operations individually. The results generated on such operations are directly allocated to these segments. The remaining financial gains or losses are shown in the Financial operations and others segment since they are not specifically generated by any other separate segment.

Interest income, interest on discounting of assets and liabilities and financial expenses

Only the results generated by Alto Palermo, Tarjeta Shopping and IRSA's hotels are recorded in the Shopping centers, Credit card operations and Hotel operations segments, respectively. The remaining results are prorated among Development and sale of properties, Offices and other non-shopping center rental properties, Shopping centers, Credit card operations, Hotel operations and Financial operations and others in proportion to the corresponding assets to each segment.

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In the case of Shopping centers, Credit card operations and Hotel operations, exchange gains (losses) and other financial results are attributed to the segments giving rise to them. The remaining items are recorded in Financial Operations and Others as they are not directly related to any segment.

Allocation of (Loss) gain on equity investees

(Loss) gain on equity investees is allocated to the corresponding segments. (Loss) gain on equity investees carrying out activities not falling under any of IRSA's segments of activity are recorded under Financial operations and Others.

Allocation of other expenses, net

The Shopping centers, Credit card operations and Hotel operations segments each manage their expenses individually. The results generated by such operations are directly allocated to these segments. The remaining expenses are shown in the Financial operations and others segment since they are not specifically generated by any other separate segment.

Allocation of minority interest

Minority interests are allocated among IRSA's respective segments that generate them.

Allocation of income tax and minimum presumed income tax

The corresponding income tax is allocated to the segment that generates it and minimum presumed income tax is prorated among the Development and sale of properties, the Offices and other non-shopping center rental properties and the Financial Operations and Others segments.

The following tables show certain operating data by business activity:

| As of and for year ended June 30, 2007 | Offices and other non- | | Shopping centers | Hotel operations | Credit card operations | Financial operations and others | Total |
|---|------------------------------------|---------------------------------------|------------------|------------------|------------------------|---------------------------------|-----------|
| | Development and sale of properties | shopping center rental properties (a) | | | | | |
| Income Statement Data | | | | | | | |
| Revenues | 75,751 | 55,683 | 270,266 | 122,681 | 212,965 | 1,410 | 738,756 |
| Costs | (57,823) | (16,699) | (91,112) | (68,960) | (76,251) | (802) | (311,647) |
| Gross profit | 17,928 | 38,984 | 179,154 | 53,721 | 136,714 | 608 | 427,109 |
| Gain from recognition of inventories at net realizable value | 20,737 | | | | | | 20,737 |
| Selling expenses | (12,846) | (4,376) | (22,346) | (12,175) | (61,966) | | (113,709) |
| Administrative expenses | (19,624) | (16,827) | (32,717) | (26,893) | (45,366) | | (141,427) |
| Net income from retained interest in securitized receivables | | | | | 3,254 | | 3,254 |
| (Loss) gain from operations and holdings of real estate assets, net | (18) | 1,845 | 741 | | | | 2,568 |
| Operating income | 6,177 | 19,626 | 124,832 | 14,653 | 32,636 | 608 | 198,532 |
| Amortization of goodwill | 286 | 1,044 | (2,802) | | | | (1,472) |
| (Loss) gain on equity investees | (491) | | (818) | (412) | | 41,747 | 40,026 |
| Financial results, net | (7,088) | (6,256) | (28,190) | (5,268) | 825 | 50,076 | 4,099 |

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| | | | | | | | |
|--|----------|---------|----------|---------|----------|----------|----------|
| Other income (expenses), net | | | (6,382) | 160 | 3,034 | (10,912) | (14,100) |
| Income before taxes and minority interest | (1,116) | 14,414 | 86,640 | 9,133 | 36,495 | 81,519 | 227,085 |
| Income tax and minimum presumed income tax | (11,786) | (1,987) | (40,798) | (3,102) | (15,455) | (14,411) | (87,539) |
| Minority interest | (4) | (326) | (22,000) | (1,400) | (8,719) | | (32,449) |

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| As of and for year ended June 30, 2007 | Offices and other non- | | | | | Financial operations | | Total |
|--|------------------------------------|---------------------------------------|------------------|------------------|------------------------|----------------------|-----------|-------|
| | Development and sale of properties | shopping center rental properties (a) | Shopping centers | Hotel operations | Credit card operations | and others | | |
| Net income | (12,906) | 12,101 | 23,842 | 4,631 | 12,321 | 67,108 | 107,097 | |
| Gross margin(b) | 0.24 | 0.70 | 0.66 | 0.44 | 0.64 | 0.43 | 0.58 | |
| Operating margin(c) | 0.08 | 0.35 | 0.46 | 0.12 | 0.15 | 0.43 | 0.27 | |
| Net margin(d) | (0.17) | 0.22 | 0.09 | 0.04 | 0.06 | 47.59 | 0.14 | |
| Depreciation and amortization(e) | 39 | 16,256 | 67,046 | 12,358 | 1,297 | | 96,996 | |
| Balance Sheet Data | | | | | | | | |
| Operating assets | 508,742 | 675,321 | 1,336,166 | 202,113 | 139,657 | | 2,861,999 | |
| Non operating assets | 30,516 | 24,662 | 39,073 | 6,318 | 18,771 | 1,163,560 | 1,282,900 | |
| Total assets | 539,258 | 699,983 | 1,375,239 | 208,431 | 158,428 | 1,163,560 | 4,144,899 | |
| Operating liabilities | 31,472 | 83,073 | 199,616 | 23,304 | 165,713 | | 503,178 | |
| Non operating liabilities | 278,615 | 247,763 | 734,370 | 153,117 | 44,722 | 86,010 | 1,544,597 | |
| Total liabilities | 310,087 | 330,836 | 933,986 | 176,421 | 210,435 | 86,010 | 2,047,775 | |

- (a) Includes offices, commercial and residential premises.
(b) Gross profit divided by revenues.
(c) Operating income divided by revenues.
(d) Net income divided by revenues.
(e) Included in operating income.

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| As of and for year ended June 30, 2006 | Development and sale of properties | Offices and other non- shopping center rental properties (a) | Shopping centers | Hotel operations | Credit card operations | Financial operations and others | Total |
|---|--|--|---------------------|---------------------|---------------------------|---------------------------------------|-----------|
| Income Statement Data | | | | | | | |
| Revenues | 103,966 | 30,565 | 215,003 | 103,763 | 122,969 | 1,414 | 577,680 |
| Costs | (54,200) | (8,987) | (77,382) | (57,971) | (43,933) | (1,358) | (243,831) |
| Gross profit | 49,766 | 21,578 | 137,621 | 45,792 | 79,036 | 56 | 333,849 |
| Gain from recognition of inventories at net realizable value | 9,063 | | | | | | 9,063 |
| Selling expenses | (1,797) | (1,020) | (15,700) | (10,688) | (30,900) | | (60,105) |
| Administrative expenses | (12,807) | (11,315) | (25,837) | (20,998) | (25,925) | | (96,882) |
| Net income from retained interest in securitized receivables | | | | | 2,625 | | 2,625 |
| Gain from operations and holdings of real estate assets, net | 52 | 2,619 | 9,499 | 446 | | | 12,616 |
| Operating income | 44,277 | 11,862 | 105,583 | 14,552 | 24,836 | 56 | 201,166 |
| Amortization of goodwill | | | (856) | | (224) | | (1,080) |
| (Loss) gain on equity investees | | | (1,599) | 146 | | 43,110 | 41,657 |
| Financial results, net | (5,383) | (4,579) | (23,273) | (1,935) | 106 | (5,862) | (40,926) |
| Other expenses, net | | | (9,636) | (415) | (125) | (8,087) | (18,263) |
| Income before taxes and minority interest | 38,894 | 7,283 | 70,219 | 12,348 | 24,593 | 29,217 | 182,554 |
| Income tax and minimum presumed income tax | (2,053) | (2,451) | (40,220) | (3,852) | (8,238) | (1,977) | (58,791) |
| Minority interest | | (1,077) | (14,582) | (4,157) | (7,374) | | (27,190) |
| Net income | 36,841 | 3,755 | 15,417 | 4,339 | 8,981 | 27,240 | 96,573 |
| Gross margin(b) | 0.48 | 0.71 | 0.64 | 0.44 | 0.64 | 0.04 | 0.58 |
| Operating margin(c) | 0.43 | 0.39 | 0.49 | 0.14 | 0.20 | 0.04 | 0.35 |
| Net margin(d) | 0.35 | 0.12 | 0.07 | 0.04 | 0.07 | 19.26 | 0.17 |
| Depreciation and amortization(e) | 253 | 7,903 | 62,337 | 9,671 | 815 | | 80,979 |
| Balance Sheet Data | | | | | | | |
| Operating assets | 386,740 | 359,725 | 1,139,767 | 145,796 | 74,148 | | 2,106,176 |
| Non operating assets | 49,624 | 46,158 | 18,536 | 13,310 | 10,655 | 495,662 | 633,945 |
| Total assets | 436,364 | 405,883 | 1,158,303 | 159,106 | 84,803 | 495,662 | 2,740,121 |
| Operating liabilities | 15,183 | 52,688 | 129,653 | 21,281 | 97,969 | | 316,774 |
| Non operating liabilities | 81,414 | 72,126 | 243,303 | 59,030 | 13,272 | 18,447 | 487,592 |
| Total liabilities | 96,597 | 124,814 | 372,956 | 80,311 | 111,241 | 18,447 | 804,366 |

- (a) Includes offices, commercial and residential premises.
(b) Gross profit divided by revenues.
(c) Operating income divided by revenues.
(d) Net income divided by revenues.
(e) Included in operating income.

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| As of and for year ended June 30, 2005 | Development and sale of properties | Offices and other non- shopping center rental properties (a) | Shopping centers | Hotel operations | Credit card operations | Financial operations and others | Total |
|---|--|--|---------------------|---------------------|---------------------------|---------------------------------------|-----------|
| Income Statement Data | | | | | | | |
| Revenues | 32,311 | 19,431 | 165,529 | 87,120 | 64,558 | 940 | 369,889 |
| Costs | (17,542) | (7,746) | (69,781) | (48,924) | (23,102) | (979) | (168,074) |
| Gross profit | 14,769 | 11,685 | 95,748 | 38,196 | 41,456 | (39) | 201,815 |
| Gain from recognition of inventories at net realizable value | 17,317 | | | | | | 17,317 |
| Selling expenses | (1,961) | (922) | (10,655) | (9,792) | (13,496) | | (36,826) |
| Administrative expenses | (10,080) | (9,771) | (16,548) | (19,434) | (14,837) | | (70,670) |
| Net income from retained interest in securitized receivables | | | | | 423 | | 423 |
| Gain from operations and holdings of real estate assets, net | 521 | 12,228 | 13,093 | 2,096 | | | 27,938 |
| Operating income (loss) | 20,566 | 13,220 | 81,638 | 11,066 | 13,546 | (39) | 139,997 |
| Amortization of goodwill | | | (1,421) | | (242) | | (1,663) |
| (Loss) gain on equity investees | | | (1,989) | 12,197 | | 56,999 | 67,207 |
| Financial results, net | (5,633) | (4,127) | (17,380) | (4,189) | 96 | 19,385 | (11,848) |
| Other (expenses) income, net | | | (8,371) | 223 | 56 | (5,997) | (14,089) |
| Income before taxes and minority interest | 14,933 | 9,093 | 52,477 | 19,297 | 13,456 | 70,348 | 179,604 |
| Income tax and minimum presumed income tax | (13,089) | (1,784) | (28,751) | (1,179) | (4,864) | (3,540) | (53,207) |
| Minority interest | | (2,112) | (16,317) | (3,824) | (899) | | (23,152) |
| Net income | 1,844 | 5,197 | 7,409 | 14,294 | 7,693 | 66,808 | 103,245 |
| Gross margin(b) | 0.46 | 0.60 | 0.58 | 0.44 | 0.64 | (0.04) | 0.55 |
| Operating margin(c) | 0.64 | 0.68 | 0.49 | 0.13 | 0.21 | (0.04) | 0.38 |
| Net margin(d) | 0.06 | 0.27 | 0.04 | 0.16 | 0.12 | 71.07 | 0.28 |
| Depreciation and amortization(e) | 252 | 6,672 | 57,885 | 8,824 | 458 | | 74,091 |
| Balance Sheet Data | | | | | | | |
| Operating assets | 343,803 | 364,420 | 1,093,242 | 133,035 | 31,538 | | 1,966,038 |
| Non-operating assets | 55,442 | 58,766 | 3,586 | 2,136 | 7,092 | 431,366 | 558,388 |
| Total assets | 399,245 | 423,186 | 1,096,828 | 135,171 | 38,630 | 431,366 | 2,524,426 |
| Operating liabilities | 11,040 | 68,129 | 99,139 | 20,313 | 48,776 | | 247,397 |
| Non operating liabilities | 96,332 | 72,266 | 296,788 | 44,735 | 11,365 | 57,475 | 578,961 |
| Total liabilities | 107,372 | 140,395 | 395,927 | 65,048 | 60,141 | 57,475 | 826,358 |

(a) Includes offices, commercial and residential premises.

(b) Gross profit divided by revenues.

(c) Operating income divided by revenues.

(d) Net income divided by revenues.

(e) Included in operating income.

IRSA's Results of Operations for the Fiscal Years ended June 30, 2007 and 2006.**Revenues**

Revenues increased 27.9% from Ps.577.7 million in fiscal year 2006 to Ps.738.8 million in fiscal year 2007, primarily due to increases in the revenues of each of IRSA's Credit card operations, Shopping Centers, Offices and Other Non-Shopping Center Rental Properties and Hotel Operations segments, partially offset by a decrease in the revenues of IRSA's Development and Sale of Properties segment.

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Shopping Centers

Revenues from IRSA's Shopping Centers segment increased 25.7% from Ps.215.0 million in fiscal year 2006 to Ps.270.3 million in fiscal year 2007. This increase was principally due to a Ps.55.3 million increase in revenues from rentals and admission rights as a consequence of: (i) an 18.0% increase in the average rental price per square meter and (ii) a 24.3% increase in the total sales of IRSA's lessees, from Ps.2,273.3 million during fiscal year 2006 to Ps.2,825.8 million during fiscal year 2007, resulting in a Ps.552.5 million increase in revenues from variable rental payments. The average occupancy rate of IRSA's shopping centers decreased from 99.1% in fiscal year 2006 to 97.0% in fiscal year 2007.

Development and Sale of Properties

Revenues from IRSA's Development and Sale of Properties segment decreased 27.1% from Ps.104.0 million in fiscal year 2006 to Ps.75.8 million in fiscal year 2007. This business segment generally does not show consistently recurring revenues due to the nature of IRSA's business. As a result, period-on-period comparisons may vary significantly depending on the projects that IRSA is developing and their degree of completion. The decrease of the revenues of this segment in fiscal year 2006 was principally due to the absence in fiscal year 2007 of Ps.104.0 million of revenues which were recognized during fiscal year 2006 principally arising from the following operations:

Ps.41.8 million from the sale of parcel Y, Dock III;

Ps.23.0 million from the sale by IRSA's subsidiary Alto Palermo of a parcel of land near its Paseo Alcorta shopping center;

Ps.22.8 million from the sale of block 36 of the parcel called Terrenos de Caballito; and

Ps.10.0 million from the sale of Edificios Cruceros units.

The absence in fiscal year 2007 of the Ps.104.0 million of revenues mentioned above was partially offset by the following revenues recognized during fiscal year 2007:

Ps.31.0 million from the sale to third parties of 10% of IRSA's Santa María del Plata land reserve;

Ps.26.2 million from the sale of plot Z, Dock III;

Ps.8.6 million from the sale of units in San Martín de Tours; and

Ps.8.4 million from the sale of Edificios Cruceros units.

Offices and Other Non-Shopping Center Rental Properties

Revenues from IRSA's Offices and Other Non-Shopping Center Rental Properties increased 82.2% from Ps.30.6 million in fiscal year 2006 to Ps.55.7 million in fiscal year 2007. This increase was primarily due to a Ps.25.5 million increase in the revenues from office rentals, from Ps.27.4 million in fiscal year 2006 to Ps.52.9 million in fiscal year 2007. This increase in revenues from office rentals was due to:

an increase, from 94.0% in fiscal year 2006 to 99.1% in fiscal year 2007, in IRSA's average occupancy rates in offices for lease due to IRSA's inclusion in fiscal year 2007 of Dock del Plata and Bouchard 551 and Reconquista 823 (which were 100.0% occupied);

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a 93.3% increase in annual rentals from offices for lease arising principally from (i) price increases in the following buildings which increased IRSA's total leasable area of Class A buildings by 53% from 78.115 to 119.360 square meters: Intercontinental Plaza resulting in higher rents of Ps.5.5 million, Bouchard 710 resulting in higher rents of Ps.3.1 million, Maipú 1300 resulting in higher rents of Ps.2.5 million and Libertador 498 resulting in higher rents of Ps.2.4 million (ii) the acquisition of two new premium buildings: Bouchard 551 (acquired in March 2007) which generated rental revenues in fiscal year 2007 of Ps.3.9 million and Dock del Plata (acquired in November 2006) which generated rental revenues in fiscal year 2007 of Ps.3.1 million; and

The occupancy rate of the offices and other non-shopping center rental properties segment increased from 96.9% in fiscal year 2006 to 97.4% during fiscal year 2007.

Hotel Operations

Revenues from IRSA's hotel operations increased 18.2% from Ps.103.8 million in fiscal year 2006 to Ps.122.7 million in fiscal year 2007, principally due a 23.7% increase in the average price per room in IRSA's hotels, from Ps.379.0 in fiscal year 2006 to Ps.469.0 in fiscal year 2007. In fiscal year 2007, revenues from the Hotel Llao Llao increased Ps.8.9 million, revenues from the Hotel Intercontinental increased Ps.6.0 million and revenues from the Hotel Sheraton Libertador increased Ps.4.0 million, in each case compared to fiscal year 2006. These improvements in fiscal year 2007 were partially offset by a decrease in average occupancy rates from 78.7% in fiscal year 2006 to 74.0% during fiscal year 2007.

Credit Card Operations

Revenues from IRSA's Credit Card segment increased 73.2% from Ps.123.0 million during fiscal year 2006 to Ps.213.0 million during fiscal year 2007. This increase resulted from:

favorable macroeconomic conditions in fiscal year 2007 which showed a general increase in consumption;

an increase of 201,114 in newly issued credit cards;

the opening of four new branches;

a 90.5% increase in sales made with IRSA's shopping card and a 49% increase in the number of stores accepting IRSA's card; and

financial operations and others.

Revenues from IRSA's Financial Operations and Others segment remained stable with respect to fiscal year 2006. Revenues included in this segment represents fees for services unrelated to IRSA's Others segments.

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Costs

IRSA's costs increased 27.8% from Ps.243.8 million in fiscal year 2006 to Ps.311.6 million in fiscal year 2007 as a result of an increase in costs of each of IRSA's business segments during fiscal year 2007 other than Financial Operations and Others. IRSA's total costs as a percentage of IRSA's revenues remained flat at 42.2% for each of fiscal year 2006 and 2007.

Development and Sale of Properties

Costs related to Development and Sale of Properties increased 6.7%, from Ps.54.2 million in fiscal year 2006 to Ps.57.8 million in fiscal year 2007. This business segment generally does not show consistently recurring costs due to the nature of IRSA's business. As a result, period-on-period comparisons may vary significantly depending on the projects that IRSA is developing and their degree of completion. The increase in costs of this segment was principally due to the following costs incurred in fiscal year 2007:

Ps.26.2 million related to the sale of plot Z of Dock III;

Ps.12.9 million related to the sale of 10% of the Santa María del Plata land reserve;

Ps.8.2 million related to the sale of San Martín de Tours units; and

Ps.3.2 million related to the sale of Edificio Cruceros units.

The foregoing cost increases in fiscal year 2007 were partially offset by the non-recurrence in fiscal year 2007 of the following costs which were incurred in fiscal year 2006:

Ps.18.4 million in costs related to the sale of Alcorta Plaza (through Alto Palermo);

Ps.11.3 million of costs related to the sale of block 36 of the plot called Terrenos de Caballito ;

Ps.9.7 million of costs related to the sale of plot Y, Dock III; and

Ps.8.8 million of costs related to the sale of Edificios Cruceros units.

Costs included in this segment as percentage of revenues from such segment increased from 52.1% in fiscal year 2006 to 76.3% in fiscal year 2007.

Offices and Other Non-Shopping Center Rental Properties

Costs of the Offices and Other Non-Shopping Center Rental Properties segment increased 85.5%, from Ps.9.0 million in fiscal year 2006 to Ps.16.7 million in fiscal year 2007. The principal cost component in this office segment is the depreciation of buildings rented, and the increase in fiscal year 2007 was principally due to (i) Ps.3.1 million higher depreciation in fiscal year 2007 as a result of the addition of two new rental properties, Dock del Plata and Bouchard 551 and (ii) Ps.5.9 million higher depreciation as a result of a change in the determination of remaining useful life of IRSA's rental buildings, which decreased from an average of 496 months in fiscal year 2006 to an average of 253 months in fiscal year 2007.

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Shopping Centers

Costs of the Shopping Centers segment increased 17.7%, from Ps.77.4 million in fiscal year 2006 to Ps.91.1 million in fiscal year 2007. This increase was primarily due to:

a Ps.6.6 million increase in costs related to renovation of shopping center common areas;

a Ps.4.7 million increase in depreciation and amortization charges due to the depreciation of fixed assets; and

a Ps.2.3 million increase in costs for unrecovered expenses.

The cost of the Shopping Centers segment as percentage of the revenues from such segment decreased from 36.0% in fiscal year 2006 to 33.7% during fiscal year 2007.

Hotel Operations

Costs of Hotel Operations increased 19.0%, from Ps.58.0 million in fiscal year 2006 to Ps.69.0 million in fiscal year 2007 principally due to increases in depreciation of assets, fees for commissions and services, food and beverages and salaries and social security charges in each case related to increasing revenues from such segment. Costs of Hotel Llao Llao increased Ps.6.0 million, those of Hotel Intercontinental increased Ps.2.6 million and those of Hotel Sheraton Libertador increased Ps.2.4 million. Costs of hotel operations as percentage of revenues of such segment increased from 55.9% in fiscal year 2006 to 56.2% in fiscal year 2007.

Credit Card Operations

Cost of the Credit card operations segment increased 73.6%, from Ps.43.9 million during fiscal year ended June 30, 2006 to Ps.76.3 million during fiscal year ended June 30, 2007. This increase, which reflected the expansion of IRSA's credit card operations in fiscal year 2007, was primarily due to:

a Ps.11.0 million increase in the cost of salaries and social security charges;

a Ps.9.8 million increase in expenses for interest and commissions;

a Ps.5.7 million increase in charges for taxes, rates, contributions and services; and

a Ps.2.8 million increase in fees and services payable to third parties.

The cost of Credit card operations as percentage of revenues from such segment remained flat at 35.8% in each of fiscal years 2006 and 2007.

Financial Operations and Others

The cost of the Financial Operations and Others segment decreased Ps.0.6 million, from Ps.1.4 million in fiscal year 2006 to Ps.0.8 million in fiscal year 2007. Costs included in this line represent expenses unrelated to IRSA's other segments.

Table of Contents***Gross profit***

As a result of the above, gross profit increased 27.9% from Ps.333.8 million in fiscal year 2006 to Ps.427.1 million in fiscal year 2007. IRSA's gross margin, calculated as IRSA's gross profit divided by IRSA's revenues, remained at 57.8% in fiscal years 2006 and 2007 primarily as a result of improvements in the gross margin of IRSA's Shopping Centers and Financial Operations and Others segments, partially offset by a decrease in the gross margin of IRSA's Development and Sale of Properties, Offices and Other Non-Shopping Center Rental Properties, Hotel Operations and Credit card operations segments.

Gain from recognition of inventories at net realizable value

This line reflects the valuation at net realization value of inventories in respect of which IRSA received prepayments of rentals pursuant to contractual terms which establish the consummation of the sales and the resulting profits. This business segment generally does not show consistently recurring gains, and as a result, period-on-period comparisons may vary significantly depending on the projects that IRSA is developing and their degree of completion. During fiscal year 2007, IRSA recognized Ps.20.7 million of gain primarily in respect of the following developments:

Dock III - Plot X in an amount equal to Ps.18.4 million; and

San Martín de Tours in an amount equal to Ps.1.5 million.

During fiscal year 2006, IRSA recognized a gain of Ps.9.1 million primarily in respect of: Edificios Cruceros in an amount equal to Ps.4.6 million, Torres Rosario in an amount equal to Ps.3.5 million, Dock III Plot Z in an amount equal to Ps.1.6 million and San Martín de Tours in an amount equal to Ps.(0.6) million.

Selling expenses

Selling expenses increased 89.2% from Ps.60.1 million in fiscal year 2006 to Ps.113.7 million in fiscal year 2007 principally due to an increase in the selling expenses of the Credit card operations and Shopping Centers segments of Ps.31.1 million and Ps.6.6 million, respectively. Selling expenses as a percentage of revenues increased from 10.4% in fiscal year 2006 to 15.4% in fiscal year 2007.

Development and Sale of Properties

Selling expenses for this segment consist of commissions and expenses derived from sales, stamp tax and on gross sales (gross revenues). Selling expenses for Development and Sale of Properties increased Ps.11.0 million in fiscal year 2007 principally due to a higher turnover tax charge during such fiscal year as a result of IRSA's sale of Solares de Santa María.

Offices and Other Non-Shopping Center Rental Properties

Selling expenses for the Offices and Other Non-Shopping Center Rental Properties segment increased Ps.3.4 million, from Ps.1.0 million in fiscal year 2006 to Ps.4.4 million in fiscal year 2007 due to a Ps.1.9 million higher charge for bad debtors by IRSA's subsidiary Inversora Bolívar, and higher charges for turnover tax and real estate commissions.

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Shopping Centers

Selling expenses for the Shopping Centers segment increased 42.3%, from Ps.15.7 million in fiscal year 2006 to Ps.22.3 million in fiscal year 2007 due to: (i) a Ps.2.0 million increase in the costs of salaries and social security charges; (ii) a Ps.1.4 million increase in the charge for turnover tax; and (iii) a Ps.1.2 million increase in the charge for bad debts. Selling expenses related to Shopping Centers as a percentage of revenues from such segment increased from 7.3% in fiscal year 2006 to 8.3% in fiscal year 2007.

Hotel Operations

Selling expenses for the Hotel segment increased 13.9% from Ps.10.7 million in fiscal year 2006 to Ps.12.2 million in fiscal year 2007 principally due to increases in turnover tax, salaries and social security charges and commissions for tourism agencies, in each case reflecting an increase in the revenues of the segment in line with higher activity.

Credit Card Operations

Selling expenses for the Credit Card Operations segment increased 100.5%, from Ps.30.9 million in the fiscal year ended June 30, 2006 to Ps.62.0 million in the fiscal year ended June 30, 2007 principally due to:

a Ps.11.7 million increase in advertising expenses;

a Ps.11.8 million increase in the charge for bad debts; and

a Ps.5.8 million increase in the charge for turnover tax.

Selling expenses of Credit Card Operations as a percentage of the revenues from such segment increased from 25.1% in the fiscal year 2006 to 29.1% in fiscal year 2007.

Administrative expenses

Administrative expenses increased 46.0% from Ps.96.9 million in fiscal year 2006 to Ps.141.4 million in fiscal year 2007 primarily due to an increase in administrative expenses in the Credit card operations segment and, to a lesser extent, increases in each of the remaining segments. Principal components of administrative expenses are salaries and social security charges, directors' fees, fees and remunerations for services and depreciation of fixed assets. Administrative expenses as a percentage of revenues increased from 16.8% in fiscal year 2006 to 19.1% in fiscal year 2007.

Development and Sale of Properties

Administrative expenses of the Development and Sale of Properties segment increased 53.2%, from Ps.12.8 million in fiscal year 2006 to Ps.19.6 million in fiscal year 2007 due to: (i) a Ps.4.5 million increase for salaries, bonds and social security charges and directors' fees and (ii) a Ps.2.1 million increase in bank expenses. Administrative expenses of Development and Sale of Properties as a percentage of revenues from this segment increased from 12.3% in fiscal year 2006 to 25.9% in fiscal year 2007.

Table of Contents*Offices and Other Non-Shopping Center Rental Properties*

Administrative expenses of the Offices and Other Non-Shopping Center Rental Properties segment increased 48.7% from Ps.11.3 million in fiscal year 2006 to Ps.16.8 million in fiscal year 2007. The increase is principally due to an increase of Ps.4.0 million in salaries, bonds and social security charges and fees to directors and to a Ps.1.8 million increase in bank expenses. Administrative expenses of Offices and Other Non-Shopping Center Rental Properties as a percentage of revenues from such segment decreased from 37.0% in fiscal year 2006 to 30.2% in fiscal year 2007.

Hotel Operations

Administrative expenses of the Hotel segment increased 28.1% from Ps.21.0 million in fiscal year 2006 to Ps.26.9 million in fiscal year 2007, principally due to: (i) a Ps.1.7 million increase in administrative expenses of Hotel Intercontinental mostly due to an increase in salaries and social security charges, commissions and depreciation of fixed assets, (ii) a Ps.1.4 million increase in administrative expenses of Hotel Sheraton Libertador principally due to an increase in fees for services and in salaries and social security charges and (iii) a Ps.2.8 million increase in administrative expenses of Hotel Llao Llao principally due to increases in salaries and social security charges, fees for services due to higher sales and taxes, rates and contributions. Administrative expenses of Hotel Operations as a percentage of revenues from such segment increased from 20.2% in fiscal year 2006 to 21.9% in fiscal year 2007.

Shopping Centers

Administrative expenses of the Shopping Centers segment increased 26.6%, from Ps.25.8 million in fiscal year 2006 to Ps.32.7 million in fiscal year 2007 principally due to (i) a Ps.3.7 million increase in expenses for fees and third parties services; (ii) a Ps.2.0 million increase in the charge for directors fees and (iii) a Ps.1.3 million increase in expenses for taxes, rates and contributions mostly due to the tax on bank debits and credits. Administrative expenses of the Shopping Centers segment as a percentage of the revenues from such segment remained essentially flat, increasing from 12.0% in fiscal year 2006 to 12.1% in fiscal year 2007.

Credit Card Operations

Administrative expenses of the Credit card operations segment increased 75.0%, from Ps.25.9 million in fiscal year 2006 to Ps.45.4 million in fiscal year 2007. This increase was primarily due to:

a Ps.11.4 million increase in expenses for salaries, compensation, social security charges and personnel;

a Ps.2.4 million increase in expenses for rentals, taxes, rates and contributions; and

a Ps.3.0 million increase in expenses for fees and third parties services.

Administrative expenses of Credit card operations as a percentage of revenues from such segment increased from 21.1% in fiscal year ended 2006 to 21.3% during fiscal year 2007 as a result of a higher proportional average of these expenses in respect of the revenues increase of this segment.

Net income from retained interest in securitized receivables (Tarjeta Shopping)

This gain reflects the result generated by Alto Palermo's participation in the credit card securitization trusts. This gain increased 24.0%, from Ps.2.6 million in fiscal year 2006 to Ps.3.3 million in fiscal year 2007 principally due to the creation in fiscal year 2007 of new credit card trusts in connection with new securitizations in such year.

Table of Contents***Results from the operations and holdings of real estate assets, net***

This line reflects the impairment losses and gains associated with the reversal of previously recognized impairment charges. Results from the operation and holding of real estate assets decreased 79.6%, from a gain of Ps.12.6 million in fiscal year 2006 to a gain of Ps.2.6 million in fiscal year 2007, principally recorded in Neuquén Project for Ps.2.2 million, Suipacha 652 for Ps.0.9 million, Avenida de Mayo 589 for Ps.0.7 million and Torres de Abasto for Ps.0.1 million, partially offset by a loss of Ps.1.5 million corresponding to Torres Rosario. During fiscal year 2006 the gain of Ps.12.6 million had been attributable to Caballito for Ps.6.5 million, Alto Rosario for Ps.3.5 million, Espacio Aereo Coto for Ps.1.4 million, Torre Constitución for Ps.0.7 million and Reconquista 823 for Ps.0.6 million.

Operating income

Operating income decreased 1.3% million from Ps.201.2 million in fiscal year 2006 to Ps.198.5 million in fiscal year 2007 mainly due to a decrease in the Development and Sale of Properties segment that was partially offset by increases in operating income of each of IRSA's other segments. IRSA's operating margin, calculated as IRSA's operating income divided by IRSA's revenues, decreased from 34.8% for fiscal year 2006 to 26.9% for fiscal year 2007 primarily as a result of decreases in the operating margins of IRSA's Development and Sale of Properties, Offices and other non-Shopping Center Rental Properties, Shopping Centers, and Credit Card segments, partially offset by an increase in the operating margin of IRSA's Financial Operations and Others segment.

Development and Sale of Properties

Operating income from the Development and Sale of Properties segment decreased 86.0% from Ps.44.3 million in fiscal year 2006 to Ps.6.2 million in fiscal year 2007 primarily due to a decrease in the revenues from this segment and increases in selling and administrative expenses, partially offset by higher gain from recognition of inventories at their net realizable value during fiscal year 2007. The operating income of this segment as a percentage of the revenues from such segment decreased from 42.6% during fiscal year 2006 to 8.2% during fiscal year 2007.

Offices and Other Non-Shopping Center Rental Properties

Operating income from the Offices and Other Non-Shopping Center Rental Properties segment increased 65.5%, from Ps.11.9 million in fiscal year 2006 to Ps.19.6 million in fiscal year 2007 primarily due to a 82.2% increase in the revenues from this segment. The operating income of this segment as a percentage of the revenues from such segment decreased from 38.8% during fiscal year 2006 to 35.2% during the fiscal year 2007 primarily as a result of the effect during fiscal year 2007 of the adjustment in the remaining useful life of IRSA's rental buildings which generated a loss of Ps.5.9 million reflected in the cost of this segment. Without considering this effect IRSA's operating income as a percentage of IRSA's revenues would have been 45.8% instead of 35.2%.

Shopping Centers

Operating income of Shopping Centers increased 18.2%, from Ps.105.6 million in fiscal year 2006 to Ps.124.8 million in fiscal year 2007 mostly due to a 25.7% increase in the revenues from this segment that were partially offset by increases of 17.7% in costs, 42.3% in selling expenses and 26.6% in administrative expenses. The operating income of this segment as a percentage of revenues from such

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segment decreased from 49.1% during fiscal year 2006 to 46.2% during fiscal year 2007 primarily as a result of a decrease during fiscal year 2007 in the gain generated by the reversal of previously recognized impairment charges which was only Ps.0.7 million in fiscal year 2007 compared to Ps.9.5 million in fiscal year 2006.

Hotel Operations

Operating income of Hotel Operations increased from Ps.14.6 million in fiscal year 2006 to Ps.14.7 million in fiscal year 2007 mostly due to an increase in revenues from this segment that was partially offset by increases in costs and expenses. The operating income of this segment as a percentage of the revenues from such segment decreased from 14.0% during fiscal year 2006 to 11.9% during fiscal year 2007, primarily as a Ps.2.4 million increase in depreciation due to a change in the determination of the remaining useful life of IRSA's three hotels, which decreased from an average of 408 months in fiscal year 2006 to an average of 207 months in fiscal year 2007.

Credit Card Operations

Operating income of the Credit Card segment increased 31.4%, from Ps.24.8 million in fiscal year 2006 to Ps.32.6 million in fiscal year 2007 primarily due to a 73.2% increase in revenues from this segment that were partially offset by increases of 73.6% in costs, 100.5% in selling expenses and 75.0% in administrative expenses. The operating income of this segment as a percentage of the revenues from such segment decreased from 20.2% during fiscal year 2006 to 15.3% during fiscal year 2007 primarily as a result of the increase in selling expenses of almost 101% while the revenues from this segment increased 73.2%. IRSA's selling expenses in this segment increased at a greater rate than IRSA's revenues from this segment as a result of a Ps.11.9 million increase in the charge for bad debts.

Financial Operations and Others

Operating income of the Financial Operations and other operations segment increased Ps.0.5 million from Ps.0.1 million in fiscal year 2006 to Ps.0.6 million in fiscal year 2007. Operating revenues of this segment as a percentage of the revenues from such segment increased from 4.0% in fiscal year 2006 to 43.1% in fiscal year 2007 primarily as a result of a 40.9% decrease in the costs of this segment.

Amortization of goodwill

The amortization of the goodwill includes: (i) amortization of the goodwill of the following subsidiaries of Alto Palermo: Shopping Alto Palermo S.A., FIBESA, Tarshop, ERSA and Empalme and (ii) of IRSA's own negative goodwill generated by IRSA's purchase of Alto Palermo and Palermo Invest S.A. shares. Amortization of goodwill increased (Ps.0.4 million), from a charge of Ps.1.1 million in fiscal year 2006 to a charge of Ps.1.5 million in fiscal year 2007.

Financial results, net

Financial results, net increased Ps.45.0 million, from a net loss of Ps.40.9 million in fiscal year 2006 to a net gain of Ps.4.1 million in fiscal year 2007. The principal causes for this variation were:

the increase of Ps.40.4 million in results of financial operations mainly due to an increase of Ps.46.9 million in the fair market value of IRSA's investment in the mutual investment fund, Dolphin Fund Plc.;

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a Ps.12.1 million positive exchange difference compared to fiscal year 2006 due to a lower depreciation during fiscal year 2007 of the Argentine peso versus the US dollar; and

Ps.9.9 million due to higher interest income in fiscal year 2007 of which Ps.7.6 million resulted from financial investments. These improvements were partially offset by a Ps.16.5 million increase in financial expenses in fiscal year 2007, principally due to higher interest expense resulting from the issuance of bonds by IRSA and Alto Palermo during fiscal year 2007.

Gain on equity investees

Gain from related companies decreased 3.9% from a gain of Ps.41.7 million in fiscal year 2006 to a gain of Ps.40.0 million in fiscal year 2007. This decrease principally results from a Ps.5.7 million decrease in the gain of Banco Hipotecario, from Ps.47.0 million in fiscal year 2006 to Ps.41.4 million in fiscal year 2007. This decrease was partially offset by the absence in fiscal year 2007 of the Ps.4.0 million loss incurred in fiscal year 2006 from IRSA's investment in Abril S.A.

Other income and expenses, net

Other income and expenses, net, decreased 22.8%, from a net expense of Ps.18.3 million in fiscal year 2006 to a net expense of Ps.14.1 million in fiscal year 2007 principally due to: (i) a Ps.7.5 million decrease in the allowance for uncollectible loans and (ii) a Ps.3.1 million increase for the recovery of allowances, which were partially offset in fiscal year 2007 by: (i) a Ps.4.5 million increase in charges for donations and (ii) a Ps.2.7 million increase in contingencies for lawsuits.

Income before taxes and minority interest

As a result of the above mentioned issue, income before taxes and minority interest increased 24.4% passing for an income of Ps.182.6 million in fiscal year 2006 to an income of Ps.227.1 million in fiscal year 2007.

Income tax and minimum presumed income tax

Income tax and minimum presumed income tax increased 48.9%, from Ps.58.8 million in fiscal year 2006 to Ps.87.5 million in fiscal year 2007. IRSA applied the deferred tax method to calculate IRSA's income tax for the two fiscal years, recognizing the temporary differences in the accounting and in tax assets and liabilities. IRSA's effective tax rate in the fiscal year 2007 was 38.5% compared to 32.2% in fiscal year 2006.

The Ps.28.7 million variation was principally caused by the net impact of:

Ps.23.6 million increase in the expense for income tax for IRSA's company, from Ps.4.0 million during fiscal year 2006 to Ps.27.6 million during fiscal year 2007 due to the charge during fiscal year 2007 for Ps.11.6 million of deferred tax mostly caused by the sale of Santa María del Plata;

a Ps.12.9 million allowance for income tax in fiscal year 2007 mostly caused by the sale of shares in Banco Hipotecario and ownership units in Dolphin Fund Plc.;

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a of Ps.7.8 million increase in the expense for income tax of Alto Palermo, from Ps.48.5 million in fiscal year 2006 to Ps.56.3 million in fiscal year 2007; and

a Ps.0.5 million increase in the expense for income tax of Nuevas Fronteras S.A.

Minority interest

The negative result caused by third parties' participation in subsidiaries increased 19.3% from a charge of Ps.27.2 million in fiscal year 2006 to a charge of Ps.32.4 million in fiscal year 2007 as a consequence of an increase in the income accounts of related companies in which IRSA has a minority interest (principally in the Shopping Centers and Credit card operations segments).

Net income

Due to the above-mentioned issues, net income increased 10.9% from Ps.96.6 million in fiscal year 2006 to Ps.107.1 million in fiscal year 2007.

IRSA's Results of Operations for the fiscal years ended June 30, 2006 and 2005.

Revenues

IRSA's revenues increased 56.2% from Ps.369.9 million for IRSA's 2005 fiscal year to Ps.577.7 million for its 2006 fiscal year, primarily as a result of increases in revenues in IRSA's Shopping Center and Development and Sale of Properties segments.

Shopping Centers

Revenues from IRSA's Shopping Center segment increased 29.9% from Ps.165.5 million for its 2005 fiscal year to Ps.215.0 million for its 2006 fiscal year. The increase is attributed principally to an increase of Ps.48.1 million in revenues from leases and admission rights of IRSA's Shopping Centers, as a consequence of the 33.9% increase in sales by its tenants from Ps.1,698.1 million for its 2005 fiscal year to Ps.2,273.3 million for its 2006 fiscal year. The average occupancy rate in IRSA's shopping centers was 99.1% for its 2006 fiscal year similar to 99% in its 2005 fiscal year.

Development and Sale of Properties

Revenues from IRSA's Development and Sale of Properties segment increased 221.8% from Ps.32.3 million for its 2005 fiscal year to Ps.104.0 million for its 2006 fiscal year. The increase in revenues from this segment was attributable principally to: (i) Ps.23.0 million of revenues from Alto Palermo's sale of Alcorta Plaza, a plot of land by Paseo Alcorta shopping center; (ii) Ps.22.7 million of revenues from the sale of block 36 of the plot named Terrenos de Caballito in IRSA's 2006 fiscal year; (iii) Ps.41.8 million of revenues from the sale of plot Y of Dock III during IRSA's 2006 fiscal year; and (iv) Ps.10.0 million of revenues from IRSA's sale of units of Edificios Cruceros in its 2006 fiscal year, partially offset by the absence in its 2006 fiscal year of Ps.23.6 million of revenues from the sale of a plot of Dock III and Ps.3.5 million of revenues from the sale of Madero 1020, both of which IRSA sold during its 2005 fiscal year.

Offices and Other Non-Shopping Center Rental Properties

Revenues from IRSA's Offices and Other Non-Shopping Center Rental Properties segment increased 57.3%, from Ps.19.4 million for its 2005 fiscal year to Ps.30.6 million for its 2006 fiscal year.

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This increase was mainly due to: (i) a 52.1% increase in revenues from office rents, from Ps.18.0 million in IRSA's 2005 fiscal year, to Ps.27.4 million for its 2006 fiscal year. This increase in revenues is attributed to a 3.0% increase in average occupancy rates in IRSA's 2006 fiscal year and a 41.5% increase in average monthly rates of the majority of the buildings, principally due to the increase in accumulated annual rents in Bouchard 710 for Ps.5.4 million, Libertador 498 for 0.8 million, Maipú 1300 for Ps.0.7 million, Laminar Plaza for Ps.0.7 million, Suipacha 652 for Ps.0.4 million and Edificios Costeros Dock IV for Ps.0.5 million; and (ii) a 135.8% increase in revenues of other properties from Ps.0.9 million in IRSA's 2005 fiscal year to Ps 2.1 million for its 2006 fiscal year, mainly due to Santa María del Plata for an amount of Ps.1.2 million. The rate of occupancy in this segment increased 3.2% from 94.0% in June 2005 to 97.0% in June 2006.

Hotel Operations

Revenues from IRSA's hotel operations increased 19.1% from Ps.87.1 million for its 2005 fiscal year to Ps.103.8 million for its 2006 fiscal year, mainly due to an 18.2% increase in average price per room of IRSA's hotels from Ps.320 in 2005 to Ps.379.0 in 2006. On the other hand, IRSA's average occupancy rates remained stable at 78.7% during its fiscal year 2006 compared to 75.4% in its 2005 fiscal year. Revenues from Hotel Intercontinental increased by Ps.6.1 million, revenues from the Hotel Llao Llao increased by Ps.5.8 million and revenues from Hotel Sheraton Libertador increased by Ps.4.7 million.

Credit Card Operations

Revenues from credit card operations increased 90.5% from Ps.64.6 million in fiscal year 2005 to Ps.123.0 million in fiscal year 2006, reflecting improved macroeconomic conditions and a related increase in the level of private consumption which enabled IRSA to open new branches, increase the number of credit cards issued and expand the number of shops that accept IRSA's credit cards.

Financial Operations and Others

Revenues from IRSA's Financial Operations and Others segment increased 50.4% from Ps.0.9 million for its 2005 fiscal year, to Ps.1.4 million for its 2006 fiscal year. Revenues included in this segment represent fees for services with no specific allocation to any of the previous segments.

Costs

IRSA's costs increased 45.1% from Ps.168.1 million for its 2005 fiscal year to Ps.243.8 million for its 2006 fiscal year, reflecting an increase in costs in each of IRSA's business segments during its 2006 fiscal year. Total costs as a percentage of revenues decreased from 45.4% for IRSA's 2005 fiscal year to 42.2% for its 2006 fiscal year.

Shopping Centers

Costs related to Shopping Centers increased 10.9% from Ps.69.8 million for IRSA's 2005 fiscal year to Ps.77.4 million for its 2006 fiscal year. This increase was primarily due to an increase in depreciation and amortization expenses of Ps.4.5 million and an increase in the charges of unrecoverable expenses of Ps.2.6 million.

Table of Contents*Development and Sale of Properties*

Costs related to Development and Sale of Properties increased 209.0%, from Ps.17.5 million for IRSA's 2005 fiscal year to Ps.54.2 million for its 2006 fiscal year. The increase in costs from this segment is mainly due to the following occurring: (i) Ps.18.4 million in costs related to the sale of Alcorta Plaza (through Alto Palermo); (ii) Ps.11.3 million in costs related to the sale of block 36 of the plot named Terrenos de Caballito; (iii) Ps.9.7 million in costs related to the sale of plot Y of Dock III; (iv) of Ps.8.8 million in costs related to the sale of units of Edificios Cruceros, (v) a decrease due to the sale of a plot of Dock III during IRSA's 2005 fiscal year for Ps.23.6 million and (vi) a decrease of Ps.3.5 million in connection with the sale of Madero 1020 during the previous fiscal year. Costs relating to Development and Sale of Properties as a percentage of revenues from this segment decreased from 54.3% for IRSA's 2005 fiscal year to 52.1% for its 2006 fiscal year.

Offices and Other Non-Shopping Center Rental Properties

Costs of Offices and Other Non-Shopping Center Rental Properties increased by 16.0% from Ps.7.7 million for IRSA's 2005 fiscal year to Ps.9.0 million for its 2006 fiscal year, mainly due to the amortization in IRSA's 2006 fiscal year of Bouchard 710 which IRSA acquired in June 2005. The main component of cost for offices is the depreciation of leased properties.

Hotel Operations

Costs from hotel operations increased 18.5% from Ps.48.9 million for IRSA's 2005 fiscal year to Ps.58.0 million for its 2006 fiscal year, primarily due to revenue increases. Higher costs for Hotel Operations are primarily due to an increase in the depreciation of the assets, salaries and social security contributions. Costs from Llao Llao Hotel increased Ps.5.3 million, costs from Hotel Intercontinental increased Ps.2.3 million and costs from Hotel Sheraton Libertador increased Ps.1.8 million. Costs from hotel operations as a percentage of revenues from this segment decreased from 56.2% in IRSA's 2005 fiscal year to 55.9% in its 2006 fiscal year.

Credit Card Operations

The cost of sales relating to Credit Card operations rose 90.2% from Ps.23.1 million for IRSA's 2005 fiscal year to Ps.43.9 million for its 2006 fiscal year, mainly due to a cost increase of Ps.6.2 million in salaries and social security charges, of Ps.3.0 million in taxes, dues and contributions, of Ps.1.3 million of electricity and telephone expenses mainly as a result of the expansion of IRSA's operations; a higher charge in commissions and interest by a margin of Ps.5.6 million and an increase in fees and services of Ps.2.3 million mainly due to the new issues under the securitization program.

Financial Operations and Others

Costs from the Financial Operations and Others segment increased by Ps.0.4 million from Ps.1.0 million for IRSA's 2005 fiscal year to Ps.1.4 million for its 2006 fiscal year. Costs included in this line represent expenses incurred for the rendering of services that generate revenues.

Gross profit

As a result of the foregoing, the gross profit increased by 65.4%, from Ps.201.8 million during the fiscal year ended June 30, 2005 to Ps.333.8 million during the fiscal year ended June 30, 2006.

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Gain from recognition of inventories at net realizable value

This line is generated as a result of valuing at the net realizable value those inventories for which IRSA has received purchase price or lease advances that fix prices, and the contract terms and conditions of the transactions that IRSA signed state the consummation of the sale and the gain. Ps.9.1 million were valued according to this criteria, which was principally applied to the following developments: Cruceros for Ps.4.6 million, Torres Rosario, for Ps.3.5 million, and Dock III Plot Z, for Ps.1.6 million and San Martín de Tours for Ps.0.6 million in losses.

Selling expenses

Selling expenses increased 63.2% from Ps.36.8 million for IRSA's 2005 fiscal year to Ps.60.1 million for its 2006 fiscal year primarily due to an increase in selling expenses in IRSA's Credit Card, Shopping Center and Hotel segments. Selling expenses as a percentage of revenues increased from 10.0% for IRSA's 2005 fiscal year to 10.4% for its 2006 fiscal year.

Shopping Centers

Selling expenses relating to Shopping Centers increased 47.3% from Ps.10.7 million for IRSA's 2005 fiscal year to Ps.15.7 million for its 2006 fiscal year. The increase was mainly due to an increase of Ps.2.0 million in the charge for gross sales taxes in line with IRSA's higher revenues, an increase of Ps.1.1 million in the charge for provision of bad debts and an increase of Ps.0.5 million in the charge of advertising.

Development and Sale of Properties

Selling expenses from Development and Sale of Properties decreased 8.4% from Ps.2.0 million for IRSA's 2005 fiscal year to Ps.1.8 million for its 2006 fiscal year. Selling expenses for Development and Sale of Properties are mainly 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 10.6% from Ps.0.9 million for IRSA's 2005 fiscal year 2005 to Ps.1.0 million for its 2006 fiscal year.

Hotel Operations

Selling expenses relating to IRSA's Hotel Operations increased 9.2% from Ps.9.8 million for its 2005 fiscal year to Ps.10.7 million for its 2006 fiscal year, mainly due to an increase in the gross sales tax, salaries and social security charges and the tourism agencies commissions due to an increase in revenues in the segment in line with higher levels of activity.

Credit Card Operations

Selling expenses of the Credit Card segment increased 129.0%, from Ps.13.5 million for IRSA's 2005 fiscal year to Ps.30.9 million for its 2006 fiscal year, mainly due to an increase of Ps.6.7 million in advertising expenses, a higher charge of Ps.3.8 million in gross sales taxes as a result of IRSA's higher revenues, and an increase in the charge for bad debts of Ps.6.2 million in line with the growth of IRSA's credit portfolio.

Table of Contents***Administrative expenses***

Administrative expenses increased 37.1%, from Ps.70.7 million for IRSA's 2005 fiscal year to Ps.96.9 million for its 2006 fiscal year, due to an increase in administrative expenses for IRSA's Shopping Center segment and, to a lesser extent, each of IRSA's other business segments. The main components of administrative expenses are salaries and social security charges, Directors' fees, fees and compensation for services, and depreciation and amortization.

Shopping Centers

Administrative expenses of IRSA's Shopping Centers increased 56.1%, from Ps.16.5 million for its 2005 fiscal year to Ps.25.8 million for its 2006 fiscal year primarily as a result of an increase in directors' fees of Ps.3.4 million, an increase in the fees and services of third parties of Ps.3.2 million, an increase in salaries, bonuses and social security charges of Ps.1.9 million, and an increase in taxes, rates and assessments of Ps.0.6 million, mainly due to the financial transactions tax.

Development and Sale of Properties

Administrative expenses of Development and Sale of Properties increased 27.1%, from Ps.10.1 million for IRSA's 2005 fiscal year to Ps.12.8 million for its 2006 fiscal year, primarily due to (i) increases in expenses related to the design and implementation of IRSA's new system; (ii) an increase of Ps.0.8 million in salaries and social security charges, and (iii) an increase in directors' fees of Ps.0.3 million. Administrative expenses for Development and Sale of Properties as a percentage of revenues from this segment decreased from 31.2% for IRSA's 2005 fiscal year to 12.3% for its 2006 fiscal year.

Offices and Other Non-Shopping Center Rental Properties

Administrative expenses of Offices and Other increased 15.8%, from Ps.9.8 million for IRSA's 2005 fiscal year to Ps.11.3 million for its 2006 fiscal year. The increase is mainly due to an increase of Ps.0.7 million in salaries and social security charges and a Ps.0.3 million increase in directors' fees.

Hotel Operations

Administrative expenses of IRSA's Hotel Operations increased 8.0%, from Ps.19.4 million for its 2005 fiscal year to Ps.21.0 million for its 2006 fiscal year, primarily due to (i) a Ps.1.0 million increase from Hotel Intercontinental mainly due to an increase of Ps.0.7 million of fees and services to third parties, of Ps.0.1 million of salaries and social security charges and Ps.0.1 million of depreciations; (ii) an increase of Ps.1.0 million in Hotel Sheraton Libertador mainly due to an increase of Ps.0.5 million in fees and compensation for services and of Ps.0.4 million in salaries and social security charges; and due to (iii) a decrease of Ps.0.4 million in Hotel L Lao L Lao mainly due to a decrease of Ps.1.5 million related to lawsuits and to an increase of Ps.0.4 million in salaries and social security charges, an increase of Ps.0.3 million in taxes, duties and contributions, an increase of Ps.0.2 million in fees and compensation for services and an increase of Ps.0.1 million in depreciation and amortization. Administrative expenses of Hotel Operations as a percentage of revenues from hotel operations decreased from 22.3% for IRSA's 2005 fiscal year to 20.2% for its 2006 fiscal year.

Credit Card Operations

Administrative expenses from the Credit Card segment increased 74.7%, from Ps.14.8 million in IRSA's 2005 fiscal year to Ps.25.9 million in its 2006 fiscal year, basically due to a Ps.5.9 million increase in salaries, bonuses and social security charges, Ps.2.4 million increase in fees and compensations for services, Ps.1.3 million increase in taxes and rent, and of Ps.1.6 million in insurance, amortization and others due to an expansion and increase of IRSA's operations.

Table of Contents***Net income from retained interest in securitized receivables***

This gain results from the interest held by Alto Palermo in the Tarjeta Shopping Credit Card Trusts. The results of these credit card trusts increased 520.6% from Ps.0.4 million for IRSA's 2005 fiscal year to Ps.2.6 million for its 2006 fiscal year as a result of the expansion of IRSA's credit card business segment through Tarshop, Alto Palermo's subsidiary.

Gain from operations and holdings of real estate assets, net

The results from operations and holdings of real estate assets, net, decreased 54.8%, from a gain of Ps.27.9 million for IRSA's 2005 fiscal year to a gain of Ps.12.6 million for its 2006 fiscal year. The decrease in income from the previous year is due to a lower amount of recovery on the allowance for impairment of long lived assets.

Operating income

IRSA's operating income increased 43.7% from Ps.140.0 million for its 2005 fiscal year to Ps.201.2 million for its 2006 fiscal year primarily as a result of increases in IRSA's Shopping centers, Developments and sale of properties, Credit card operations and Hotel Operations segments, partially offset by a small decrease in IRSA's Offices and Other Non-Shopping Center Rental Properties segment. Operating income as a percentage of revenues increased from 37.8% from IRSA's 2005 fiscal year to 34.8% for its 2006 fiscal year.

Shopping Centers

Operating income from Shopping Centers increased 29.3% from Ps.81.6 million for IRSA's 2005 fiscal year to Ps.105.6 million for its 2006 fiscal year primarily due to a 29.9% increase in revenues, accompanied by an increase of 10.9% in costs and an increase of 56.1% and 47.3% in selling and administrative expenses for this segment, respectively.

Development and Sale of Properties

Operating income from Development and Sales of properties increased 115.3%, from Ps.20.6 million for IRSA's 2005 fiscal year to Ps.44.3 million for its 2006 fiscal year. Operating income from the Development and Sale of Properties segment as a percentage of revenues from this segment decreased from 63.7% for IRSA's 2005 fiscal year to 42.6% for its 2006 fiscal year primarily as a result of an increase of 209.0% in costs which was accompanied by an increase of 221.8% in revenues for this segment.

Offices and Other Non-Shopping Center Rental Properties

Operating income from Offices and Other Non-Shopping Center Rental Properties decreased 10.3% from Ps.13.2 million for IRSA's 2005 fiscal year to Ps.11.9 million for its 2006 fiscal year. Operating income from Offices and Other Non-Shopping Center Rental Properties as a percentage of revenues from this segment decreased from 68.0% for IRSA's 2005 fiscal year to 38.8% in its 2006 fiscal year primarily as a result of an increase of 57.3% in revenues accompanied with an increase of 16.0% in costs from this segment.

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Hotel Operations

Operating income from Hotel Operations increased 31.5% from Ps.11.1 million for IRSA's 2005 fiscal year to Ps.14.6 million for its 2006 fiscal year. Operating income from Hotel Operations as a percentage of revenues from this segment increased from 12.7% for fiscal year 2005 to 14.0% in fiscal year 2006 primarily as a result of a 18.5% increase in costs compared to a 19.1% increase in revenues.

Credit Cards Operations

Operating income from the Credit Card segment increased 83.3%, from Ps.13.5 million in fiscal year 2005 to Ps.24.8 million in fiscal year 2006. Operating income from the Credit Card segment as a percentage of revenue from this segment decreased from 21.0% from fiscal year 2005 to 20.2% in fiscal year 2006.

Financial Operations and Others

Operating income from Financial Operations and Others segment increased 243.6% from a loss of Ps.0.04 million for IRSA's 2005 fiscal year to a gain of Ps.0.1 million for its 2006 fiscal year. Operating income from Financial Operations and Other as a percentage of revenues from this segment increased from a loss of 4.1% for IRSA's 2005 fiscal year to a gain of 4.0% for its 2006 fiscal year. This is mainly attributable to an increase of 50.4% in revenues accompanied with an increase of 38.7% in costs from this segment.

Amortization of goodwill

Amortization of goodwill mainly includes: (i) the amortization of goodwill during this fiscal year, for the goodwill from the following subsidiaries of Alto Palermo: Shopping Alto Palermo S.A., Fibesa S.A., Tarshop S.A. and Emprendimiento Recoleta S.A., with no significant variation and (ii) the depreciation, during this year, of IRSA's own negative goodwill due to the purchase of Alto Palermo stock. Amortization of goodwill decreased 35.1% from a loss of Ps.1.7 million for fiscal year 2005 to a loss of Ps.1.1 million for fiscal year 2006, as a result of the incorporation of new negative goodwill as described in point (ii) above.

Financial results, net

Financial results, net showed a variation of 245.4%, from a loss of Ps.11.8 million for IRSA's 2005 fiscal year to a loss of Ps.40.9 million for its 2006 fiscal year. The main reasons for this variation were: (i) a Ps.21.7 million increase in IRSA's loss attributable to variation in exchange rates, owing to the depreciation of the Peso to the U.S. dollar from Ps.2.887 in its 2005 fiscal year to Ps.3.086 in its 2006 fiscal year; (ii) the non-recurrence of Ps.2.2 million of discounts obtained in 2006 due to the cancellation with discount of financial loans owed by Mendoza Plaza Shopping S.A.; (iii) a loss with respect to the previous fiscal year of Ps.2.6 million of financial results mainly due to interest and other expenses in connection with the loan of Hoteles Argentinos S.A. and financial expenses from Alto Palermo, and (iv) the decrease of Ps.10.6 million in income from financial operations, due to Dolphin Fund PLC decrease in profits by Ps.16.3 million and NCH Development Partner Fund increase in profits by Ps.4.6 million and the gains from the interest rate swap agreement entered into with Deutsche Bank AG for Ps.1.2 million, and (v) the increase of Ps.7.4 million on interest gain as a result of the refinancing of the Hoteles Argentinos loan.

Table of Contents***Gain on equity investees***

IRSA's gain on equity investments decreased 38.0% from a gain of Ps.67.2 million for its 2005 fiscal year to a gain of Ps.41.7 million for its 2006 fiscal year. This lower gain is mainly due to: (i) a lower gain by Banco Hipotecario of Ps.8.2 million from Ps.55.2 million to Ps.47.0 million as a result of a lower gain from Banco Hipotecario's investment in Sovereign Bonds (BODEN), (ii) a gain of Ps.12.2 million corresponding to the Hotel segment, and (iii) the negative impact of the dilution of IRSA's interest in Alto Palermo amounting to Ps.0.9 million.

Other expenses, net

Other expenses, net increased 29.6% from net expenses of Ps.14.1 million for IRSA's 2005 fiscal year to net expenses of Ps.18.3 million for its 2006 fiscal year, primarily due to the effect of (i) an increase of Ps.7.5 million in the allowance for doubtful accounts; (ii) an increase of Ps.1.9 million from non recoverable value added tax, (iii) a gain of Ps.2.4 million due to the accelerated accrual of unrealized revenues, (iv) a decrease of Ps.1.3 million in donation charges and (v) a lower charge of Ps.1.1 million for minimum presumed income tax.

Income before taxes and minority interest

As a result of the foregoing, income before taxes and minority interest increased 1.6%, from a gain of Ps.179.6 million for IRSA's 2005 fiscal year, to a gain of Ps.182.6 million for its 2006 fiscal year.

Minority interest

Minority interest increased 17.4% from a loss of Ps.23.2 million for IRSA's 2005 fiscal year to a loss of Ps.27.2 million for its 2006 fiscal year, mainly as a result of an increase in net income from the Shopping Centers segment that generated an increase in the results of minority interest.

Income tax and minimum presumed income tax expense

Income tax and minimum presumed income tax expense increased 10.5%, from Ps.53.2 million for IRSA's 2005 fiscal year, to Ps.58.8 million for its 2006 fiscal year. The deferred tax allocation method was used to calculate the income tax corresponding to the two fiscal years, thus recognizing the temporary differences in the accounting and tax assets and liabilities. The variation of Ps.5.6 million was mainly due to the net impact of:

a Ps.14.8 million increase in Alto Palermo's income tax expense, from Ps.33.6 million for IRSA's 2005 fiscal year to Ps.48.5 million for its 2006 fiscal year, due to an increase in taxable income resulting from IRSA's 57.0% increase in revenues during fiscal year 2006;

increased income tax expense of Nuevas Fronteras S.A., Baldovinos S.A., Inversora Bolívar S.A. and Llao Llao Resorts S.A. which during IRSA's 2006 fiscal year were Ps.1.9 million, Ps.1.0 million, Ps.2.7 million and Ps.0.5 million higher, respectively, than during its 2005 fiscal year;

a Ps.1.1 million decrease in IRSA's income tax expense; and

the variation in income tax expense for Buenos Aires Trade & Finance Center S.A. which changed from a Ps.12.6 million expense for IRSA's 2005 fiscal year to a Ps.0.2 million expense for its 2006 fiscal year, as a result of the swap agreement entered into in connection with plot 1.c) of Dock III and the purchase agreement entered into in connection with plot 1.d) of Dock III.

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IRSA's effective tax rate increased to 32.2% in fiscal year 2006 from 29.6% in fiscal year 2005.

Net income

As a result of the foregoing, net income decreased 6.5% from a gain of Ps.103.2 million for IRSA's 2005 fiscal year to a gain of Ps.96.6 million for its 2006 fiscal year.

Liquidity and Capital Resources

Liquidity

IRSA's principal sources of liquidity have historically been:

cash generated by operations;

cash from borrowings and financings arrangements; and

cash proceeds from the sale of real estate.

IRSA's principal cash requirements or uses (other than in connection with IRSA's operating activities) have historically been:

capital expenditures for property, plant and equipment;

interest payments and repayments of short-term and long-term debt;

payments of dividends; and

acquisitions or purchases of real estate.

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

As of June 30, 2007, IRSA had a working capital of Ps.523.7 million. At the same date, IRSA had cash and cash equivalents totaling Ps.708.5 million, an increase of 332.2% from the Ps.163.9 million of cash and cash equivalents held as of June 30, 2006.

As of June 30, 2006, IRSA had a working capital of Ps.62.6 million. At the same date, IRSA had cash and cash equivalents totaling Ps.163.9 million, an increase of 15.0% from the Ps.142.6 million of cash and cash equivalents held as of June 30, 2005.

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.

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Cash Flow Information***Operating Activities***

2007 Fiscal Year. IRSA's operating activities resulted in net cash inflows of Ps.163.1 million for fiscal year 2007 primarily as a result of operating gains of Ps.276.0 million, an increase in trade accounts payable of Ps.65.1 million, a decrease in inventories of Ps.29.0 million, and an increase in accrued interest of Ps.21.5 million partially offset by an increase in mortgages and leases receivables of Ps.79.7 million, and increase in Other receivables and prepaid expenses of Ps.79.6 million, an increase in non-current investments of Ps.35.6 million and an increase in current investments of Ps.29.8 million.

2006 Fiscal Year. IRSA's operating activities resulted in net cash inflows of Ps.194.7 million for fiscal year 2006 primarily as a result of operating gains of Ps.218.5 million, an increase in trade accounts payable of Ps.56.0 million, a decrease in inventories of Ps.25.1 million, an increase in accrued interest of Ps.14.0 million and a decrease in current investments of Ps.10.3 million partially offset by an increase in mortgages and leases receivables of Ps.80.3 million, a decrease in customer advances, salaries and social security payable and taxes payable of Ps.28.4 million and an increase in non-current investments of Ps.26.4 million.

2005 Fiscal Year. IRSA's operating activities resulted in net cash inflows of Ps.93.5 million for fiscal years 2005. 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.

Investment Activities

2007 Fiscal Year. IRSA's investing activities resulted in net cash outflows of Ps.510.8 million for fiscal year 2007, primarily as a result of investments in fixed assets of Ps.410.1 million due to (i) the acquisition of Bouchard 551 for Ps.243.2 million, (ii) Ps.96.4 million through Alto Palermo primarily for improvements made in shopping centers (iii) improvements in the Hotel Operations segment for Ps.57.1 million, principally in Llao Llao for Ps.49.4 million, and as a result of a decrease in minority interest of Ps.40.4 million principally due to the increase in IRSA's ownership in Palermo Invest and in Alto Palermo for Ps.27.5 million and Ps.7.2 million, respectively.

On December 12, 2006 IRSA purchased from different holders 34,710 shares of Canteras Natal Crespo for a total amount of Ps.1.8 million. After this transaction, IRSA's interest on Canteras (jointly with its partner ECIPSA) increased up to 98.45%.

2006 Fiscal Year. IRSA's investing activities resulted in net cash outflows of Ps.136.6 million for fiscal year 2006, primarily as a result of investments in fixed assets of Ps.54.1 million due to (i) improvements made in shopping centers amounting to Ps.33.6 million and (ii) improvements in the Hotel Operations segment for Ps.20.1 million. IRSA also invested Ps.62.1 million in undeveloped parcels of land primarily through IRSA's subsidiary Alto Palermo. IRSA also made investments of Ps.4.3 million to increase IRSA's ownership interest in Alto Palermo, and Ps.4.2 million in the acquisition of 43.2% of Canteras Natal Crespo S.A. Additionally, IRSA posted a guaranty deposit for Ps.8.6 million at Deutsche Bank guaranteeing IRSA's obligations to Argentimo S.A. relating to an agreement entered into between Alto Palermo, Argentimo S.A. and Constructora San José Argentina S.A. for the acquisition of land for the development of a shopping center and a dwelling and/or office building.

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2005 Fiscal Year. IRSA's investing activities resulted in net cash outflows of Ps.126.7 million for fiscal year 2005, primarily as a result of investments in fixed assets of Ps.79.3 million, due to (i) the development of Alto Rosario Shopping and improvements made in other shopping centers totaling Ps.50.9 million, and (ii) partial payment for the acquisition of Bouchard 710 for Ps.20.4 million. IRSA also invested Ps.35.0 million in the acquisition of an additional ownership interest of 49.9% in Mendoza Plaza Shopping and IRSA also made a payment of US\$4 million (Ps.11.7 million) in connection with a contract entered into with Credit Suisse in June 2005, pursuant to which, subject to the satisfaction of certain conditions, IRSA expects to take out a loan for US\$10.0 million, establishing a mortgage on an office building in the City of Buenos Aires.

Financing Activities

2007 Fiscal Year. IRSA's financing activities resulted in net cash inflows of Ps.892.2 million. IRSA's net cash provided by financing activities for fiscal year 2007 was primarily related to (i) the proceeds from short-term and long-term debt for Ps.1,199.7 million, primarily due to the issuance of IRSA's notes and Alto Palermo notes (ii) IRSA's issuance of common shares as a result of the exercise of warrants for Ps.26.0 million, partially offset by (i) the payment of short-term and long-term debt for Ps.292.2 million, (ii) the payment of dividends to minority shareholders for Ps.23.2 million and (iii) a the partial repayment of Ps.18.0 million of a mortgage payable.

2006 Fiscal Year. IRSA's financing activities resulted in net cash outflows of Ps.36.8 million. IRSA's net cash spent on financing activities for fiscal year 2006 was primarily related to the payment of short-term and long-term debt for Ps.82.5 million, the payment of dividends by IRSA's subsidiaries to minority shareholders totaling Ps.12.7 million, the repayment of debt owed to minority shareholders for Ps.5.2 million and a partial repayment of Ps.25.6 million of a mortgage payable, partially offset by IRSA's issuance of common shares as a result of the exercise of warrants for Ps.43.6 million and proceeds from issuance of short-term and long-term debt totaling Ps.45.1 million.

2005 Fiscal Year. IRSA's financing activities resulted in net cash inflows of Ps.52.9 million. IRSA's net cash provided by financing activities for fiscal year 2005 relates to IRSA's issuance of common shares as a result of the exercise of warrants for 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 a 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, and the payment of Ps.5.8 million to Credit Suisse, establishing a guarantee for the debt of IRSA's subsidiary Hoteles Argentinos.

Table of Contents**Indebtedness**

The following table sets forth the scheduled maturities of IRSA's outstanding debt as of June 30, 2007:

Maturity Schedule

| | Currency | Less than 1 year ⁽¹⁾ | From 1 to 2 years | From 2 to 3 years | From 3 to 4 years | More than 4 years | Total ⁽²⁾ % | Average annual interest rate % |
|--|----------|---------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------------|-----------------------------------|
| (in million of pesos) ⁽³⁾ | | | | | | | | |
| Bank and other debt | | | | | | | | |
| Unsecured bank loans | US\$ | 14.6 | 21.4 | 13.8 | | | 49.8 | 7.36 |
| Unsecured bank loans | Ps. | 52.9 | 4.7 | 1.4 | | | 59.0 | 11.80 |
| Secured floating rate notes due 2009 | US\$ | 23.8 | 34.7 | 22.5 | | | 81.0 | 7.36 |
| Hoteles Argentinos secured loan | US\$ | 1.2 | 17.9 | | | | 19.1 | 12.36 |
| Alto Palermo 10% convertible notes due 2014 | US\$ | 2.1 | | | | 47.9 | 50.0 | 10.00 |
| IRSA 8% convertible notes due 2007 ⁽⁴⁾ | US\$ | 59.0 | | | | | 59.0 | 8.00 |
| Alto Palermo 11% Series II notes ⁽⁴⁾ | Ps. | 1.8 | 21.4 | 43.7 | 43.9 | 43.9 | 154.7 | 11.00 |
| Alto Palermo 7.875% Series I notes due 2017 ⁽⁴⁾ | US\$ | 3.6 | (0.8) | (0.8) | (0.8) | 369.8 | 371.0 | 7.87 |
| IRSA 8.5% notes due 2017 ⁽⁴⁾ | US\$ | 15.1 | (0.9) | (0.9) | (0.9) | 459.0 | 471.5 | 8.50 |
| Debt related to purchase of subsidiaries | US\$ | 22.4 | 15.5 | 9.3 | | 52.1 | 99.2 | 7.80 |
| Total bank and other debt | | 196.7 | 113.9 | 89.0 | 42.2 | 972.7 | 1,414.5 | |
| Mortgages payable | | | | | | | | |
| Mortgage payable Bouchard 710 | US\$ | 14.8 | | | | | 14.8 | 8.50 |
| Mortgage payable Terrenos Bariloche | US\$ | 2.8 | 3.0 | 1.6 | | | 7.3 | 7.00 |
| Total mortgages payable | | 17.5 | 3.0 | 1.6 | | | 22.1 | |
| Total debt | | 214.2 | 116.9 | 90.6 | 42.2 | 972.7 | 1,436.6 | |

(1) Includes earned interests.

(2) Figures may not sum due to rounding.

(3) Exchange rate as of June 30, 2007: US\$1.00 = Ps.3.093.

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

Unsecured loans

On November 21, 2002, IRSA consummated a debt restructuring with six financial creditors (Banca Nazionale del Lavoro, BankBoston, Banco Ciudad, HSBC, Banco Itaú and Banco Nación) of IRSA's US\$80.0 million unsecured loan agreement and IRSA's US\$37.0 million of convertible secured floating rate notes. In connection with this restructuring IRSA incurred US\$51.0 million of unsecured restructured bank debt of which as of June 30, 2007 there was US\$16.1 million outstanding. These loans bear interest at three-month LIBOR plus 200 basis points and amortize quarterly until maturity in November 2009. This loan agreement contains a number of covenants requiring IRSA to comply with certain financial ratios and other tests. The most restrictive financial covenants under these loan agreements and bonds requires IRSA to maintain:

a ratio of consolidated EBITDA for the most recent four consecutive fiscal quarters to consolidated financial expense for such period of at least 1.40; and

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maximum consolidated indebtedness not to exceed the greater of (i) US\$222.9 million and (ii) 2.8 times consolidated EBITDA for the most recent four consecutive fiscal quarters.

Secured floating rate notes

In connection with IRSA's 2002 debt restructuring, IRSA issued US\$37.4 million of secured floating rate notes of which as of June 30, 2007, there was US\$26.2 million outstanding. The secured floating rate notes bear interest at three-month LIBOR plus 200 basis points and amortize quarterly until maturity in November 2009. The secured floating rate notes are secured by a first mortgage lien on (i) 13 units in IRSA's office building at Libertador 498, (ii) 71 units at Laminar Plaza and (iii) 19 units at Dique IV. The secured floating rate notes contain the same financial maintenance covenants as IRSA's unsecured loan agreement.

Hoteles Argentinos secured loan

On March 23, 2005, Credit Suisse First Boston International acquired the US\$11.1 million indebtedness incurred by Hoteles Argentinos which had been in default since January 2002. On April 21, 2006, Hoteles Argentinos reduced the outstanding principal amount to US\$6.0 million with a prepayment, and the unpaid balance was restructured to mature in March 2010 with scheduled amortization payments as described below:

| Date | Amount due (US\$ thousands) |
|--------------------|--------------------------------|
| March 15, 2008 | 213 |
| September 15, 2008 | 225 |
| March 15, 2009 | 239 |
| September 15, 2009 | 253 |
| March 15, 2010 | 5,070 |

Interest accrues on the unpaid principal of this loan at six-month LIBOR plus 7.0%.

In addition, IRSA entered into a credit default swap agreement with Credit Suisse International which, among other stipulations, secures payment of Hoteles Argentinos' indebtedness and provides that, in the event of default, IRSA will be required to acquire the loan. Simultaneously with the amendment of Hoteles Argentinos' loan agreement, IRSA amended the credit default swap with Credit Suisse International. Thus, IRSA would only assume 80.0% of Hoteles Argentinos' indebtedness in the event of default. The remaining 20.0% was assumed by Starwood Hotels and Resorts Worldwide Inc. (Starwood), an indirect minority shareholder in Hoteles Argentinos, which has also been instrumented through a credit default swap. To secure performance of IRSA's obligations under the agreement with Credit Suisse International, IRSA made an escrow deposit of US\$1.2 million.

The loan agreement of Hoteles Argentinos provides that it may not declare or pay any dividends or make any distribution on IRSA's capital stock, or purchase, redeem, retire, defease or otherwise acquire any of IRSA's shares, or make any distribution of assets, capital stock, warrants, rights, options, obligations or securities to IRSA's shareholders, except in an amount not to exceed the lesser of (x) Hoteles Argentinos' excess cash flow for the preceding year, or (y) IRSA's consolidated retained earnings and consolidated profits earned; and then only if, after giving pro forma effect to such action, no default or event of default would occur as a consequence thereof.

Table of Contents*Alto Palermo 10% convertible notes due 2014*

On August 20, 2002 Alto Palermo issued US\$50.0 million unsecured convertible notes in exchange for cash and the liquidation of determined liabilities owed to IRSA's shareholders. These convertible notes mature on July 19, 2014, in accordance with the extension of the initially scheduled maturity date approved at a meeting of holders of such convertible notes on May 2, 2006. Such securities accrue interest payable biannually at a fixed annual rate of 10% and are convertible at any time at the option of the holder into common shares, face value of Ps.0.10 per share. The conversion rate per US dollar is the lesser of (i) 30.8642 and (ii) the result obtained by dividing the rate of exchange effective on the date of conversion by the face value of the common shares of Alto Palermo. As of June 30, 2007, as a result of conversions previously made, the outstanding principal amount of Alto Palermo's convertible notes was US\$47.2 million. In the event all the bondholders exercise their conversion rights, Alto Palermo's common shares would increase from 782.0 million shares (having a face value of Ps. 78.2 million) to 2,237.5 million shares (having a face value of Ps.223.7 million). As of June 30, 2007, IRSA held US\$31.7 million of Alto Palermo's convertible notes.

IRSA's 8% convertible notes due 2007

On November 21, 2002, IRSA issued US\$100.0 million of convertible notes due November 2007. The convertible notes accrue interest at 8% per annum, payable on a semi-annual basis. The conversion price is US\$0.545 per common share, which means that each US\$1.00 principal amount of such convertible note may be exchanged for 1.8347 common shares. Additionally, each convertible note contains a warrant attached that grants its holder an option to acquire 1.8347 shares at a price of US\$0.6541 each.

From the date of issuance through June 30, 2007, the holders of IRSA's convertible notes exercised their conversion rights for a total of 81.1 million units with a face value of US\$1.0 each, issuing 148.8 million common shares with a face value of Ps.1.0 each. In addition, from the date of issuance through June 30, 2007, warrants issued by us were exercised for a total amount of US\$56.8 million, and 104.2 million shares were issued in exchange. IRSA received funds aggregating US\$68.1 million.

As of June 30, 2007, the outstanding amount of IRSA's convertible notes and warrants was US\$18.9 million and 43.2 million, respectively, and the amount of IRSA's outstanding shares was 464,969,156. On June 30, 2007 IRSA's shares traded at US\$1.850 per share. Hence, if on June 30, 2007, convertible note holders had exercised their rights and sell the underlying shares, they would have received for each convertible note approximately US\$3.924. Moreover, if on such date holders had exercised the warrants and sold their underlying shares, they would have received another US\$3.92 per share, paying the exercise price of US\$1.2 per warrant. If all the holders of IRSA's convertible notes and warrants were to exercise their conversion and exercise rights, the amount of IRSA's shares outstanding would be increased to 578,971,665 and IRSA would receive cash proceeds of approximately US\$51.9 million.

Alto Palermo series I and series II notes

On May 11, 2007, Alto Palermo issued two new series of notes in an aggregate principal amount of US\$170 million. Series I consists of US\$120 million of notes due on May 11, 2017, which accrue interest at a fixed rate of 7.875% payable semi-annually on May 11 and November 11 of each year, commencing on November 11, 2007. The Series I notes mature in a single installment on May 11, 2017.

Series II consists of Ps.154 million (equivalent to US\$50 million) of notes which mature in seven, equal and consecutive semi-annual installments commencing on June 11, 2009, and which accrue interest at 11% per annum, payable on June 11 and December 11 of each year commencing on December 11, 2007.

Table of Contents*IRSA's 8.5% notes due 2017*

On February 2, 2007, IRSA issued its 2017 fixed rate notes for a total amount of US\$150.0 million at an annual interest rate of 8.5% payable semi-annual and mature on February 2, 2017.

Capital Expenditures

2007 Fiscal Year. During the fiscal year ended June 30, 2007, IRSA had capital expenditures of Ps.419.4 million. IRSA made investment in fixed assets of Ps.410.1 million primarily to the acquisition of Bouchard 551 for Ps.243.2 million, Ps.96.4 million through Alto Palermo primarily for the improvement of Shopping Centers and Ps.57.1 million in the Hotel Segment, primarily in Liao Liao for Ps.49.4 million. IRSA also invested Ps.9.3 million in undeveloped plots of land.

2006 Fiscal Year. During the fiscal year ended June 30, 2006, IRSA had capital expenditures of Ps.116.2 million. IRSA made investment in fixed assets of Ps.54.1 million primarily in shopping centers totaling Ps.33.6 million and in Hotel segment of Ps.20.1 million.

2005 Fiscal Year. During the fiscal year ended June 30, 2005, IRSA had capital expenditures of Ps.80.0 million. IRSA made investments in fixed assets of Ps.79.3 million, primarily in shopping centers totaling Ps.50.9 million and in the acquisition of Bouchard 710 for Ps.20.4 million. IRSA also invested Ps.0.7 million in undeveloped plots of land.

Contractual Obligations

| | Total | Payments due by period | | | More than 5 years |
|--|--------------|------------------------|-----------------------------|------------|----------------------|
| | | Less than 1 year | 1 3 years (Ps. millions) | 3 5 years | |
| Short term debt obligations | | | | | |
| Long term debt obligations | 1,316 | 175 | 177 | 503 | 461 |
| Unsecured bank loans ⁽¹⁾ | 109 | 68 | 41 | | |
| Secured floating rate notes due 2009 ⁽²⁾ | 81 | 24 | 57 | | |
| Hoteles Argentinos S.A. secured loan ⁽³⁾ | 19 | 1 | 18 | | |
| Alto Palermo 10% convertible notes due 2014 ⁽⁴⁾ | 50 | 2 | | 48 | |
| IRSA 8% convertible notes due 2007 ⁽⁵⁾ | 59 | 59 | | | |
| Alto Palermo 11% Series II notes ⁽⁶⁾ | 155 | 2 | 65 | 88 | |
| Alto Palermo 7.875% Series I notes due 2017 ⁽⁷⁾ | 371 | 4 | (2) | 369 | |
| IRSA 8.5% notes due 2017 ⁽⁸⁾ | 472 | 15 | (2) | (2) | 461 |
| Purchase Obligations | 764 | 41 | 30 | 93 | |
| Seller financing for acquisition of Palermo Invest S.A. ⁽⁹⁾ | 29 | 10 | 19 | | |
| Seller financing for acquisition of Empalme ⁽¹⁰⁾ | 18 | 12 | 6 | | |
| Seller financing for acquisition of Rummaala | 52 | | | 52 | |
| Debt for the purchase of Rummaala | 41 | | | 41 | |
| Suppliers | 1 | 1 | | | |
| Mortgage payable Bouchard 170 ⁽¹⁾ | 15 | 15 | | | |
| Mortgage payable Liao Liao ⁽²⁾ | 8 | 3 | 5 | | |
| Other long term obligations | 10 | 4 | 4 | 1 | 1 |
| Guarantee deposits | 7 | 4 | 3 | | |
| Others | 3 | | 1 | 1 | 1 |
| Total | 1,491 | 221 | 212 | 597 | 462 |

(1) Accrued interest at Libor rate + 200 bps

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- (2) Accrued interest at Libor rate + 200 bps
- (3) Accrued interest at Libor rate + 700 bps
- (4) Accrued interest at fixed rate of 10% per annum
- (5) Accrued interest at fixed rate of 8% per annum
- (6) Accrued interest at fixed rate of 11% per annum
- (7) Accrued interest at fixed rate of 7.875% per annum
- (8) Accrued interest at fixed rate of 8.5% per annum
- (9) Accrued interest at fixed rate of 8% per annum.
- (10) Accrued interest at fixed rate of 6% per annum.
- (11) Accrued interest at fixed rate of 8.50% per annum.
- (12) Accrued interest at fixed rate of 7% per annum.
- (13) Not including unaccrued interest.

Off-balance sheet arrangements

At June 30, 2007, IRSA did not have any off-balance sheet transactions, arrangements or obligations with unconsolidated entities or others that are reasonably likely to have a material effect on IRSA's financial condition, results of operations or liquidity.

Qualitative and Quantitative Disclosure About Market Risk

In the normal course of business, IRSA is exposed to interest rate and exchange rates risks, primarily related to changes in exchange rates and interest rates. IRSA manages its exposure to these risks through the use of various financial instruments, none of which are entered into for trading purposes. IRSA has established policies and procedures governing the use of such financial instruments. The use of financial derivatives instruments is related to IRSA's core business and is supervised by internal control policies.

The following discusses IRSA's 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 offering memorandum. 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 IRSA's market risks.

Interest Rate Risk

The primary objective of IRSA's investment activities is to preserve capital while maximizing yields without significantly increasing risk. To achieve this objective, IRSA maintains its portfolio of cash equivalents and short-term investments in a variety of securities, including both government and corporate obligations and money market funds.

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 as a result of a rise in interest rates. In general, securities with longer maturities are subject to greater interest rate risk than those with shorter maturities. 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, IRSA's investment income may fall short of expectations or IRSA may suffer losses in principal if securities that have declined in market value due to changes in interest rates are sold. To date, IRSA has not utilized derivative financial instruments to hedge interest rate risk; however, IRSA may employ hedging strategies in the future.

IRSA is also exposed to changes in interest rates primarily as a result of IRSA's borrowing activities, which include short-term borrowings, and other floating-rate long-term debt used to maintain

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liquidity and fund IRSA's business operations. IRSA's interest expense is sensitive to changes in the general level of interest rates because part of its long-term debt (i.e., IRSA's secured floating rate notes and syndicated loan) bear interest at floating rates. IRSA estimates, based on the current composition of IRSA's balance sheet as of June 30, 2007, that every variation in the interest rate of 100 basis points, plus or minus, to IRSA's current floating-rate consolidated debt would result in a variation of approximately Ps.1.2 million of interest expense on an annual basis, assuming no change in the principal amount of this indebtedness. This analysis is based on the assumption that such variation of interest rates occurred at the same time for the different type of floating rates to which IRSA's actual debt is exposed.

Foreign Exchange Risk

From April 1, 1991, until the beginning of 2002, the Convertibility Law No. 23,928 was in effect in Argentina. This law established a fixed exchange rate, under which the Central Bank was obliged to sell U.S. dollars to any person at a fixed rate of one Peso per U.S. dollar. As a result, 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, IRSA's foreign exchange exposure has increased considerably.

Foreign currency exchange restrictions imposed by the Argentine government in the future could prevent or restrict IRSA's access to U.S. dollars, and affect IRSA's ability to service its U.S. dollar-denominated liabilities, including the notes. Fluctuations in the exchange rate between the Peso and the U.S. dollar may also adversely affect the U.S. dollar equivalent of the Peso price of IRSA's common shares on the *Bolsa de Comercio de Buenos Aires*, and as a result would likely affect the market price of IRSA's GDSs in the United States. Foreign currency exchange rate fluctuations could also impact IRSA's cash flow in Pesos, since some of IRSA's products and inputs are payable in U.S. dollars. At June 30, 2007 all of IRSA's debt was denominated in U.S. dollars.

IRSA estimates, based on composition of its balance sheet as of June 30, 2007, that every exchange rate variation of Ps.0.10 against the U.S. dollar, plus or minus, would result in a variation of approximately Ps.20.9 million of IRSA's consolidated financial indebtedness.

Table of Contents**CRESUD S BUSINESS****Our Company**

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

As of June 30, 2007, we owned 17 farms with approximately 449,991 hectares. Approximately 21,704 hectares of the land we own are used for crop production, approximately 84,889 hectares are for beef cattle production, 2,609 hectares are for milk production and approximately 10,961 hectares are leased to third parties for crop and beef cattle production. The remaining 329,828 hectares of land reserve are primarily natural woodlands. In addition, through Agropecuaria Cervera S.A. we have the rights to 162,000 hectares of land for a 35-year period that can be extended for another 29 years. Also, during fiscal year 2007, we leased 25,307 hectares from third parties for crop production and 29,208 hectares for beef cattle production.

During the fiscal years ended June 30, 2005, 2006 and 2007, we had consolidated sales of Ps.78.2 million, Ps.112.3 million and Ps.110.3 million, production income of Ps.67.5 million, Ps.65.4 million and Ps.102.8 million and consolidated net income of Ps.76.8 million, Ps.32.9 million and Ps.49.4 million, respectively. During the three-year period from June 30, 2005 to June 30, 2007, our total consolidated assets increased 44.2% from Ps.743.4 million to Ps.1,071.9 million, and our consolidated net worth increased 57.7% from Ps.523.1 million to Ps.825.0 million.

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

| | 2005 ⁽¹⁾ | June 30, 2006 ⁽¹⁾ | 2007 ^{(1) (4)} |
|----------------------------------|---------------------|---------------------------------|-------------------------|
| | (in hectares) | | |
| Crops ⁽²⁾ | 39,831 | 41,283 | 53,579 |
| Beef cattle | 96,380 | 129,946 | 114,097 |
| Milk | 1,776 | 1,698 | 2,609 |
| Natural woodlands ⁽³⁾ | 263,177 | 258,477 | 325,728 |
| Owned farmlands leased to others | 9,978 | 14,229 | 13,771 |
| Total | 411,142 | 445,633 | 509,784 |

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

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

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

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

We are also indirectly engaged in the Argentine real estate business through our holding of approximately 25.0% of the common shares of IRSA, one of Argentina s largest real estate companies. IRSA is engaged in a range of diversified real estate activities including residential properties, office buildings, shopping centers and luxury hotels in Argentina. A majority of our

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directors are also directors of IRSA, and we are under common control by the same group of controlling shareholders. We own convertible notes issued by IRSA and warrants to acquire shares of its common stock which entitle us to increase our shareholding in IRSA up to approximately 34.3% of its share capital (assuming conversion of all convertible notes and exercise of all warrants by all other holders). As of June 30, 2007, our investment in IRSA (including its convertible notes) represented approximately 35.7% of our total consolidated assets, and during the fiscal year ended on June 30, 2007, our gain from our investment in IRSA was Ps.33.1 million.

In March 2006, we, together with certain Brazilian partners, founded BrasilAgro, a startup company organized to exploit opportunities in the Brazilian agricultural sector. In April 2006, BrasilAgro increased its capital through a global and domestic offering of common shares, and as of June 30, 2007, we owned 7.4% of the outstanding common shares of BrasilAgro. As of June 30, 2007, our investment in BrasilAgro represented approximately 6.4% of our total consolidated assets.

History

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

During 1993 and 1994, Consultores Asset Management acquired on behalf of certain investors approximately 22% of our outstanding shares on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*). In late 1994, an investor group led by Consultores Asset Management (and including Dolphin Fund plc.) purchased additional increasing their aggregate shareholding to approximately 51.4% of our outstanding shares. In 1995, we increased our capital through a rights offering and global public offering of ADRs representing our common shares and listed such ADRs on the NASDAQ.

Between 2000 and 2007, we invested approximately 263.7 million to acquire approximately 25.0% of the outstanding common shares of IRSA, one of Argentina's largest real estate companies. We own convertible notes issued by IRSA and warrants to acquire shares of its common shares which entitle us to increase our shareholding in IRSA up to approximately 34.3% of its share capital (assuming conversion of all convertible notes and exercise of all warrants by all other holders).

Strategy

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

Focus on maximizing value of our agricultural real estate assets

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

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Acquiring under-utilized properties and enhancing their land use: We seek to purchase under-utilized properties at attractive prices and transform them to achieve more productive uses. We seek to do so by (i) transforming non-productive land into cattle feeding land, (ii) transforming cattle feeding land into land suitable for more productive agricultural uses or (iii) enhancing the value of agricultural lands by changing their use to more profitable agricultural activities. To do so, we generally focus on acquisitions of properties outside of highly developed agricultural regions and/or properties whose value we believe is likely to be enhanced by proximity to existing or expected infrastructure.

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

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

International expansion. Although most of our properties are located in different areas of Argentina, we are actively analyzing various expansion opportunities in other Latin American countries. We believe that an attractive opportunity exists to acquire and develop agricultural properties outside Argentina, and our objective is to replicate our business model in such other countries which include, among others, Brazil, Bolivia, Paraguay and Uruguay. For example, in 2006 we and several Brazilian partners founded BrasilAgro, a startup company organized to exploit opportunities in the Brazilian agricultural sector. As of June 30, 2007, Brasilagro had acquired and committed purchases for over 80,000 hectares of land.

Increase and optimize production yields

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

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

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

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

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In connection with our milk production, we plan to continue developing our activities through the use of state-of-the-art technology and advanced feeding and techniques relating to animal health. For example, we have recently opened one of the most modern dairy production facilities in Argentina, achieving a daily production capacity of more than 40,000 litres.

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

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

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

Developing productive properties in areas where agricultural production is not developed to its full potential. As of June 30, 2007, we owned land reserves in excess of 329,828 hectares, which is located in under-utilized areas where agricultural production is not yet fully developed. We believe that technological tools are available to improve the productivity of such land and enhance its long-term value. However, existing or future environmental regulations may prevent us from completely developing our land reserves, requiring us to maintain a portion of such land as unproductive land reserves.

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

Preservation of long-term value of our investment in IRSA

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

Our Principal Business Activities

During the fiscal year ended June 30, 2007, we conducted our operations on 17 owned farms and 40 leased farms. Some of the farms we own are engaged in more than one productive activity at the same time. The following table sets forth, for the periods indicated, our production volumes by principal product line:

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| | Year ended June 30, | | |
|----------------------------|---------------------|---------------------|---------------------|
| | 2005 ⁽¹⁾ | 2006 ⁽¹⁾ | 2007 ⁽¹⁾ |
| Crops ⁽²⁾ | 149,785 | 106,867 | 175,455 |
| Beef cattle ⁽³⁾ | 10,657 | 9,803 | 9,913 |
| Milk ⁽⁴⁾ | 7,312 | 14,588 | 16,663 |

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

Crop Production

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

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

| | Crop Production Year ended June 30, | | |
|-----------|--|---------------------|---------------------|
| | 2005 ⁽¹⁾ | 2006 ⁽¹⁾ | 2007 ⁽¹⁾ |
| | <i>(in tons)</i> | | |
| Wheat | 23,719 | 21,788 | 16,651 |
| Corn | 65,777 | 31,558 | 80,728 |
| Sunflower | 5,024 | 7,300 | 6,797 |
| Soybeans | 48,730 | 42,797 | 61,283 |
| Other | 6,535 | 3,424 | 9,996 |
| Total | 149,785 | 106,867 | 175,455 |

- (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, | | |
|--------|---|---------------------|-------------------------|
| | 2005 ⁽²⁾ | 2006 ⁽²⁾ | 2007 ^{(2) (3)} |
| | <i>(in hectares)</i> | | |
| Owned | 24,423 | 24,279 | 28,272 |
| Leased | 16,299 | 17,004 | 25,307 |
| Total | 40,722 | 41,283 | 53,579 |

- (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 *Cresud's Business Subsidiaries and Affiliated Companies.*
(3) Includes *Agropecuaria Cervera's* hectares.

As of June 30, 2007, our crop stocks consisted in 6,705 tons of wheat, 34,172 tons of corn, 27,890 tons of soybean, 2,203 tons of sorghum and 3,580 tons of sunflower; whereas as of June 30, 2006 such stocks consisted in 11,426 tons of wheat, 4,538 tons of corn, 11,662 tons of soybean, 193 tons of sorghum and 479 tons of sunflower. As of June 30, 2007, the surface of leased land was 47% of the total sown land.

We seek to diversify our mix of products and the geographic location of our farmlands to achieve an adequate balance between the two principal risks associated to our activities: weather

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

Also, this strategy allows us to increase our scale in short term, reduce the risk of inclement weather and is also more profitable than farming exclusively on land that we own. The disadvantage of this strategy is that the cost of leasing can increase over time, in part, because increased demand for leased land increases the price of leased land.

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

During fiscal year 2007, we invested approximately Ps2.1 million in irrigation equipment, machinery and technology application through no till sowing.

Beef Cattle Production

Our beef cattle production involves the breeding and fattening of our own animals. In some cases, if market conditions are favorable, we also purchase and fatten cattle which we sell to slaughterhouses and supermarkets. As part of our strategy to expand our activities within the beef cattle production chain, during 2003 we started to slaughter our own cattle after obtaining the needed licenses. As of June 2007, our beef cattle aggregated 83,727 heads, and we had a total surface area of 84,848 hectares dedicated to this business activity.

During the fiscal year ended June 30, 2007, our beef cattle activities generated sales of Ps.32.0 million, representing 29.0% of our consolidated sales, and our production was 9,913 tons, an increase of 1.1% compared to the previous fiscal year.

This small increase in production was primarily due to a diminution of drought and improved availability of grass during fiscal year 2007, compared with the adverse weather conditions during fiscal year 2006.

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

| | Year ended June 30, | | |
|---|---------------------|---------------------|---------------------|
| | 2005 ⁽¹⁾ | 2006 ⁽¹⁾ | 2007 ⁽¹⁾ |
| Beef cattle production (in tons) ⁽²⁾ | 10,657 | 9,803 | 9,913 |

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

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

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

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

Pregnancy levels, which have been improving over the years, showed satisfactory levels of efficiency although the adverse weather conditions. Genetics and herd management is expected to further improve pregnancy levels in the coming years. The breeding herd reproduction rate which has improved year after year, recorded satisfactory efficiency levels despite the adverse weather conditions during 2007. The implementation of technologies improved the reproductive indicators such as cattle still on technique, females artificial insemination with cattle genetic especially selected to the stock, which is bought to specialized companies in meat quality semen elaboration. Although it was implemented an strict sanitation calendar, adapted to each zone, animal category and month of the year. We use veterinarians products of the principal nationals and internationals laboratories. It is important to emphasize the work of a veterinarians advisers committee, who are external to us and they visit each establishment monthly to control and agreed tasks.

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

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

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

| | Heads of Beef Cattle ⁽¹⁾ | | |
|--------------|-------------------------------------|---------------------|---------------------|
| | Year ended June 30, | | |
| | 2005 ⁽²⁾ | 2006 ⁽²⁾ | 2007 ⁽²⁾ |
| Breeding | 57,775 | 63,015 | 62,181 |
| Fattening | 25,816 | 17,654 | 21,546 |
| Total | 83,591 | 80,669 | 83,727 |

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

(2) Does not include head of beef cattle from Agro-Uranga S.A. and Cactus. See Cresud's Business Subsidiaries and Affiliated Companies.

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

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

Direct costs of beef production are relatively low because the main inputs are seeds for pasture (for instance, alfalfa, oats and barley) and purchases of cattle for fattening purposes.

During the fiscal 2007 year we invested approximately Ps.3.8 million in equipment, machinery, pastures and genetic improvement in relation to cattle production.

Milk Production

We conduct our milk business in three dairy facilities in two farms, La Juanita and El Tigre. We have a total capacity of 3,300 cows in milking per day and seek to increase total production through the application of last generation technologies including genetic improve management for milk production, feeding strategic planification based on cattle specific requirement and the use of individual traceability to know the productivity history of each animal. Also we use computer science in milk business to make more efficient the manual labor by developing the information created from the farms.

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

Our dairy herd is milked mechanically twice a day. The milk obtained is cooled to less than five degrees centigrade and is then stored in a tank for delivery once a day to trucks sent by buyers. Dairy cows are fed mainly with grass, supplemented as needed with grains, hay and silage. For winter grazing, corn stubbles are also used.

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

During fiscal year ended June 30, 2007, milk production was 14.2% higher than in the prior fiscal year because an increase in the quantity of dairy cows and their individual production. The farm named El Tigre can milk 2,000 cows per day. With a merry-go-round structure, which required a significant investment of Ps.3.9 million, we believe it is one of the largest dairy farms in Argentina.

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

| | Milk Production | | |
|--|-------------------------------|-------------------------------|-------------------------------|
| | Year Ended June 30, | | |
| | 2005^{(1) (2)} | 2006^{(1) (2)} | 2007^{(1) (2)} |
| Average milking cows | 1,212 | 2,410 | 2,677 |
| Daily production (liters per cow) | 16.5 | 16.5 | 17.1 |
| Total production (thousands of liters) | 7,312 | 14,588 | 16,663 |

(1) Does not include production from Agro-Uranga S.A. See Cresud's Business Subsidiaries and Affiliated Companies.

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

During fiscal year 2005, we had 4,203 heads of cattle on 1,583 hectares involved in the production of milk. During fiscal year 2006, we had 6,214 heads of cattle on 1,505 hectares involved in the production of milk. As of June 30, 2007, we applied 6,507 heads of cattle on 2,376 hectares to milk production.

During fiscal year 2007 we invested an approximate amount of Ps.3.5 million (including the milking yard in La Juanita farm) in equipment, machinery and survey, pastures and development for our milk rodeo.

Land Acquisitions

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

In our view, the sector's potential lies in developing marginal areas and/or underutilized areas, as 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; this may result in the appreciation of land values.

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

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

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potential of the capital. We consider that competition for the acquisition of farmlands is, in general, limited to small farmers for the acquisition of smaller lots, and that there is scarce competition for the acquisition of bigger lots.

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

On September 1, 2005, we signed the deed for the purchase of the farm San Pedro of 6,022 hectares located in the Department of Uruguay, Province of Entre Ríos. The purchase price was US\$16 million, of which US\$9.5 million were paid when signed the deed, US\$4.0 million were paid on December 14, 2005 and US\$1.05 million were paid on September 1, 2006. The remaining balance of US\$1.4 million plus interest of US\$0.1 million will be paid in September 2008.

On May 15, 2007, a bill of purchase was signed for a surface area of 90,000 hectares in the 8 de Julio farm, located south of the Deseado River in the Province of Santa Cruz. The transaction was agreed for a price of US\$2.4 million. Upon execution of the bill of purchase a payment was made for US\$1.2 million and possession over the farm was taken. On August 13, 2007, we paid US\$0.24 million and the balance shall be paid in September 2008, and also on that date the deed shall be executed. This farm offers excellent potential for sheep production, both in terms of wool and mutton production. In addition, it has future potential as a tourist attraction and for leisure activities.

The following chart shows, for the periods indicated below, certain information concerning land acquisitions during each of the past thirteen fiscal years ended on June 30:

| Fiscal year | Amount of farmlands | Amount of acquisitions (Ps. millions) |
|-------------|------------------------|---|
| 1995(1) | 3 | 10.8 |
| 1996(2) | 4 | 16.1 |
| 1997(3) | 2 | 10.2 |
| 1998(4) | 8 | 31.5 |
| 1999 | | |
| 2000 | | |
| 2001 | | |
| 2002 | | |
| 2003(5) | 1 | 25.0 |
| 2004 | | |
| 2005(6) | 2 | 9.3 |
| 2006(7) | 1 | 45.9 |
| 2007(8) | 1 | 7.3 |

- (1) Includes the acquisition of El Gualicho, El Silencio and Runciman farms of 5,729 hectares, 397 hectares and 3,128 hectares, respectively
- (2) Includes the acquisition of El Coro, La Juanita, El Meridiano and Los Pozos farms of 10,321 hectares, 4,302 hectares, 6,302 and 262,000 hectares, respectively
- (3) Includes the acquisition of San Luis and La Sofia farms of 706 hectares and 4,926 hectares, respectively
- (4) Includes the acquisition of Ñacurutú, Tapenaga, Santa Bárbara y La Gramilla, La Sofia, La Suiza, La Esmeralda and Tourné farms of 30,350 hectares, 27,312 hectares, 7,052 hectares, 1,223 hectares, 41,993 hectares, 11,841 hectares and 19,614 hectares, respectively. It also includes the acquisition of Las Vertientes which is a silo plant.
- (5) Includes the acquisition of El Tigre farm of 8,360 hectares.
- (6) La Adela and El Invierno 72 hectares and 1,946 hectares, respectively.
- (7) San Pedro farm of 6,022 hectares.
- (8) Includes the acquisition of 8 de Julio farm of 90,000 hectares.

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

The following chart shows, for the periods indicated below, certain information concerning land sales during each of the past ten fiscal years ended on June 30:

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

- (1) Includes the difference between the gross proceeds from sales (net all taxes and commissions) and the book value of the assets sold.
- (2) Includes the sale of Siete Arboles farm of 7,975 hectares.
- (3) Includes the sale of Moroti and Santa Rita farm of 7,878 hectares.
- (4) Includes the sale of El Meridiano and Runciman farms of 6,302 and 3,128 hectares, respectively.
- (5) Includes the sale of El Bañadito and Tourne farms of 1,789 and 19,614 hectares, respectively.
- (6) Includes the sale of El Silencio, La Sofia and El Coro farms of 397 hectares, 6,149 hectares and 10,321 hectares, respectively.
- (7) Includes the sale of Los Maizales and San Luis farms of 618 and 706 hectares, respectively.
- (8) Includes the sale of 41-42 farm of 6,478 hectares and 5,997 hectares of IGSA's land reserves.
- (9) Includes the sale of Ñacurutu 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.
- (10) Includes the sale of El Gualicho farm, of 5,727 hectares
- (11) Includes the sale of Tapenagá, partially Los Pozos and partially El Recreo farms of 20,833 hectares, 14,516 hectares and 50 hectares, respectively.

On June 6, 2007, we signed a sales deed for the 20,833 hectare Tapenagá farm, and located in the Province of Chaco. This deal was consummated for US\$7.3 million. The property was valued in the Company's books at US\$97.5 per hectare. Therefore, the transaction generated a US\$5.0 million profit. We have collected US\$3.7 million as of June 6, 2007 while the remaining balance of US\$3.7 million will be collected in equal payments in May of each of 2008, 2009 and 2010.

In addition, we signed a sales deed for a 14,516 hectare piece of the Los Pozos farm, located in Joaquín V. González, Province of Salta. The price of the transaction was US\$2.2 million, or US\$150 per hectare. The book value of the lot sold was US\$7 per hectare. Therefore, this sale generated a US\$2.0 million profit.

Lastly, we signed a sales deed for a 50 hectare piece of the El Recreo farm, located in Recreo, Province of Catamarca, for Ps.0.7 million, which generated a Ps.0.5 million profit.

On August 28, 2006, IGSA signed a preliminary sale contract of 1,800 hectares of the establishment called El Recreo of its property, in the amount of US\$0.15 million. As advance payment we have received US\$0.05 million. This sale has not been shown in the financial statements as the property of the land has not yet been transferred.

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On July 25, 2005 we sold El Gualicho farm, covering 5,727 hectares, located in the Province of Córdoba, for a total sales price of US\$5.7 million, resulting in a gain of US\$3.4 million. We collected US\$3.4 million and will collect the balance in five equal annual installments through July 2010.

Farms

As of June 30, 2007, we owned, together with our subsidiaries, 17 farms, with a total surface area of 449,991 hectares. Two of them are located in Buenos Aires, two in the Province of Santa Fe, two in the Province of Córdoba, one in the Province of Chaco, three in the Province of San Luis, two in the Province of Catamarca, two in the Province of La Pampa, one in the Province of Salta, one in the Province of Santa Cruz and one in the province of Entre Ríos.

The following table sets forth our farm portfolio as of June 30, 2007:

| Owned Farms at June 30, 2007 | | | | | |
|-------------------------------------|-----------------|----------------------|----------------------------|-------------------------------------|--|
| | | Gross Size | | | |
| | Province | (in hectares) | Date of Acquisition | Primary Current Use | |
| La Adela | Buenos Aires | 1,054 | Original | Crop | |
| La Juanita | Buenos Aires | 4,302 | Jan. 96 | Crop/Milk | |
| San Pedro | Entre Ríos | 6,022 | Sep. 05 | Crop/Beef Cattle | |
| Las Vertientes | Córdoba | 4 | | Silo | |
| La Esmeralda | Santa Fe | 11,841 | Jun. 98 | Crop/Beef Cattle | |
| La Suiza | Chaco | 41,993 | Jun. 98 | Beef Cattle | |
| Santa Bárbara/Gramilla | San Luis | 7,052 | Nov. 97 | Crops under irrigation | |
| Cactus (2) | San Luis | 41 | Dec. 97 | Feed lot | |
| Tali Sumaj / El Recreo (3) | Catamarca | 26,922 | May. 95 | Beef Cattle/Natural Woodlands | |
| Los Pozos | Salta | 247,484 | May 95 | Beef Cattle/Crop/ Natural Woodlands | |
| El Invierno | La Pampa | 1,946 | Jun. 05 | Crop | |
| San Nicolás / Las Playas (4) | Sta.Fe/Cba | 2,965 | May. 97 | Crop/Beef Cattle | |
| El Tigre | La Pampa | 8,365 | Apr. 03 | Crop/Milk | |
| 8 de Julio | Santa Cruz | 90,000 | May. 07 | Natural Woodlands | |
| Total | | 449,991 | | | |

La Adela. Located 60 kilometers Northwest of Buenos Aires, La Adela is one of our original farms. In December 2001, La Adela's dairy parlor was closed down. Its total surface area is used for agricultural purposes. During this fiscal year ended June 30, 2007, 959 hectares were used for wheat, corn and soybean crops for high-yielding grain production. In March, 2005, 72 hectares were bought and added to the existing 982 hectares.

La Juanita. La Juanita, located 440 kilometers Southwest of Buenos Aires, was acquired in January 1996. As of June 30, 2007, 3,179 head of cattle were grazing in 716 hectares of sown and natural pastures, and 1,684 hectares were used in the production of grains. This farm produced 7.66 million liters of milk during the fiscal year ended June 30, 2007, with an average of 1,170 dairy cows being milked and 17.9 liters per cow per day.

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

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maintained as productive reserves. On July 29, 2003, Inversiones Ganaderas S.A. sold, three properties located in the Santo Domingo district, department of La Paz, Province of Catamarca with a total surface area of 5,997 hectares to Las Rejas S.A. for US\$0.43 million, which was completely paid off by the time the deed was executed. This sale yielded a profit of Ps.0.7 million.

On August 28, 2006, we signed a preliminary sale contract of 1,800 hectares of the establishment called *El Recreo* of its property, in the amount of US\$0.15 million. As advance payment we have received US\$0.05 million. This sale has not been shown in the Financial Statement as the property of the land has not yet been transferred.

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

Tali Sumaj. The *Tali Sumaj* farm, located 1,000 kilometers Northwest of Buenos Aires, in the province of Catamarca, was acquired in May 1995 and it is located in a semi-arid area. As of June 30, 2007, *Tali Sumaj* had 4,367 cattle head in approximately 12,700 hectares of pasture. The farm is divided into 16 lots with peripheral fencing and watering troughs with a reserve of 1,000,000 liters of water.

Los Pozos. The *Los Pozos* farm, located 1,600 kilometers Northwest of Buenos Aires, in the province of Salta, acquired in May 1995, is located in a semi-arid area with average rainfall of 500 mm, predominantly summer rainfall. The area is naturally suited to cattle raising and forestry activities (poles and wood coal), and it has agricultural potential for summer crops such as sorghum and corn, among others. For this fiscal year ended June 30, 2007, we used 1,240 hectares in agricultural production. We completed the development of tropical pastures in approximately 28,741 hectares. As of June 30, 2007, there were 30,992 head of cattle in this farm. This farm has shown major growth through a complete cycle in the production of beef by succeeding in raising, re-raising and fattening steer to be sold at an average weight of 392 kg. On June 5, 2007 we signed the deed of sale of a surface area of 14,516 hectares of the farm *Los Pozos*. The agreed sale price was US\$2.2 million, amount that has already been collected. The sale generated a gain of US\$2.0 million.

San Nicolás. The *San Nicolás* farm is a 4,005 hectares farm owned by Agro-Uranga S.A., and is located in the Province of Santa Fe, approximately 45 kilometers from the Port of Rosario. As of June 30, 2007, approximately 5,736 hectares were in use, including double crops, for agricultural production. The farm has two plants of silos with storage capacity of 14,950 tons.

Las Playas. The *Las Playas* farm has a surface area of 4,294 hectares and is owned by Agro-Uranga S.A. Located in the Province of Córdoba, it is used for agricultural and milk purposes. As of June 30, 2007, the farm had 540 hectares of pasture used for milk production and a sown surface area of 6,192 hectares including double crops, for grain production.

La Gramilla and Santa Bárbara. These farms have a surface area of 7,052 hectares in Valle del Conlara, in the Province of San Luis. Unlike other areas in the Province of San Luis, this valley has a high quality underground aquifer which makes these farms well suited for agricultural production after investments were made in the development of lands, pits and irrigation equipment. In the course of 2006/2007, a total of 689 hectares was sown under contractual arrangement with seed producers, and we leased 1,727 hectares to third parties.

La Suiza. *La Suiza* has a surface area of 41,993 hectares and is located in Villa Ángela in the Province of Chaco. It is used for raising cattle. As of June 30, 2007, *La Suiza* had a stock of approximately 24,344 heads of cattle.

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La Esmeralda. La Esmeralda has a surface area of 11,841 hectares and is located in Ceres in the Province of Santa Fe. This farm, acquired in June 1998, has potential for both agricultural production and cattle raising. During the 2006/2007 farm season, we used a total area of 1,787 hectares for production of corn, sunflower and sorghum. We also leased 3,662 hectares to third parties for grain production. As of June 30, 2007, La Esmeralda had 9,937 head of cattle on 6,147 hectares. Our objective is to enhance its cattle raising efficiency and increase its surface area devoted to agriculture.

El Tigre. El Tigre was acquired on April 30, 2003 and has a surface area of 8,365 hectares. It is located in Trenel in the Province of La Pampa. As of June 30, 2007, 6,505 hectares were devoted to agriculture production. This farm produced 9.01 million liters of milk in the twelve-month period ended June 30, 2007, with 1,507 cows being milked and an average daily production of 16.4 liters per cow.

El Invierno. El Invierno was acquired on June 24, 2005 and has a surface area of 1,946 hectares. It is located in Rancul in the Province of La Pampa, 621 kilometers to the west of Buenos Aires. During the fiscal year ended June 30, 2007, we used the land exclusively for agricultural production.

San Pedro. The farm in San Pedro was purchased on September 1, 2005. It has a surface area of 6,022 hectares and is located in Concepción del Uruguay, Province of Entre Ríos, which is 305 kilometers north of the province of Buenos Aires. During the fiscal year ended June 30, 2007, 1,100 hectares were used for livestock activities, and 5,344 hectares were used for agricultural production.

8 de Julio. The 8 de Julio farm was acquired on May 15, 2007 and has a surface area of 90,000 hectares. It is located in the department of Deseado in the Province of Santa Cruz. This farm offers potential possibilities for sheep production. In addition, we believe the land has potential for future tourism and recreational activities, as the southeast border of the farm is on 20 kilometers of coast. As of June 30, 2007, all the hectares were maintained as undeveloped land reserve.

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

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

Storage Facilities

As of June 30, 2007, we had an approximate storage capacity of 15,341 tons (including 35.723% of the 14,950 tons available at Agro-Uranga S.A.).

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

| | Storage Capacity | | |
|-----------------|---------------------|---------------|---------------|
| | Year ended June 30, | | |
| | 2005 | 2006 | 2007 |
| | (in tons) | (in tons) | (in tons) |
| San Enrique | 660 | | |
| El Gualicho | 2,000 | | |
| Las Vertientes | 10,000 | 10,000 | 10,000 |
| San Nicolás (1) | 5,341 | 5,341 | 5,341 |
| Total | 18,001 | 15,341 | 15,341 |

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

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Lease of Farms

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

Our land leasing policy is designed to supplement our expansion strategy, using our liquidity to make productive investments in our principal agricultural activities. On the other hand, our leasing strategy provides us with an added level of flexibility in the share of each of our products in total production, thus achieving higher diversification.

The initial duration of lease agreements is habitually one campaign. Leases of farms for production of grains consist in lease agreements with payments based on a fixed amount of Pesos per hectare or crop sharing agreements (*aparcería*) with payments in kind based on a percentage of the crops obtained or a fixed amount of tons of grains obtained or their equivalent value in Pesos. Leases of farmlands for cattle breeding consist in lease agreements with fixed payments based on a fixed amount of Pesos per hectare or steer kilograms or capitalization agreements with payments in kind or in cash based on the weight gain in kilograms.

During fiscal year 2007 we have leased a total of 40 fields covering 53,059 hectares, of which 25,307 hectares were assigned to farming production, including the double harvest, and 29,208 hectares to cattle.

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, | | | | | |
|--------|----------------------|--------|----------------------|--------|----------------------|--------|
| | 2005 ⁽¹⁾ | | 2006 ⁽¹⁾ | | 2007 ⁽¹⁾ | |
| | Owned ⁽²⁾ | Leased | Owned ⁽²⁾ | Leased | Owned ⁽²⁾ | Leased |
| Crops | 19,994 | 16,299 | 20,018 | 17,004 | 22,712 | 25,307 |
| Cattle | 126,879 | | 97,299 | 3,425 | 84,848 | 29,208 |
| Milk | 1,583 | | 1,505 | | 2,376 | |

(1) Does not include the hectares 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 the fiscal year a total 25,307 hectares were leased from third parties for agricultural production, most of them at a fixed price prior to harvest. Only a small percentage were crop sharing agreements.

Due to the rise in the price of land, we adopted a policy of not validating such prices and only leasing land at values that would ensure appropriate margins. For the 2007/2008 seasons, lease contracts were signed amounting to 33,043 hectares of agricultural production.

Land Management

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

We rotate the use of our pasture lands between agricultural production and cattle feeding and the frequency depends on the location and characteristics of the farmland. The use of land habitually rotates in four-year periods of cattle feeding and four to twelve years of agricultural production, according to the region. The use of preservation techniques (including exploitation by no till sowing) frequently allows us to extend agricultural exploitation periods.

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

Principal Markets

Grains

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

Cattle

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

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

Milk

During the fiscal years 2006 and 2007 we sold our entire milk production to the largest Argentine dairy company, Mastellone S.A., which in turn manufactures a range of mass consumption dairy products sold in Argentina and abroad. We negotiated with this company the prices of raw milk on a monthly basis in accordance with domestic supply and demand. We understand that other major dairy companies in Argentina would be willing and in a position to buy our milk production, in whole or in part, if we decided to diversify our sales of milk. The price of the milk we sell is mainly based on the percentage of fat and protein that it contains and the temperature at which it is cooled. The price we obtain from our milk also rises or drops based on the content of bacteria and somatic cells.

Customers

In 2007 our sales were Ps.110.3 million and were made to approximately 140 customers. Sales to our ten largest customers represented approximately 72% of our net sales in 2006 and approximately 71% for the fiscal year ended June 30, 2007. Of these customers, our biggest three customers, Cargill S.A., Mastellone Hnos. S.A. and Quickfood S.A., represented, in the aggregate, approximately 46% of our net sales, while the remaining seven customers in the aggregate represented approximately 26% of our net sales in fiscal 2007. We have signed non-binding letters of intent with some of our largest customers that allow us to estimate the volume of the demand for certain products and to plan production accordingly. We generally enter into short-term agreements with a term of less than a year.

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Marketing Channels and Sales Methods

Grains

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

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

Beef cattle

Basically, we sell directly to local meat processors and supermarkets, such as Quickfood S.A., Frigorífico La Pellegrinense S.A., Friar S.A., Swift Armour S.A., Coto S.A., Supermercados Norte S.A., Finexcor S.A., Forestal Andina S.A., Madelan S.A., Frigorífico Bermejo S.A. and Frigorífico Amancay S.A., at prices based on the price determined at Liniers Market.

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

Raw materials

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

Competition

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

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

Seasonality

As is the case with any company in the agro-industrial sector, our business activities are inherently seasonal. Harvest and sales of grains (corn, soybean and sunflower) in general take place from February to June. Wheat is harvested from December to January. Others segments of our activities, such as our sales of cattle and milk and our forestry activities tend to be more of a successive character than of a seasonal character. However, the production of beef and milk is generally higher during the second quarter, when pasture conditions are more favorable. In consequence, there may be significant variations in results from one quarter to the other.

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Our Investments

Futuros y Opciones.Com S.A.

In May 2000, we acquired 70% of the shares and an irrevocable purchase option for the 30% of the shares of Futuros y Opciones.Com S.A. (Futuros y Opciones.Com) for Ps.3.5 million. During the fiscal years 2001 and 2002, we made capital contributions for Ps.3.0 million. The site was launched in November 1999 and is aimed at becoming the most important agriculture business community in Latin America. Futuros y Opciones.Com 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 main activity of Futuros y Opciones.Com is the grain brokerage.

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

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

As a result of such capital increase, 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, 2007, Futuros y Opciones.Com total revenues increased by 105% compared to the previous fiscal year, with 48% growth in the revenues yielded by its main business, the grains brokerage. In addition, the business consisting in sales of inputs grew by 431%, widely surpassing the budget projections.

In the course of this fiscal year, Futuros y Opciones.Com started to trade futures and options: it acquired a share in the Buenos Aires forward market Mercado a Término de Buenos Aires and has also become a dealer. Trading volumes have surpassed expectations and the service consisting in hedging with futures has turned into an essential tool for our customers to manage their price risks.

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

For the coming year Futuros y Opciones.Com expects to maintain its high growth rate.

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

Cactus Argentina S.A.

Cactus was a joint venture operation between 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 operations in September 1999.

During fiscal year 2007, Cactus entered into a joint venture with Tyson Foods, Inc, the US leading meat processing company, pursuant to which Tyson acquired an equity interest in Cactus to establish the first integrated cattle operation in Argentina. On January 11, 2007 Cactus acquired 100% of the Exportaciones Agroindustriales Argentinas S.A. (EAASA) shareholding by subscribing a sales contract of shares in the amount of Ps.16.8 million. EAASA owns a meat packing plant in Santa Rosa, Province of La Pampa with capacity to slaughter and process approximately 9,500 cattle heads per month. The idea of Cactus is to expand in the future the slaughter capacity to 15,000 heads per month.

Argentina s beef production is going through a dynamic change where the best quality beef is produced in the central part of the country while the marginal areas are generating beef produced by animals adjusted to more difficult geographic and environmental situations. The location of the packing plant is unique, surrounded by a big beef production area and not far away from the feed lot that Cactus owns in Villa Mercedes, San Luis.

With this purchase, Cactus became the first integrated company in the beef sector. Cattle produced at the feedlot are being processed at the packing plant for the domestic and the foreign markets.

Consequently, Cactus s new share structure is as follows: Cactus Feeders Inc. holds a 24% interest, Cresud holds a 24% interest, Tyson holds a 52% interest through Provomex Holdings LLP.

Since December 31, 2006, we have stopped the application of the proportional consolidation method with Cactus, due to the reduction of the interest in Cactus from 50% to 24%. Consequently, for the results as of December 31, 2006 and for the comparative information, proportional consolidation of 50% is included.

Cactus, has been a pioneer in this service with a 25,000 head capacity, which depends on the size of the cattle. During fiscal year 2006/2007 the average occupation level reached 70%. Such level showed signs of recovery towards the end of the period reaching 100%.

The customer base change during this year, a lot of companies related to the beef sector bought yearling cattle to be fed at the feed yard. To assure themselves a constant supply of high quality beef, these companies keep an inventory of cattle on feed.

The production of heavy animals produced at the feed yard generates an important supply of product in a very short period of time.

The feedlot system in Argentina is here to stay. The Argentine consumer is realizing that this beef is tender, uniform and healthy, raised on grass and finished with grain, hormone free and natural.

The obtained in the feed lot s final product has provided buyers a high quality product, enabling easier commercialization and achieving higher final sale price. Yearling 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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During fiscal year 2007, Cactus recorded income as a result of the services supplied to farmers and investors and the profits generated by its own fattened cattle.

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

Cactus has acquired a reputation in the market as a producer of high-quality and consistent beef. Several slaughterhouses and some supermarket chains are starting to analyze the possibility of having their own stock of cattle finished through feed-lot fattening. Cactus's net loss for fiscal year 2007 was Ps.1.29 million.

Therefore, the stock of cattle expected to be held during 2007/2008 is higher and more consistent. Expectations for next year are positive as the purchase values are attractive and cattle policies are expected to be more favorable to the sector.

Agropecuaria Cervera S.A.

On December 27, 2005, we acquired 100% of the shares of Agropecuaria Cervera S.A. (Agropecuaria Cervera), whose main asset is the concession for the start-up of production pertaining to a comprehensive biological, economic and social development project over various properties located in the Department of Anta, in the Province of Salta, and it is duly authorized to implement a large-scale project covering agricultural, cattle breeding and forestry activities. The concession agreement covers 162,000 hectares for a 35-year period with an option to extend it for another 29 years. In the framework of the concession, there is a development project aimed at applying 35,000 hectares to agricultural uses. As of June 30, 2007, we had not commenced significant land development activities. We surrendered 3.6 million of IRSA's convertible notes and paid Ps3.17 million in cash for the acquisition of the concession.

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

BrasilAgro Companhia Brasileira de Propiedades Agrícolas

BrasilAgro was created in March 2006 in order to replicate our business in Brazil. BrasilAgro activities are engaged mainly in four business segments: (i) sugar cane, (ii) grains and cotton, (iii) forestry activities (iv) livestock.

We created BrasilAgro together with, Cape Town Llc, Tarpon Invetimentos S.A., Tarpon Agro Llc, Agro Managers S.A. and Agro Investment S.A.

Cape Town Llc is a company incorporated under the laws of the State of Delaware, US, wholly owned by Mr. Elie Horn, who is the controlling shareholder and chief executive officer of Cyrela Brazil Realty S.A., Tarpon Invetimentos S.A. is an independent Brazilian asset manager engaged in management of mutual funds focusing primarily on Brazilian equities. Tarpon Agro Llc is a company incorporated in the United States of America under the laws of the State of Delaware, and is owned by Tarpon Invetimentos S.A.'s shareholders and certain of its affiliates. Agro Investment S.A. and Agro Managers S.A. are companies incorporated under the laws of Argentina, owned directly or indirectly by certain officers, directors, employees and shareholders of Cresud and its affiliates.

Part of the knowledge and experience required to implement BrasilAgro's proposed business plan will be initially provided pursuant to a consulting agreement with Paraná Consultora do Invetimentos S.A., a special purpose advisory company. BrasilAgro's advisory company is 50%

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owned by Tarpon BR, 37.5% owned by Consultores Asset Management, a company controlled by Mr. Eduardo Elsztain and 12.5% owned by Mr. Alejandro Elsztain. Tarpon BR is a joint venture between Tarpon and Mr. Elie Horn.

We entered into a shareholder agreement with Mr. Elie Horn and Tarpon stipulating, among other things, that both parties should have a joint vote at shareholders' meetings and that both parties have a preemptive right to acquire shares of the other party.

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

On May 2, 2006, BrasilAgro's shares started being listed in the Novo Mercado of the Brazilian Stock Exchange (BOVESPA) with the symbol AGRO3, meeting Brazil's highest Corporate Governance standards.

The shares were placed jointly with Banco de Investimentos Credit Suisse (Brazil) S.A. in the Brazilian market through investment mechanisms regulated by controlling authorities and with sales efforts abroad in full conformity with the US Securities Act of 1933 and other applicable regulations set forth by the Securities and Exchange Commission.

The amount originally offered was Reais 432 million, equivalent to 432,000 book-entries, common shares at a price of Reais 1,000 per share of BrasilAgro.

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

In addition to the funds originally contributed, we contributed Reais 42.4 million (approximately US\$20.6 million) during the offer. Following such contribution we now hold a total amount of 42,705 shares, equivalent to 7.4% of BrasilAgro's capital.

On January 19 and 22, 2007 acquired 400 and 100 shares of BrasilAgro, respectively. Due to these new acquisitions, we increased our holding amounts to 43,205 shares which is equivalent to 7.4% of the capital stock of BrasilAgro.

When we founded BrasilAgro, we contributed Ps.63.1 million in cash in exchange for shares and 104,902 warrants to purchase additional BrasilAgro shares for 15 years and at the same price as was established in the initial public offering, Reais 1,000, adjusted by the Consumer Price Index Amplified, or IPCA. Should it decide to exercise such warrants, we might acquire 59,850 additional shares, thereby holding 14.1% of BrasilAgro's diluted capital stock. One third of these warrants may be exercised starting the first anniversary of the placement; another third may be exercised starting the second anniversary and the balance starting the third anniversary.

In addition, we received, at no cost, a second series of warrants for a total of 104,902, which may only be exercised at our discretion in the event of a tender offer. The exercise price of these warrants shall be the same price as the purchase price of the tender offer by the acquirer of BrasilAgro. The second series of warrants matures in the year 2021.

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As of June 30, 2007, BrasilAgro had acquired its first four properties and it had entered into agreements for the acquisition of three additional properties in the first fiscal period of 2008:

On April 20, 2007, BrasilAgro signed a purchase commitment to acquire 75% of the estancia Araucaria, which has a total area of 15.543 hectares and is located in the municipality of Mineiros, Goiás. The property will be used for sugar cane growth. The total purchase price was Ps.80 million, payable in three installments. The first installment of Ps.32 million was paid on April 20, 2007 and the other installments are due at six month intervals after the first one.

On August 3, 2007, BrasilAgro entered into a purchase commitment to acquire the estancia Alto Taquarí which has a total area of 5.266 hectares and is located in the municipality of Alto Taquarí, Mato Grosso. This property will also be used for grow sugar cane and was purchased for Ps.34 million, payable in two installments. The first installment of Ps.6.8 million was paid on August 3, 2007 and the balance is due in May 2008.

On August 2007, BrasilAgro entered into two separate conditional purchase commitments, subject to due diligence, to acquire a total area of 37.799 hectares in the municipality of Correntina, Bahia. The area will be used for cattle-breeding and grain growing. The aggregate purchase price for both properties is Ps.47.1 million.

Sao Pedro is a farm in Chapadao do Sul (MS). With a surface area of 2,443 hectares, Sao Pedro was bought for US\$4.7 million. Located 1,000 km. from a major port, this farm was acquired at a price significantly lower than the average in the region. Its potential production area is 1,740 hectares. In our opinion, this land offers high potential for appreciation as a result of the sugar cane premises scheduled to be installed in the region.

Cremaq is a farm in Bahía Grande do Ribeiro (Piauí). Bought for US\$19.7 million and with a surface area of 32,375 hectares, this farm has 3,000 hectares already in production and 16,000 hectares undergoing land clearing activities. It is estimated that the total production area will be 23,000 hectares. The farm is close to the Itaqui Port and to the Norte-Sul railway. Weather and topographic conditions in the area are quite suited to soybean, corn and cotton crops. This property has also been bought for a value lower than average in the region and it offers major appreciation potential.

Engenho is a farm in Maracaju, in the State of Mato Grosso do Sul. The farm was acquired for US\$4.7 million and it has 2,022 hectares. This farm is presently under a lease agreement and it yields amounts equivalent to 7.5 or 8 tons of sugar cane per year per hectare. Once the lease agreements currently in force are terminated, BrasilAgro is planning to develop sugar cane operations.

Jatobá is a farm in the Jaborandi district, in the State of Bahia. The acquisition price was US\$17.2 million and it has 31,603 hectares. BrasilAgro plans to start large-scale production of crops and cotton.

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

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.

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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*.

Exportation Restriction of Beef

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

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

On June 2007, pursuant to Resolution No 269/2007 the *Secretaria de Agricultura Ganadería, Pesca y Alimentos* granted to our subsidiary *Exportaciones Agroindustriales Argentinas S.A.* to export up to 423,579 tons of beef.

Environment

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

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

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

As of June 30, 2007, we owned land reserves in excess of 329,828 hectares, which is located in under-utilized areas where agricultural production is not yet fully developed. We believe that technological tools are available to improve the productivity of such land and enhance its long-term value. However, existing or future environmental regulations may prevent us from completely developing our land reserves, requiring us to maintain a portion of such land as unproductive land reserves.

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

Property and Transfer Taxes

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

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

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

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

Table of Contents**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, 2007:

| 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 . |
| Agropecuaria Cervera S.A. | 99.99% | This company has the concession for the start-up of production pertaining to a comprehensive biological, economic and social development project in various properties located in the Department of Anta, in the Province of Salta, and it is duly authorized to implement a large-scale project covering agricultural, cattle breeding and forestry activities. |
| Cactus Argentina S.A. | 24.00% | 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 1,642 beef cattle head. |
| Futuros y Opciones.Com S.A. | 70.00% | A leading agricultural web site which provides information about markets and services of economic and financial consulting through the Internet. The company has begun to expand the range of commercial services offered to the agricultural sector by developing direct sales of supplies, grain brokerage services and beef cattle operations. |
| IRSA Inversiones y Representaciones Sociedad Anónima | 25.01% | It is a leading Argentine company devoted to the development and management of real estate. |
| BrasilAgro Companhia Brasileira de Propiedades Agrícolas | 7.40% | BrasilAgro is mainly involved in four areas: sugar cane, grains and cotton, forestry activities, and livestock. |
| Exportaciones Agroindustriales Argentinas S.A. | 0.57% | Exportaciones Agroindustriales Argentinas S.A. (EAASA) a company that owns a cold storage plant in Santa Rosa, Province of La Pampa, with capacity to slaughter and process approximately 9,500 cattle head per month. |

Property, Plant and Equipment**Overview of Properties**

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:

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| Owned Farms at June 30, 2007 | | | | | | |
|---------------------------------------|--------------|----------------|---------------------|------------------------------------|-------------------------------|---------------|
| | | Gross Size | | Primary Current | Net carrying value | Encumbrances |
| | Province | (in hectares) | Date of Acquisition | Use | (Ps. millions) ⁽¹⁾ | (Ps. million) |
| La Adela | Buenos Aires | 1,054 | Original | Crop | 8.5 | |
| La Juanita | Buenos Aires | 4,302 | Jan. 96 | Crop/Milk | 14.1 | |
| San Pedro | Entre Ríos | 6,022 | Sep. 05 | Crop/Beef Cattle | 46.4 | Mortgage 4.5 |
| Las Vertientes | Córdoba | 4 | | Silo | 0.7 | |
| La Esmeralda | Santa Fe | 11,841 | Jun. 98 | Crop/Beef Cattle | 12.9 | |
| La Suiza | Chaco | 41,993 | Jun. 98 | Beef Cattle | 28.5 | |
| Santa Bárbara / Gramilla | San Luis | 7,052 | Nov. 97 | Crops under irrigation | 19.5 | |
| Cactu ⁽²⁾ | San Luis | 41 | Dec. 97 | Feed lot | 0.7 | |
| Tali Sumaj / El Re ⁽³⁾ | Catamarca | 26,922 | May. 95 | Beef Cattle/Natural Woodlands | 5.7 | |
| Los Pozos | Salta | 247,484 | May 95 | Beef Cattle/Crop/Natural Woodlands | 38.5 | |
| El Invierno | La Pampa | 1,946 | Jun. 05 | Crop | 9.2 | |
| San Nicolás / Las Play ⁽⁴⁾ | Sta.Fe/Cba. | 2,965 | May. 97 | Crop/Beef Cattle | 12.8 | |
| El Tigre | La Pampa | 8,365 | Apr. 03 | Crop/Milk | 33.8 | |
| 8 de Julio | Santa Cruz | 90,000 | May. 07 | Natural Woodlands | 7.8 | |
| Total | | 449,991 | | | 239.1 | |

(1) Acquisition costs plus improvements and furniture necessary for the production, less depreciation.

(2) Hectares and carrying amount in proportion to our 24.0% interest in Cactus Argentina S.A.

(3) Hectares and carrying amount in proportion to our 99.99% interest in Inversiones Ganaderas S.A.

(4) Hectares and carrying amount in proportion to our 35.723% interest in Agro-Uranga S.A.

Research and Development

Investments in technology were Ps.11.6 million, Ps.22.9 million and Ps.11.2 million for the fiscal years 2007, 2006 and 2005 respectively. Total technology investments aimed at increasing the productivity of purchased land were Ps.116.2 million from fiscal year 1995.

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; and

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.

Table of Contents**Employees**

As of June 30, 2007, we had 363 employees, including the employees of Cresud, Inversiones Ganaderas S.A., Agropecuaria Cervera S.A. and Futuros y Opciones.Com, but not those of Agro-Uranga S.A. Approximately 61% 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. The following table shows our employees for the fiscal year ended June 30, 2007, 2006 and 2005.

| Province | At June 30, 2007 | | At June 30, 2006 | | At June 30, 2005 | |
|------------------------|--------------------|-----------|--------------------|-----------|--------------------|-----------|
| | Permanent salaried | Temporary | Permanent salaried | Temporary | Permanent salaried | Temporary |
| Buenos Aires | 112 | 6 | 99 | 4 | 93 | 2 |
| Catamarca | 8 | 1 | 12 | 4 | 11 | 1 |
| Chaco | 42 | | 54 | 4 | 51 | 3 |
| Córdoba | 14 | | 13 | 4 | 21 | 2 |
| Entre Ríos | 12 | | 11 | | 1 | |
| La Pampa | 25 | 8 | 29 | 3 | 20 | 2 |
| Salta | 34 | | 21 | | 17 | |
| San Luis | 20 | | 39 | 3 | 31 | 5 |
| Santa Fe | 74 | 2 | 62 | 4 | 48 | 3 |
| Santa Cruz | 5 | | | | | |
| Total employees | 346 | 17 | 340 | 26 | 293 | 18 |

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, other than those described below.

The following, is a description of the material legal proceedings to which our subsidiary Inversiones Ganaderas S.A. (IGSA) is a party. IGSA is not engaged in any other material litigation or arbitration and no other material litigation or claim is known to IGSA to be pending or threatened against IGSA or its subsidiaries. Nevertheless, IGSA may be involved in other litigation from time to time in the ordinary course of business.

Damages and Losses lawsuit

Exagrind S.A. has filed a lawsuit against IGSA on claims for damages and losses produced by a fire in Estancia San Rafael, which is close to Tali Sumaj, Province of Catamarca. The fire took place on September 6, 2000. The estimated amount of the legal action is Ps.2.9 million at the date the claim was filed.

In turn, IGSA filed an extraordinary appeal with the High Court of the Province of Catamarca, requesting to be given the remainder term to answer the lawsuit, as at the time of revoking the first instance judge decision that postponed the terms to answer until a new notice was dispatched, such period had not yet expired. The management of IGSA is awaiting the decision of the High Court of the Province of Catamarca.

Additionally, in March 2007, under the request of Exagrind S.A., the court in charge of the case seized an inhibition of assets. In June 2007, that measure was removed and replaced by an attachment on real estate.

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IRSA S BUSINESS

Overview

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

the acquisition, development and operation of shopping centers;

the origination and securitization of credit card loans;

the acquisition and development of residential properties and undeveloped land reserves for future development and sale;

the acquisition, development and operation of office and other non-shopping center properties primarily for rental purposes; and

the acquisition and operation of luxury hotels.

As of June 30, 2007, IRSA had total assets of Ps.4,144.9 million and shareholders' equity of Ps.1,646.7 million. IRSA's net income for the fiscal years ended June 30, 2005, 2006, and 2007 was Ps.103.2 million, Ps.96.6 million, Ps.107.1 million, respectively. IRSA is the only Argentine real estate company whose shares are listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and on the New York Stock Exchange, Inc.

Shopping Centers. IRSA is engaged in purchasing, developing and managing shopping centers through its subsidiary Alto Palermo. Alto Palermo operates and owns majority interests in ten shopping centers, six of which are located in the Buenos Aires metropolitan area, and the other four of which are located in the Provinces of Mendoza, Rosario, Córdoba and Salta. IRSA's Shopping Center segment had assets of Ps.1,375.2 million as of June 30, 2007, representing 33.2% of its consolidated assets at such date, and generated operating income of Ps.124.8 million during IRSA's 2007 fiscal year, representing 62.9% of its consolidated operating income for such year.

Credit Cards. IRSA operates a credit card consumer finance business through its majority-owned subsidiary, Tarshop. IRSA's Credit Card Operations consist primarily of lending and servicing activities relating to the credit card products IRSA offers to consumers at shopping centers, hypermarkets and street stores. IRSA finances a substantial majority of its credit card activities through securitization of the receivables underlying the accounts it originates. IRSA's revenues from credit card transactions are derived from interest income generated by financing and lending activities, merchants' fees, insurance charges for life and disability insurance, and fees for processing and printing cardholders' account statements. IRSA's Credit Card segment had assets of Ps.158.4 million as of June 30, 2007, representing 3.8% of its consolidated assets at such date, and generated operating income of Ps.32.6 million during IRSA's 2007 fiscal year, representing 16.4% of its consolidated operating income for such year.

Residential Properties. The acquisition and development of residential apartment complexes and residential communities for sale is another of IRSA's core activities. IRSA's development of residential apartment complexes consists of the construction of high-rise towers or the conversion and renovation of existing structures, such as factories and warehouses. In residential communities, IRSA acquires vacant land, develops infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. IRSA's Development and Sale of Properties segment had assets of Ps.539.3 million as of June 30, 2007, representing 13.0% of its consolidated assets at such date, and generated operating income of Ps.6.2 million during IRSA's 2007 fiscal year, representing 3.1% of its consolidated operating income for such year.

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Office Buildings. In December 1994, IRSA launched its office rental business by acquiring three prime office towers in Buenos Aires: Libertador 498, Maipú 1300 and Madero 1020. As of June 30, 2007, IRSA, directly and indirectly, owned interests in 24 offices and other non-shopping center leased properties in Argentina that in the aggregate represented 234,320 square meters of gross leasable area. IRSA's Offices and Other Non-Shopping Center leased properties segment had assets of Ps.700.0 million as of June 30, 2007, representing 16.9% of IRSA's consolidated assets at such date, and generated operating income of Ps.19.6 million during IRSA's 2007 fiscal year, representing 9.9% of its consolidated operating income for such year.

Hotels. In 1997, IRSA acquired the Hotel Llao Llao and an indirect controlling interest in the Hotel Intercontinental in Buenos Aires. In March 1998, IRSA acquired the Hotel Sheraton Libertador in Buenos Aires. During fiscal year 1999, IRSA sold a 20% interest in the Hotel Libertador to Hoteles Sheraton de Argentina S.A., and during the fiscal year 2000, IRSA sold 50% of its interest in the Hotel Llao Llao to the Sutton Group. IRSA's Hotels segment, which consists of these three hotels, had assets of Ps.208.4 million as of June 30, 2007, representing 5.0% of its consolidated assets at such date, and generated income of Ps.14.7 million during IRSA's 2007 fiscal year, representing 7.4% of its consolidated operating income for such year.

Banco Hipotecario. IRSA currently owns 11.8% of Banco Hipotecario, Argentina's leading mortgage lender and provider of mortgage-related insurance. IRSA acquired 2.9% of Banco Hipotecario for Ps.30.2 million when it was privatized in 1999. During 2003 and 2004, IRSA increased its investment in Banco Hipotecario to 11.8% by acquiring additional shares, and by acquiring and exercising warrants, for an aggregate purchase price of Ps.33.4 million. In May 2004, IRSA sold Class D shares representing 1.9% of Banco Hipotecario to IFISA, one of IRSA's controlling shareholders, for Ps.6.0 million, generating a loss of Ps.1.6 million. IRSA's 11.8% investment in Banco Hipotecario is held in the form of Class D shares, which are currently entitled to three votes per share, affording IRSA the right to vote approximately 18.36% of the total votes that can be cast at Banco Hipotecario's shareholders' meetings. At June 30, 2007, IRSA's investment in Banco Hipotecario represented 7.3% of its consolidated assets, and during IRSA's fiscal years ended June 30, 2005, 2006 and 2007, this investment generated gains of Ps.55.2 million, Ps.47.0 million and Ps.41.4 million, respectively.

Business Strategy

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

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

Credit Cards. IRSA believes that its credit card operations complement its shopping center business and offer attractive prospects for long-term growth due to improved macroeconomic conditions and an expansion in consumer credit. IRSA seeks to grow its credit card business and intend to maintain low levels of credit exposure through continuing securitization of its credit card loans. From time to time IRSA considers strategic alternatives with respect to its investment in Tarshop which, due to its recent growth in size and profitability, competes increasingly with domestic and international banks and credit card companies that are substantially larger than

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Tarshop. As a result, IRSA is considering alternatives to maximize the value of its investment in Tarshop including its possible merger with, or sale to, another financial institution actively engaged in the Argentine credit card sector. Although IRSA is actively considering a range of such strategic alternatives, we cannot give you any assurance if or when any of them will be in fact be implemented.

Residential property. During the economic crisis in Argentina in 2001 and 2002 and its aftermath, a scarcity of mortgage financing restrained growth in middle class home purchases. As a result, IRSA decided to focus on projects for affluent individuals who do not need to finance their home purchases. IRSA believes that there are attractive opportunities in the residential segment, as construction costs have remained low and property values have recovered significantly. IRSA seeks to take advantage of this opportunity, as well as improvements in highway and other transport infrastructure in and around Buenos Aires, by focusing on the development of residential properties for medium- and high-income individuals. In urban areas, IRSA seeks to purchase undeveloped properties in densely-populated areas and build apartment complexes offering greenspace for recreational activities. IRSA recently entered into a partnership with Cyrela Emprendimientos e Participaciones, a leading Brazilian developer of residential real estate, to develop residential real estate projects in Argentina and to increase IRSA's presence in such business. In suburban areas, IRSA seeks to develop residential communities by acquiring undeveloped properties with convenient access to Buenos Aires, developing roads and other basic infrastructure such as power and water, and then selling lots for the construction of residential units.

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

Hotels. IRSA believes its portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and business travel in Argentina. IRSA seeks to continue its strategy of investing in high-quality properties which are operated by leading international hotel companies to capitalize on their operating experience and international reputation. IRSA currently intends to renovate and expand Hotel L'ao L'ao and to remodel the Hotel Sheraton Libertador.

Banco Hipotecario. IRSA believes that its investment in Banco Hipotecario has attractive prospects for long-term appreciation. After the 2002 economic crisis in Argentina mortgage loan originations have increased, and IRSA believes they are likely to continue to increase as salaries, consumer purchasing power and investments in residential construction grow. IRSA believes that, unlike certain other countries in Latin America, Argentina has a low level of mortgages outstanding, particularly if measured in terms of GDP and believe that Banco Hipotecario is currently valued at a level that is attractive compared to most other Argentine listed banks. Finally, IRSA believes that the mortgage origination business and its real estate development business (which IRSA expects to be bolstered through its recent partnership with Cyrela mentioned above) may potentially experience synergies that enhance operational efficiencies and cross selling opportunities that may promote the development of IRSA's undeveloped land reserves.

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

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

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Recent Developments

Agreement with Cyrela Brazil Realty S.A. Empreendimentos y Participações. On August 14, 2007, IRSA signed an agreement with Cyrela Brazil Realty S.A. Empreendimentos y Participações (Cyrela) pursuant to which IRSA and Cyrela propose to develop residential projects in Argentina targeted to diverse market segments. IRSA and Cyrela formed a new company to carry out the proposed development projects and have each agreed to make an initial investment of US\$30 million in such company. Cyrela is a public company in Brazil and is one of the largest developers of residential real estate in the cities of Sao Paulo and Rio de Janeiro. IRSA and its principal shareholder Cresud have a long-standing commercial relationship with Cyrela as evidenced by its substantial investment in Brazil Realty S.A. from 1994 and 2002 and Cresud's recent investment in BrasilAgro, a company focused on agricultural opportunities in Brazil that was founded by Cresud and another company owned by Mr. Elie Horn, Cyrela's controlling shareholder and current chief executive officer and other investors.

Acquisition of BankBoston Tower. On August 27, 2007, IRSA signed a deed that entitles it to 50% ownership of the office building known as the BankBoston tower, located at 265 Carlos Maria Della Paolera in the City of Buenos Aires. This modern property was designed by the recognized Architect Cesar Pelli and has a gross leasable area of 31,670 square meters. The transaction was consummated for an aggregate purchase price equal to US\$108,000,000.

Neuquén Project. On September 20, 2007, the City Hall of Neuquén approved the feasibility of IRSA's new urban project and environmental impact survey for the construction of housing enterprises in the City of Neuquén.

Shopping Centers

Overview

IRSA is engaged in purchasing, developing and managing shopping centers through its subsidiary Alto Palermo. As of June 30, 2007, Alto Palermo operated and owned majority interests in ten shopping centers, five of which are located in the City of Buenos Aires, one of which is located in the greater Buenos Aires metropolitan area and the remaining are located in the interior Argentine cities of Salta, Rosario, Mendoza and Córdoba.

As of June 30, 2007, IRSA owned approximately 62.5% of Alto Palermo, and Parque Arauco S.A. (Parque Arauco) owned 29.5%. The remaining shares are held by the public and traded on the *Bolsa de Comercio de Buenos Aires* and on the Nasdaq National Market (USA) under the symbol APSA. In addition, as of June 30, 2007, IRSA owned US\$31.7 million of Alto Palermo's convertible notes due 2014. If IRSA and all other holders of such convertible Notes were to exercise its option to convert the convertible notes into shares of Alto Palermo's common stock, IRSA's shareholding in Alto Palermo would increase to 65.6% of its fully diluted capital.

At June 30, 2007, Alto Palermo's shopping centers comprised a total of 224,138 square meters of gross leasable area (excluding certain space occupied by hypermarkets which are not Alto Palermo's tenants and the surface area of the Panamerican Mall that includes several projects one of which is the construction of a shopping center). For the year ended June 30, 2007, the average occupancy rate of Alto Palermo's shopping center portfolio was approximately 97.0%.

In December 2006, Alto Palermo acquired a 100% of Empalme S.A. which owns Córdoba Shopping, a shopping center covering 35,000 square meters of surface area, having 160 commercial stores, 12 movie theatres and parking lot for 1,500 vehicles, located in the Villa Cabrera neighborhood of Córdoba City.

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

Shopping Centers

The following table shows certain information concerning IRSA's shopping centers.

| | Date of Acquisition | Leaseable Area sqm ⁽¹⁾ | Alto Palermo's Effective Interest ⁽³⁾ | Occupancy Rate ⁽²⁾ | Annual Rental Income for the fiscal years ⁽⁴⁾ Book Value | | | (in thousand Ps.) ⁽⁵⁾ |
|---------------------------------------|---------------------|-----------------------------------|--|-------------------------------|---|---------|---------|----------------------------------|
| | | | | | 2005 | 2006 | 2007 | |
| | | | | | (in thousand Ps.) | | | |
| Shopping Centers⁽⁶⁾ | | | | | | | | |
| Alto Palermo | 12/23/97 | 18,210 | 100.0% | 99.6% | 37,889 | 47,730 | 57,345 | 175,517 |
| Abasto de Buenos Aires | 07/17/94 | 39,683 | 100.0% | 97.0% | 34,583 | 44,739 | 56,380 | 187,436 |
| Alto Avellaneda | 12/23/97 | 27,336 | 100.0% | 95.0% | 19,149 | 25,151 | 31,249 | 89,664 |
| Paseo Alcorta | 06/06/97 | 14,403 | 100.0% | 99.0% | 19,734 | 24,562 | 31,241 | 64,432 |
| Patio Bullrich | 10/01/98 | 10,978 | 100.0% | 100.0% | 17,819 | 21,425 | 25,368 | 103,137 |
| Alto NOA Shopping | 03/29/95 | 18,831 | 100.0% | 100.0% | 3,829 | 5,243 | 6,635 | 27,040 |
| Buenos Aires Design | 11/18/97 | 13,988 | 53.7% | 100.0% | 7,082 | 8,619 | 10,359 | 16,082 |
| Alto Rosario | 11/09/04 | 30,261 | 100.0% | 93.4% | 5,497 | 11,823 | 15,464 | 84,145 |
| Mendoza Plaza Shopping | 12/02/04 | 39,392 | 85.4% | 95.9% | 9,212 | 14,636 | 18,779 | 89,004 |
| Córdoba Shopping Villa Cabrera | 12/31/06 | 11,056 | 100.0% | 99.0% | N/A | N/A | 3,810 | 75,508 |
| Panamerican Mall S.A. ⁽¹¹⁾ | 12/01/06 | 28,741 | 80.0% | N/A | N/A | N/A | N/A | 167,606 |
| Fibesa and others ⁽⁷⁾ | N/A | N/A | 100.0% | N/A | 10,735 | 11,075 | 13,636 | N/A |
| Income from Tarjeta Shopping | N/A | N/A | 80.0% | N/A | 64,558 | 122,969 | 212,965 | N/A |
| Neuquén ⁽⁸⁾ | 07/06/99 | N/A | 94.6% | N/A | N/A | N/A | N/A | 12,302 |
| Total ⁽⁷⁾ | | 252,879 | N/A | 97.0% | 230,087 | 337,972 | 483,231 | 1,091,873 |

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

(2) Calculated dividing occupied square meters by leaseable area.

(3) Effective participation of Alto Palermo in each business unit. IRSA has a 62.48% in Alto Palermo.

(4) Represents the total consolidated leases according to the RT21 method.

(5) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment in value, plus recovery of allowances if applicable.

(6) Owned through IRSA's subsidiary Alto Palermo.

(7) Includes revenues from Fibesa S.A.

(8) Parcel of land for developing a shopping center.

(9) The project includes the construction of a shopping center, a hypermarket, a movie theater complex and an office and/or dwelling building.

(10) Corresponds to the Shopping Centers business unit mentioned in Note 4 to the consolidated financial statements. Includes profits for the Tarshop credit card.

(11) Meters represent only the land surface.

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

| | Fiscal Year Ended June 30, ⁽¹⁾ | | |
|-----------------------------------|---|---------------|---------------|
| | 2005 | 2006 | 2007 |
| | Ps. | Ps. | Ps. |
| Abasto | 333,216,597 | 453,871,445 | 573,814,588 |
| Alto Palermo | 362,089,242 | 436,244,953 | 502,220,444 |
| Alto Avellaneda | 259,630,930 | 308,900,404 | 418,349,117 |
| Paseo Alcorta | 212,617,732 | 264,060,375 | 321,948,304 |
| Patio Bullrich | 170,679,604 | 195,877,528 | 226,200,714 |
| Alto Noa | 75,648,232 | 104,529,187 | 130,318,508 |
| Buenos Aires Design | 73,906,709 | 91,921,046 | 110,722,931 |
| Mendoza Plaza | 159,206,234 | 275,864,008 | 337,757,597 |
| Alto Rosario | 50,895,239 | 143,806,266 | 204,430,069 |
| Total retail sales ⁽²⁾ | 1,697,890,519 | 2,275,075,212 | 2,825,762,272 |

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

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

Lease Expirations

The following table shows a schedule of lease expirations for IRSA's shopping center properties in place as of June 30, 2007, assuming that none of the tenants exercise renewal options or terminate their lease early.

| Lease Expirations as of June 30, | Number of Leases Expiring | Square Meters Subject to Expiring Leases (square meters) | Percentage of Total Square Meters Subject to Expiration (%) | Annual Base Rent Under Expiring Leases(1) (Ps.) | Percentage of Total Base Rent Under Expiring Leases (%) |
|----------------------------------|---------------------------------|--|---|---|---|
| 2008(2) | 703 | 134,815 | 63% | 49,763,778 | 28% |
| 2009 | 277 | 35,413 | 17% | 66,336,108 | 38% |
| 2010 | 96 | 17,564 | 8% | 41,939,740 | 24% |
| 2011+ | 25 | 25,290 | 12% | 17,961,963 | 10% |
| Total | 1,101 | 213,082 | 100% | 176,001,589 | 100% |

(1) Includes only the basic rental income amount. Does not give effect to IRSA's ownership interest.

(2) Includes stores which contracts have not been renewed yet and vacant stores at June 30, 2007.

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The following table shows the average occupancy rate of each shopping center during fiscal years ended June 30, 2005, 2006 and 2007:

| | Occupancy Rate Fiscal year ended June 30, | | |
|--------------------------------|--|-------------|-------------|
| | 2005 (%) | 2006 (%) | 2007 (%) |
| Abasto de Buenos Aires | 100.0 | 99.9 | 97.0 |
| Alto Palermo Shopping | 100.0 | 100.0 | 99.6 |
| Alto Avellaneda | 99.1 | 96.6 | 95.0 |
| Paseo Alcorta | 99.7 | 99.2 | 99.0 |
| Patio Bullrich | 98.6 | 100.0 | 100.0 |
| Alto Noa | 99.5 | 100.0 | 100.0 |
| Buenos Aires Design | 96.8 | 100.0 | 100.0 |
| Alto Rosario | 98.0 | 100.0 | 93.4 |
| Mendoza Plaza Shopping | 95.5 | 97.8 | 95.9 |
| Córdoba Shopping Villa Cabrera | N/A | N/A | 99.0 |
| Total average | 98.4 | 99.1 | 97.0 |

Rental Price

The following table shows the annual/period average rental price per square meter for the fiscal years ended June 30, 2004, 2005, 2006 and 2007:

| | Fiscal Year Ended June 30,(1) (in Ps.per square meter) | | |
|---------------------|---|---------|---------|
| | 2005 | 2006 | 2007 |
| Abasto | 779.7 | 1,021.5 | 1,273.2 |
| Alto Palermo | 1,926.2 | 2,432.2 | 2,925.0 |
| Alto Avellaneda | 678.0 | 899.7 | 1,099.8 |
| Buenos Aires Design | 399.9 | 501.4 | 633.7 |
| Paseo Alcorta | 1,295.5 | 1,628.7 | 2,074.2 |
| Patio Bullrich | 1,455.0 | 1,791.6 | 2,051.1 |
| Alto Noa | 193.1 | 280.0 | 343.9 |
| Alto Rosario | 274.1 | 376.0 | 484.2 |
| Mendoza Plaza | 203.2 | 353.8 | 455.6 |

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

Principal Terms of IRSA's Leases

Under Argentine Law, terms of commercial leases must be between three to ten years, with most leases in the shopping center business having terms of no more than five years. IRSA's lease agreements are generally denominated in Pesos.

Leasable space in IRSA's shopping centers is marketed through an exclusive arrangement with its real estate broker Fibesa S.A. IRSA has a standard lease agreement, the terms and conditions of which are described below, which it uses for most tenants. However, IRSA's largest tenants generally negotiate better terms for their respective leases. No assurance can be given that lease terms will be as set forth in the standard lease agreement.

IRSA charges its tenants a rent which consists of the higher of (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant's monthly gross sales in the store (the Percentage Rent) (which generally ranges between 4% and 8% of tenant's gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant's Base Rent generally increases between 4% and 7% each year during the term of

the lease. 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, there can be no assurance that IRSA may be able to enforce such clauses contained in its lease agreements. See Risk Factors Risks Related to IRSA's Business for a more detailed discussion.

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In addition to rent, IRSA charges most of its tenants an admission right, which is required to be paid upon entering into a lease agreement and upon a lease agreement renewal. The admission right is normally paid in one lump sum or in a small number of monthly installments. If the tenant pays this fee in installments, it is the tenant's responsibility to pay for the balance of any such amount unpaid in the event the tenant terminates its lease prior to its expiration. In the event of unilateral termination and/or resolution for breach of duties by the tenant, a tenant will not be refunded its admission right without its consent.

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

IRSA carries out promotional and marketing activities to increase attendance to its shopping centers. These activities are paid for with the tenants' contributions to the Common Promotional Fund (CPF), which is administered by IRSA. Every month tenants contribute to the CPF an amount equal to approximately 15% of their rent (Base Rent plus Percentage Rent), in addition to rent and expense payments. IRSA may increase the percentage that tenants must contribute to the CPF, but the increase cannot exceed 25% of the original amount set forth in the corresponding lease agreement for the contributions to the CPF. IRSA may also require tenants to make extraordinary contributions to the CPF to fund special promotional and marketing campaigns or to cover the costs of special promotional events that benefit all tenants. IRSA may require tenants to make these extraordinary contributions up to four times a year provided that each such extraordinary contribution may not exceed 25% of the preceding monthly rental payment of the tenant.

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

Sources of Shopping Center Revenues

Set forth below is a breakdown of the sources of IRSA's shopping center revenues for its fiscal years ended June 30, 2005, 2006 and 2007.

| | Fiscal Year ended June 30, | | |
|---------------------------------------|----------------------------|--------------------|--------------------|
| | 2005 | 2006 | 2007 |
| | (in Pesos) | | |
| Fixed monthly minimum rent | 78,701,727 | 104,548,288 | 129,594,156 |
| Variable rent dependent on sales | 29,421,020 | 40,896,378 | 51,872,357 |
| Stand and kiosk rentals | 14,650,061 | 17,711,770 | 21,303,064 |
| Admission fees | 19,068,915 | 26,254,296 | 34,477,499 |
| Various | 16,286,582 | 17,035,196 | 23,012,445 |
| Parking | 7,349,610 | 8,523,290 | 9,872,453 |
| Total rent and services | 165,477,915 | 214,969,218 | 270,131,974 |
| Tarjeta Shopping revenues | 64,557,977 | 122,968,616 | 212,965,332 |
| Other revenues from other segments | 51,219 | 0 | 133,848 |
| Total shopping center revenues | 230,087,111 | 337,971,664 | 483,231,154 |

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Set forth below is information regarding IRSA's principal shopping centers.

Alto Palermo Shopping, City of Buenos Aires. Alto Palermo Shopping is a 150-store shopping center that opened in 1990 and is located in the well known and densely populated neighborhood of Palermo in the City of Buenos Aires. Alto Palermo Shopping is located only a few minutes from downtown Buenos Aires and with nearby subway access. Alto Palermo Shopping has a total constructed area of 64,574 square meters that consists of 18,210 square meters of gross leasable area. The shopping center has a food court with 21 restaurants. Alto Palermo Shopping is spread out over four levels and has a 647 car-parking lot. Tenants in this shopping center generated average estimated monthly retail sales of approximately Ps.2,298 per square meter for the fiscal year ended June 30, 2007. Principal tenants currently include Zara, Frávega, Garbarino, Just For Sport and Musimundo. Alto Palermo Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 15.4% of its gross leasable area at June 30, 2007 and approximately 9.6% of its annual base rent for the fiscal year ended on such date.

Alto Avellaneda, Avellaneda, Greater Buenos Aires. Alto Avellaneda is a 145-store shopping center that opened in October 1995 and is located in the densely populated neighborhood known as Avellaneda, on the southern border of Buenos Aires. Alto Avellaneda has a total constructed area of 97,655 square meters that includes 27,336 square meters of gross leasable area. Alto Avellaneda includes several anchor stores, a six-screen multiplex movie theatre, a Wal-Mart superstore, an entertainment area, a bowling alley, a 16-restaurant food court and an outdoor parking lot. Wal-Mart purchased the space it now occupies. Tenants in this shopping center generated average estimated monthly retail sales of approximately Ps.1,275 per square meter for the fiscal year ended June 30, 2007. Principal tenants currently include Frávega, Rodo, Bingo, Garbarino and Compumundo. Alto Avellaneda's five largest tenants (in terms of sales in this shopping center) accounted for approximately 14.4% of its gross leasable area at June 30, 2007 and approximately 12.4% of its annual base rent for the fiscal year ended on such date.

Paseo Alcorta, City of Buenos Aires. Paseo Alcorta is a 113-store shopping center that opened in 1992 and is located in the residential neighborhood of Palermo Chico, one of the most exclusive areas in the City of Buenos Aires, within a short drive from downtown Buenos Aires. Paseo Alcorta has a total constructed area of approximately 54,728 square meters that consists of 14,403 square meters of gross leasable area. The three-level shopping center includes a four-screen multiplex movie theatre, a 17 restaurant food court, a Carrefour hypermarket, and a free parking lot with approximately 1,300 spaces. Carrefour purchased the space it now occupies but it pays a share of the expenses of the shopping center. Tenants in this shopping center generated average estimated monthly retail sales of approximately Ps.1,863 per square meter for the fiscal year ended June 30, 2007. Principal tenants currently include Zara, Frávega, Musimundo, Kartun and Etiqueta Negra. Paseo Alcorta's five largest tenants (in terms of sales in this shopping center) accounted for approximately 17.3% of Paseo Alcorta's gross leasable area at June 30, 2007 and approximately 9.3% of its annual base rent for the fiscal year ended on such date.

Abasto Shopping, City of Buenos Aires. Shopping is a 171-store shopping center located in the City Buenos Aires. Abasto Shopping is directly accessible by subway, railway and highway. Abasto Shopping opened in November 1998. The principal building is a landmark building which during the period 1889 to 1984 operated as the primary fresh produce market for the City of Buenos Aires. The property was converted into a 115,905 square meter shopping center, with approximately 39,683 square meters of gross leasable area. Abasto Shopping is located across from Torres de Abasto residential apartment development. The shopping center includes a food court with 24 restaurants covering an area of 5,600 square meters, a 12-screen multiplex movie theatre, entertainment facilities and the Museo de los Niños Abasto, a museum for children. Abasto Shopping is spread out over five levels and has a 1,200-car parking lot. Tenants in this shopping center generated estimated average monthly sales of approximately Ps.1,205 per square meter for the fiscal year ended June 30, 2007. Principal tenants currently include Zara, Hoyts Cinemas, Frávega, Hiper Rodo and Garbarino. Abasto Shopping Center's five largest tenants (in terms of sales in this shopping center) accounted for approximately 11.3% of Abasto Shopping's gross leasable area at June 30, 2007 of the annual base rent for the fiscal year ended on such date.

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Patio Bullrich, City of Buenos Aires. Patio Bullrich is an 83-store shopping center located in Recoleta, a popular tourist zone in City of Buenos Aires a short distance from the Caesar Park, Four Seasons and Hyatt hotels. Patio Bullrich has a total constructed area of 28,211 square meters that consists of 10,978 square meters of gross leasable area. The four-story shopping center includes a 14 restaurant food court, an entertainment area, a six-screen multiplex movie theatre and a parking lot with 212 spaces. Tenants in this shopping center generated estimated average monthly sales of approximately Ps.1,717 per square meter for the fiscal year ended June 30, 2007. Principal tenants currently include Etiqueta Negra, Rapsodia, Christian Dior, Casa López and Rouge International. Patio Bullrich's five largest tenants (in terms of sales in the shopping center) accounted for approximately 14.9% of Patio Bullrich's gross leasable area at June 30, 2007, and approximately 9.4% of its annual base rent for the fiscal year ended on such date.

Alto Noa, Salta, Province of Salta. Alto Noa is an 84 store shopping center located in the City of Salta, the capital of the Province of Salta. The shopping center consists of approximately 41,700 square meters of total constructed area that consists of 18,831 square meters of gross leasable area and includes a 13-restaurant food court, a large entertainment center, a supermarket, an eight-screen movie theatre and parking facilities for 551 cars. Tenants in this shopping center generated estimated average monthly sales of approximately Ps.577 per square meter for the fiscal year ended June 30, 2007. Principal tenants currently include Supermercado Norte, Frávega, Garbarino, Y.P.F. and Slots. Alto Noa's five largest tenants (in terms of sales in this shopping center) accounted for approximately 32.8% of Alto Noa's gross leasable area at June 30, 2007, and approximately 8.0% of its annual base rent for the fiscal year ended on such date.

Buenos Aires Design, City of Buenos Aires. Buenos Aires Design is a 61-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. Alto Palermo owns Buenos Aires Design through a 54% interest in Emprendimientos Recoleta, which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta, one of the most popular tourist zone in Buenos Aires City. Buenos Aires Design has a total constructed area of 31,645 square meters that consists of 13,988 square meters of gross leasable area. The shopping center has 6 restaurants, is divided into two floors and has a 174-car parking lot. Tenants in this shopping center generated estimated average monthly sales of approximately Ps.1,660 per square meter for the fiscal year ended June 30, 2007. Principal tenants currently include Morph, Barugel Azulay, Garbarino, Hard Rock Café and Prima Fila. Buenos Aires Design's five largest tenants (in terms of sales in this shopping center) accounted for approximately 29.5% of Buenos Aires Design's gross leasable area and 17.6% of its annual base rent for the fiscal year ended on such date.

Alto Rosario, Santa Fe, City of Rosario. Alto Rosario is a shopping center of 146 stores, located in City of Rosario, Province of Santa Fe. It was inaugurated in November 2004 and has 105,809 square meters of fully covered surface, and 30,261 square meters of gross leasable area. This center is primarily devoted to clothing and entertainment and includes a food patio with 18 stores, a childrens' entertainment area, a 14-cinema complex and parking lot for almost 1,736 vehicles. Tenants in this shopping center generated average monthly sales of approximately Ps.563 per square meter, for fiscal year ended June 30, 2007. Principal tenants are Frávega, Sport 78, McDonald's, Compumundo and Red Megatone. Alto Rosario's five largest tenants (in terms of sales in this shopping center) accounted for approximately 6.5% of Alto Rosario's gross leasable area and 6.9% of its annual base rent for the fiscal year ended on such date.

Mendoza Plaza, Mendoza, Province of Mendoza. Mendoza Plaza is a 148-store shopping center located in the City Mendoza in the Province of Mendoza. It consists of 39,392 square meters of gross leasable area. Mendoza Plaza has a multiplex movie theatre covering an area of approximately 3,659 square meters, the Chilean department store Falabella, a food court, with 23 stores, an entertainment center and a supermarket which is also a tenant. Tenants in this shopping center generated estimated average monthly sales of approximately Ps.715 per square meter for the fiscal year 2007. During the year 2005 a 68.8% interest was acquired to Pérez Cuesta, increasing up to 85.4%. Principal tenants currently include Falabella, Super Plaza Vea, Frávega, Garbarino and Red Megatone. Mendoza Plaza's five largest tenants (in terms of sales in this shopping center) accounted for approximately 33.7% of Mendoza Plaza's gross leasable area at June 30, 2007, and approximately 22.3% of its annual base rent for the fiscal year ended on such date.

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Córdoba Shopping, Villa Cabrera, Córdoba. Córdoba Shopping is a 106 shops commercial center located in Villa Cabrera, Province of Córdoba. It covers 11,056 square meters of gross locative area. The Córdoba Shopping has a movie theatre complex with 12 units covering a surface area of approximately 6,929 square meters, a food patio and an entertainment area. Tenants in this shopping center generated estimated average monthly sales of approximately Ps.115 per square meter for the fiscal year 2007. Principal lessees are New Sport, Musimundo, Dexter, McDonald's and Plenty.

Ex Escuela Gobernador Vicente de Olmos, Córdoba, Province of Córdoba. In November 2006 IRSA participated in a public bidding of the Corporación Inmobiliaria Córdoba S.A. for the sale of the building known as Ex Escuela Gobernador Vicente de Olmos, located in the City of Córdoba. The building covers 5,147 square meters of surface area. Inside the building there is a part of the Patio Olmos shopping center, in operation in four commercial plants and two underground parking lots. This shopping center also includes two neighbor buildings with cinemas and a commercial annex connected to the bidding sector and legally related through easement contracts. The building is under a concession contract, effective for a 40-year term terminating in February 2032, in which IRSA acts as grantor. Such contract establishes a monthly payment which is increased by Ps.2,513 every 47 months. To the date of this (i) the concession is in its 181st month with a monthly payment of Ps.10,052, being the next monthly increase in the 186th month to Ps.12,565, and (ii) the transfer deed document is not yet effective. IRSA's offer bid was for Ps.32.5 million, of which Ps.9.7 was paid on the awarding of the building and Ps.22.8 million was paid on the date of the execution of the transfer deed. On November 20, 2006, IRSA was notified that the bid was awarded to it, and it paid the 30% of the offer bid in accordance with the terms and conditions established in the bid.

IRSA was ordered the Corporación Inmobiliaria Córdoba S.A. to execute the deed documents on May 15, 2007. IRSA answered such order by indicating its willingness to sign the related deed documents for the purchase and sale agreement and the assignment of the concession agreement, respectively, provided the bidding terms are respected.

On January 15, 2007 IRSA was notified of two claims filed against it before the Argentine Antitrust Authority, one by a private individual and the other one by the licensee of the shopping center, both opposing this transaction. On February 1, 2007 IRSA responded the claims.

On June 26, 2007, IRSA advised that the Argentine Antitrust Authority initiated a summary proceeding to determine whether their prior consent was required to complete this transaction. As of the date of this prospectus the result of this proceeding is yet to be determined.

Panamerican Mall Project. In December 2006 IRSA entered into a series of agreements for the construction, marketing and management of a new shopping center to be developed in the neighborhood of Saavedra, City of Buenos Aires, by Panamerican Mall S.A., a recently formed company in which IRSA's subsidiary Alto Palermo has an 80% shareholding. The project includes the construction of a shopping center, a hypermarket, a cinema complex and an office building and/or housing building. This is currently one of IRSA's most significant development projects. IRSA has started the construction of this shopping center and currently seeks to complete it during its fiscal year ending June 30, 2009.

Credit Card Operations

Through its 80% owned subsidiary Tarshop, IRSA is engaged in the credit card business through the issuance of its *Tarjeta Shopping* and *Tarjeta Shopping Metroshop* credit cards which have a strong presence in IRSA's shopping centers and nearby hypermarkets and street stores. In addition to increasing sales and traffic in IRSA's shopping centers, it also seeks to achieve a financial return by facilitating access to credit for an underbanked segment of the public.

IRSA targets all customers of its shopping centers as well as customers in nearby hypermarkets and street stores. IRSA attracts customers by offering a credit card which is easy to obtain and use and by promotions suited to the commercial needs of its tenants and that are also regarded by customers as more convenient than other

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means of payment. One of the most important benefits granted to customers is the *welcome discount* which provides a 10% discount on all purchases made on the customer's first day. One of the most aggressive promotions includes offering up to a 20% discount at stores designated at random, and as a result, affording accessible prices to a wide range of customers. Many of Tarjeta Shopping's customers also have access to the Banelco and Link ATM networks, allowing them to make cash withdrawals from any ATM in Argentina.

From time to time IRSA considers strategic alternatives with respect to its investment in Tarshop which, due to its recent growth in size and profitability, competes increasingly with credit card companies that are substantially larger. As a result, IRSA is currently considering alternatives to maximize the value of its investment in Tarshop, including its possible merger with, or sale to, another entity engaged in the credit card sector.

History of IRSA's Credit Card Business

The credit card business in Argentina started in the 1960s, but its development was limited until companies such as Visa and Mastercard entered the Argentine market in the early 1980s. During this first stage, and as a consequence of an inflationary economy, the surcharges imposed by merchants for credit card sales were high burdensome and curtailed the growth of the credit card business in Argentina. With the implementation of the Convertibility Plan in April 1991 the inflation was curbed, and the consumer financing market, in pesos as well as in dollars, rapidly developed.

The *Tarjeta Shopping* card was introduced in 1996 with the main objective of developing a private credit card that would be offered to customers of the Alto Avellaneda shopping center and accepted at all its stores, including the Wal-Mart Avellaneda superstore located next to Alto Avellaneda. In light of the initial success of the *Tarjeta Shopping* card in Alto Avellaneda, IRSA determined to use it as its platform for expanding its credit card business to IRSA's other shopping centers.

In late 2004, IRSA introduced its *Tarjeta Shopping Metroshop* credit card through a 50.0% owned joint venture with Metronec S.A., a company which issues the *Tarjeta Subtecard* credit card. The *Tarjeta Shopping Metroshop* credit card has the same characteristics and benefits as IRSA's *Tarjeta Shopping* card as well as the *Tarjeta Subtecard*. The *Tarjeta Shopping Metroshop* credit card allows IRSA access to the users of the subway of the City of Buenos Aires and the General Urquiza Railway. Holders of the *Tarjeta Shopping Metroshop* credit card can pay credit card bills at Metroshop's branches, subway stations ticket counters and other collection agents, and are entitled to participate in exclusive promotions and specially designed financing plans. This alliance permits IRSA to develop a consumer credit business using the captive customer base, experience and know how in the marketing of financial products in high-transit areas and its use in its more than 30,000 participating stores, the best chains and the Banelco and Link ATM networks.

Metroshop currently has 11 branches distributed in the main stations of the A, B, C, and D and E subway lines in the City of Buenos Aires, one in the City of Mar del Plata and more than twenty outsourced participating points of sale located in the subway network of the City of Buenos Aires.

Since 2003, IRSA's credit card business has expanded its customer base and its area of influence, particularly in the south area of Buenos Aires and in other provinces. For the fiscal years ended June 30, 2000, 2003, 2006 and 2007 the evolution of Tarshop's customers base was as follows:

| Fiscal year ended June 30, | Street Stores and Other | |
|----------------------------|----------------------------|-------------------------------|
| | Shopping Centers | Non-Shopping Center Stores |
| 2000 | 87.0% | 13.0% |
| 2003 | 56.0% | 44.0% |
| 2006 | 16.0% | 84.0% |
| 2007 | 13.9% | 73.7% |

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IRSA's *Tarjeta Shopping* card has become one of the main credit cards in Alto Avellaneda shopping center with more than 33% of the credit card sales made, and in Abasto de Buenos Aires with a share exceeding 15%. In addition, *Tarjeta Shopping* has been increasing its customer base to almost 600,000 accounts by the end of 2006, with an activation of more than 70%, sales of almost \$1 billion in the year and more than 30,000 participating stores.

The table below sets forth information with respect to the growth of IRSA's credit card business during the periods shown:

| | Fiscal year ended June 30, | |
|---|----------------------------|--------------|
| | 2005 | 2006 |
| | (in millions of Ps.) | |
| Revenues: | | |
| Interest income | 14.8 | 29.9 |
| Merchants' commissions | 14.5 | 22.7 |
| Other fees and commissions | 0.0 | 0.1 |
| Compensatory, punitive and other interest | 3.1 | 5.9 |
| Account maintenance charges | 12.7 | 22.2 |
| Charges for life and disability insurance | 19.4 | 41.6 |
| Income from Metroshop | 0.1 | 0.4 |
| Other services | 0.0 | 0.1 |
| Credit cards reissued | 0.0 | 0.1 |
| Total | 64.6 | 123.0 |
| Credit card receivables ⁽¹⁾ | 209.2 | 384.6 |
| Credit cards issued | 0.4 | 0.5 |
| Branches ⁽²⁾ | 19 | 20 |
| Participating stores ⁽²⁾ | 21,500 | 25,900 |

(1) Including the securitized portion.

(2) In constant Ps.

The table below sets forth information with respect to the growth of IRSA's credit card business during fiscal year 2007, considering the last classification of revenues in Tarshop's financial statements:

| | Fiscal year ended June 30, | |
|-----------------------------|----------------------------|--------------|
| | 2007 | |
| | (in million of Ps.) | |
| Revenues | | |
| Merchants' commissions | | 38.2 |
| Income for services | | 74.2 |
| Interest income | | 70.2 |
| Other fees and commissions | | 2.6 |
| Credit card reissued | | 1.5 |
| Account maintenance charges | | 32.0 |
| Income from Metroshop | | 0.7 |
| Total | | 219.5 |

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Distribution Network

Today, *Tarjeta Shopping* has 22 branches, including in IRSA's Alto Avellaneda, Alto Palermo, Abasto and Paseo Alcorta shopping centers, as well as street offices such as the one located in the Avellaneda District in the downtown area of Buenos Aires, and in the cities of Lomas de Zamora, Morón and Quilmes, among others. This growth has been accompanied by the significant expansion made towards the rest of the country by the opening of branches in the provinces of Córdoba, Tucumán, Salta and San Salvador de Jujuy. In addition, IRSA has stands for promotion, opening of accounts and distribution of cards at the Wal-Mart Avellaneda superstore and the Coto supermarkets located in the cities of Lanús, Sarandí and Temperley. IRSA has also entered into strategic alliances at the sales points of certain important household appliance and motorcycle stores where it is possible to obtain instant credit through the so-called "First Transaction" scheme where no card is needed for the first purchase.

Each branch is organized as an autonomous and independent business unit that handles the resources necessary to attain its business goals, such as invoicing and number of accounts opened. In addition, *Tarjeta Shopping* has its own ATM structure for payment of bills and extension of automatic cash loans to customers in its branches, applying facilities and procedures for the management and movement of cash comparable to those used by bank branches.

Credit Risk Management

Credit Approval Process

Applications for issue of credit cards submitted are subjected to an evaluation process that undergoes various controls. In the first place, the applicant's identity is checked and its credit information is obtained from credit bureau agencies. Based on the information filed by the applicant and the credit bureau data obtained, in the absence of any negative background, the applicant is given a card with a provisional limit set according to its score level. Simultaneously, the data contributed by the applicant himself are verified directly and by cross-checking by means of inquiries to credit data basis and governmental agencies, and if necessary, telephone verifications and validations are made at the relevant domicile.

Credit Limits

The credit limit assigned to each card applicant is determined on the basis of the family income and other requirements established by Tarshop based on its experience up to a maximum of Ps.20,000. The credit limit is the maximum amount of unmatured installment payments that the client and its additional cardholders may jointly use in the form of purchases, services and cash advances, after having analyzed the client's indebtedness to other financial institutions.

Applications for increase of the credit limit are evaluated on the basis of the applicant's seniority and payment behavior and financial condition vis-à-vis other financial institutions. In addition, Tarshop from time to time revises the card's limit based on the card holders' payment behavior.

Payment Plans

Tarshop handles a single billing cycle that matures on the 25th day of each month. The bill contemplates a grace period for non-interest accruing payments that expires on the 9th day of the following month, and a second due date subject to delayed payment charges on the 20th day of the following month. Bills are payable at any Tarshop office and in IRSA's major collection facilities.

Accounts with unpaid bills as of the 20th day of each month fall in arrears, and are blocked until payment is effected. During the first 30 days of arrears, the client receives automatic and manual calls and letters of reminder. As from the 31st day of arrears, telephone collection officers arrange an interview with the delinquent client at the branches, so as to continue collection management proceedings in person.

Table of Contents*Credit Monitoring and Collection Procedures*

Delinquent collection management proceedings start with a reminder call sent to clients who have failed to pay on the first due date, by using an automatic call system. Approximately 40 to 120 days after the due date, the actions involve a combination of telephone calls, interviews with collection officers at the Tarshop's branches and home visits, aimed at obtaining a discharge of the debt or a payment rescheduling, accompanied by the execution of a debt acknowledgment instrument by the client. Finally, accounts with arrears of more than 120 days are transferred to the attorneys for the filing of legal actions, unless there is evidence of the debtor's insolvency.

Tarshop's collection procedures are similar to those established in the trust, see *Funding and Securitization Activities* below.

As concerns loan loss provisions, the policies IRSA applies are similar to those established by the Argentine Central Bank. IRSA generally makes provisions in relation to the credit portfolio category based on the following:

| Performing | Provision |
|-------------------|------------------|
| Past due: | |
| 0-30 days | 1.0% |
| 31-89 days | 5.0% |
| 90-180 days | 25.0% |
| 181-365 days | 50.0% |

The table below sets forth information with respect to the credit card receivables (including the securitized portion):

| Portfolio Status | 2005 | | At June 30, 2006 | | 2007 | |
|--|--------------|--------------|-------------------------|--------------|--------------|--------------|
| | Ps. | % | Ps. | % | Ps. | % |
| Performing ⁽¹⁾ | 264.1 | 90.5 | 338.6 | 88.2 | 627.4 | 86.7 |
| Past due: | | | | | | |
| 31-89 days | 8.1 | 2.8 | 13.3 | 3.5 | 26.2 | 3.6 |
| 90-180 days | 10.2 | 3.5 | 16.8 | 4.4 | 37.8 | 5.2 |
| 181-365 days | 9.4 | 3.2 | 15.0 | 3.9 | 32.2 | 4.5 |
| Total | 291.8 | 100.0 | 383.7 | 100.0 | 723.6 | 100.0 |
| Over 365 days and legal proceedings ⁽²⁾ | 30.9 | | 35.5 | | 55.0 | |
| Loan loss allowance as % of past due loans | | 37.8 | | 29.5 | | 20.3 |
| Loan loss allowance as % of all loans | | 3.5 | | 3.5 | | 2.7 |

(1) Performing loans not past due more than 30 days.

(2) These claims are subject to a 100% loan loss allowance.

Funding and Securitization Activities

Tarshop's main liquidity needs and capital resources include: payment of sales made by retail stores, working capital needs, investment in new technology, the opening and improvement of branches and holding of cash to take advantage of opportunities that may arise. Tarshop has significantly expanded its business by securitizing its credit card receivables pursuant to the Tarjeta Shopping Trust Program. By resorting to this innovative financial engineering mechanism, Tarjeta Shopping has led one of the largest issues in the market and successfully placed 29 series for more than Ps.1,250 million, and was assigned the highest rating by Standard & Poor's.

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Throughout its history, Tarshop has incurred liabilities mainly in local currency and to a lesser extent in foreign currency, and leveraged twice the coverage for its commitments incurred in foreign currency.

Receivables Portfolio Securitization

Tarshop has its own \$450 million Trust Security Program. An application was filed with the *Comisión Nacional de Valores* to obtain authorization for extending this amount to \$900 million in order to accompany the expected growth of business.

To date, 29 series have been issued aggregating Ps.1,265 million in bonds and certificates of participation. In 2006, 9 series were issued for \$ 348 million, and in 2005 8 series were issued for \$ 210 million. Total terms under each issue range from 20 to 30 months. The applicable nominal interest rates for Class A and B Bonds are approximately 13% and 15%, respectively. The interest accrued on both Bonds is subject to a floor and ceiling rates. Class A Bonds in both the revolving and non-revolving structures have an AAA rating granted by S&P.

Liquidity Policies

Tarshop's policy is to maintain cash and bank account balances for an average of approximately \$ 1.5 million, and to invest any excess in interest-accruing accounts and in mutual investment funds callable within 48 or 24 hours. All balances and reserves are denominated in local currency.

Technology

Information systems are an essential element for credit card companies, as the processing of a large size of transactions in constant expansion is required. This has prompted Tarjeta Shopping to procure state-of-the art technology, and for this reason the current data and transaction processing systems maintain all branches linked through its local intranet, allowing expediency and confidentiality in the handling and transmission of data. In addition, its administrative headquarters are capable of being connected via PosNetworks to the participating stores, ensuring the possibility of adding stores and carrying out transactions around the clock.

The expansion of the call center and IRSA's credit department required a significant investment in technology and communications, resulting in an aggressive growth in the number of transactions and inquiries attended and sharp increase in processing speed. The Area has four sectors: Systems Development, Technology, New Projects and Server Management and IT Security. *Tarjeta Shopping* operates with proprietary information systems, developed and suited to the Company's business. Its main systems are developed in 4GL language with Informix DS Data Base Engine, currently, migrating to a new context developed under .net under Oracle DFG Data Base. The main systems' platform is composed of SUN Spark servers, with Solaris 10 operating system.

All business processes, from origination to account opening, issue of plastics, transaction validation, loan management, customer management, generation and printing of bills, payments, collections, delinquency management and processing, are supported by these system.

The systems allow the on-line capturing and validation of purchases, receiving transactions through Posnet, LaPos (Visa), and direct communication with the major Shopping Center, Hypermarket and Department Store chains, and cash withdrawal transactions through Banelco and Link ATMs.

Tarjeta Shopping's equipment and IT systems are comparable to those used by large-scale credit card companies, which will allow it to respect its current cost structure while still maintaining the speed in the growth of accounts and portfolio it has been showing so far.

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The following table sets forth certain balance sheet and other data for Tarshop as of June 30, 2005, 2006 and 2007:

| | As of June 30, | | |
|---|-------------------------------------|--------|--------|
| | 2005 | 2006 | 2007 |
| | (in million Ps., except percentage) | | |
| BALANCE SHEET DATA | | | |
| <i>Current assets:</i> | | | |
| Cash and banks | 5.74 | 4.65 | 8.83 |
| Investments | 10.76 | 10.79 | 35.29 |
| Accounts receivable | 20.09 | 46.06 | 67.72 |
| Other receivables | 6.62 | 6.66 | 16.16 |
| Total current assets | 43.21 | 68.16 | 128.00 |
| <i>Non-current assets:</i> | | | |
| Other receivables | 2.11 | 7.43 | 24.31 |
| Property, plant and equipment | 2.88 | 4.88 | 9.68 |
| Investments | 19.26 | 39.81 | 55.68 |
| Accounts receivable | 6.93 | 19.74 | 40.58 |
| Intangible Assets net | 0.04 | 0.03 | 0.02 |
| Intangible Assets net | 0.04 | 0.03 | 0.02 |
| Other assets | 0.00 | 0.03 | 0.01 |
| Total non-current assets | 31.22 | 71.92 | 130.28 |
| Total assets | 74.43 | 140.08 | 258.28 |
| <i>Current liabilities:</i> | | | |
| Accounts payable | 39.69 | 87.68 | 156.90 |
| Customer advances | 1.31 | 2.20 | 4.40 |
| Short-term debt | 3.11 | 5.83 | 12.28 |
| Related parties | 8.38 | 6.77 | 3.19 |
| Salaries and social security payable | 2.21 | 2.15 | 5.02 |
| Taxes payable | 5.44 | 6.44 | 21.78 |
| Other liabilities | 0.00 | 0.07 | 0.73 |
| Total current liabilities | 60.14 | 111.14 | 204.30 |
| <i>Non-current liabilities:</i> | | | |
| Long-term debt | 0.00 | 0.00 | 5.60 |
| Other liabilities | 0.00 | 0.10 | 0.53 |
| Total non-current liabilities | 0.00 | 0.10 | 6.13 |
| Total liabilities | 60.14 | 111.24 | 210.43 |
| Shareholders' equity | 14.29 | 28.84 | 47.85 |
| Total liabilities plus shareholders' equity | 74.43 | 140.08 | 258.28 |
| OTHER FINANCIAL DATA | | | |
| Return on assets | 10.0% | 10.4% | 7.4% |
| Return on shareholders' equity | 107.7% | 101.8% | 65.9% |
| Net interest margin | 62.08% | 62.84% | 64.72% |
| Non-performing loans as a percentage of total loans | 26.65% | 25.20% | 24.48% |
| Reserve for loan losses as a percentage of total loans | 26.37% | 16.80% | 15.17% |
| Reserve for loan losses as a percentage of non-performing loans | 98.98% | 66.65% | 61.98% |

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Development and Sale of Properties

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

In IRSA's fiscal year ended June 30, 2007, revenues from IRSA's Sales and Development segment were Ps.75.8 million, compared to Ps.104.0 million in fiscal year 2006. The local currency remained stable throughout the 2007 fiscal year; the real estate market was promoted by the increase in the demand for all types of properties, whether office buildings, housings, retail premises or other. Likewise, the current framework provides incentives for the development of projects linked to IRSA's real estate activity. Therefore, during the 2008 fiscal year IRSA expects to complete the projects under development, as well as to analyze new undertakings.

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

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

Prior to the commencement of construction of a residential project, IRSA conducts an advertising program that continues after the launching of the sales of the units.

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The following table shows certain information and gives an overview regarding IRSA's sales and development properties:

Sales and Development Properties

| | Date of acquisition | Estimated | Area intended for sale (sqm) ⁽²⁾ | Total | IRSA's Effective Interest | Percentage constructed | Percentage sold ⁽⁴⁾ | Accumulated Sales (Ps. thousand) ⁽⁵⁾ | Sales for the year ended June, 30, 2007 (Ps. thousand) | | Book Value 2007 (Ps. thousand) | |
|--|---------------------|--|---|------------------------------|---------------------------|------------------------|--------------------------------|---|--|---------------|--------------------------------|------------|
| | | Cost / Real Cost (Ps. thousand) ⁽¹⁾ | | Units or Lots ⁽³⁾ | | | | | | | | |
| Commercial Properties | | | | | | | | | | | | |
| Las Jardines | 18/07/96 | 56,579 | 32,339 | 490 | 100.00% | 100.00% | 97.40% | 70,049 | | | 21 | |
| Las de Abasto ⁽⁸⁾ | 17/07/94 | 74,810 | 35,630 | 545 | 62.36% | 100.00% | 100.00% | 109,266 | | | 21 | |
| Los Cruces | 22/07/03 | 5,740 | 3,633 | 40 | 100.00% | 100.00% | 91.40% | 18,414 | 8,383 | 10,031 | | |
| El Chicho | 03/2003 | 12,171 | 2,891 | 20 | 100.00% | 100.00% | 85.20% | 8,557 | 8,557 | | | 3 |
| Recepción Arenal | 20/12/96 | 15,069 | 6,913 | 70 | 100.00% | 100.00% | 98.90% | 11,626 | | | | |
| Palermo Park ⁽⁹⁾ | 18/11/97 | 35,956 | 10,488 | 72 | 100.00% | 100.00% | 100.00% | 47,920 | 390 | | 63 | |
| El Caballito Mz | | | | | | | | | | | | |
| El Caballito | 03/11/97 | 22,815 | 6,833 | 118 | 100.00% | 4.00% | 0.00% | | | | | 22 |
| Las Renoir ⁽¹⁵⁾ | 09/09/1999 | 22,861 | 5,383 | 28 | 100.00% | 78.26% | 76.40% | | | | | 39 |
| Las Renoir II ⁽¹⁵⁾ | 03/11/97 | 41,808 | 6,294 | 37 | 100.00% | 4.50% | 0.00% | | | | | 41 |
| Las Renoir Residential Properties ⁽¹⁰⁾ | | 31,245 | 22,804 | 163 | 100.00% | 100.00% | 100.0% | 48,532 | | | | |
| Total Commercial Properties | | 319,055 | 128,554 | 1,583 | N/A | N/A | N/A | 302,054 | 17,330 | 10,094 | 42 | 109 |
| Residential Properties | | | | | | | | | | | | |
| Las Baldovinos ⁽¹¹⁾ | 03/01/95 | 130,955 | 1,408,905 | 1,273 | 100.00% | 100.00% | 95.50% | 218,440 | 1,124 | 3,942 | 3,820 | 9 |
| Las Rivez ⁽¹⁵⁾ | 18/11/97 | 20,544 | 989,423 | 110 | 100.00% | 90.00% | 100.00% | 11,830 | | | | 9 |
| Las Celina I, II y III | | | | | | | | | | | | |
| Las Celina IV y V | 26/05/92 | 4,742 | 75,970 | 219 | 100.00% | 100.00% | 98.90% | 13,952 | | | | |
| Las Celina Residential Properties | 17/12/97 | 2,450 | 58,373 | 181 | 100.00% | 100.00% | 100.00% | 9,505 | | | | |
| Total Residential Properties | | 158,691 | 2,532,671 | 1,783 | N/A | N/A | N/A | 253,727 | 1,124 | 3,942 | 3,820 | 19 |
| Land Reserves | | | | | | | | | | | | |
| El Retiro ⁽⁹⁾ | 18/05/97 | | 82,051 | | 50.00% | 0.00% | 0.00% | | | | | 54 |
| El Caballito | 03/11/97 | | 20,968 | | 100.00% | 0.00% | 40.10% | 22,815 | | 22,815 | | 9 |
| Las María del Carmen | | | | | | | | | | | | |
| Las María del Carmen | 10/07/97 | | 675,952 | | 90.00% | 0.00% | 10.00% | 31,000 | 31,000 | | | 135 |
| Las María del Carmen | 16/12/96 | | 1,299,630 | | 100.00% | 0.00% | 0.00% | | | | | 21 |
| Las María del Carmen | | | | | | | | | | | | |
| Las María del Carmen | 27/07/05 | | 4,320,000 | | 55.93% | 0.00% | 0.00% | 166 | 91 | 75 | | 5 |
| Las María del Carmen | 07/07/98 | | 1,925 | | 67.67% | 0.00% | 100.00% | 22,969 | | 22,969 | | |
| Las María del Carmen | 16/01/07 | | 29,564 | | 100.00% | 0.00% | 0.00% | | | | | 115 |
| Las María del Carmen Land Reserves ⁽¹²⁾ | | | 14,368,591 | | 89.18% | 0.00% | 2.00% | | | | | 80 |
| Total Land Reserves | | | 20,798,681 | | N/A | N/A | N/A | 76,950 | 31,091 | 45,859 | | 423 |
| Las María del Carmen | 20/08/92 | 705 | 3,750 | 1 | 100.00% | 100.00% | 100.00% | 11,745 | | 1,833 | | |

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| | | | | | | | | | | | |
|------------------------------|----------|----------------|-------------------|--------------|------------|------------|------------|----------------|---------------|----------------|---------------|
| ero 1020 | 21/12/95 | 16,008 | 5,056 | 8 | 100.00% | 100.00% | 100.00% | 16,471 | | | 3,543 |
| e 3 | 09/09/99 | 25,836 | 10,474 | 3 | 100.00% | 0.00% | 100.00% | 91,638 | 26,206 | 41,808 | 23,624 |
| r Properties ⁽¹³⁾ | | 23,871 | 11,352 | 61 | 100.00% | 80.00% | 88.20% | 30,310 | | 430 | 1,282 |
| Total Other | | 66,420 | 30,632 | 73 | N/A | N/A | N/A | 150,164 | 26,206 | 44,071 | 28,449 |
| TOTAL⁽¹⁴⁾ | | 544,166 | 23,490,538 | 3,439 | N/A | N/A | N/A | 782,895 | 75,751 | 103,966 | 32,311 |

Notes:

(1) Cost of acquisition plus total investment made and/or planned if the project has not been completed, adjusted for inflation until 02/28/03.

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- (2) Total area devoted to sales upon completion of the development or acquisition and before the sale of any of the units (including parking and storage spaces, but excluding common areas). In the case of Land Reserves the land area was considered.
- (3) Represents the total units or plots upon completion of the development or acquisition (excluding parking and storage spaces).
- (4) The percentage sold is calculated dividing the square meters sold by the total saleable square meters.
- (5) Includes only the cumulative sales consolidated by the RT21 method adjusted for inflation until 02.28.03.
- (6) Corresponds to IRSA's total sales consolidated by the RT4 method adjusted for inflation until 02.28.03. Excludes turnover tax deduction.
- (7) Cost of acquisition plus improvement, plus activated interest of properties consolidated in portfolio at June 30, 2007, adjusted for inflation at 02/28/03.
- (8) Through Alto Palermo.
- (9) Through Inversora Bolivar.
- (10) Includes the following properties: Dorrego 1916 through IRSA, Yermal 855 and Arcos 2343 through Baldovinos (fully sold).
- (11) Directly through IRSA and indirectly through Inversora Bolivar. Includes sale of Abril shares.
- (12) Includes the following land reserves: Torre Jardín IV, Padilla 902 and Terreno Pilar (through IRSA), Pontevedra, Mariano Acosta, Merlo, Intercontinental Plaza II (through Inversora Bolivar) and Caballito, Torres Rosario and the Coto Project (through Alto Palermo).
- (13) Includes the following properties: Puerto Madero Dock XIII and Dique II, Sarmiento 517, Income from Termination, Alto Palermo's Real Properties Sales and Rivadavia 2768 (fully sold through IRSA).
- (14) Corresponds to the Sales and Developments business unit mentioned in Note 4 to the consolidated financial statements.
- (15) Corresponds to receivables from swaps disclosed as Inventories in the consolidated financial statements.

Residential Apartments

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

Apartment Projects Under Development

Torre Caballito, City of Buenos Aires. This undeveloped 2.1 hectare property is situated in the northern area of Caballito's residential neighborhood in the City of Buenos Aires. On May 4, 2006, IRSA and Koad S.A. (Koad), an Argentine developer, entered into an asset exchange agreement valued at US\$7.5 million pursuant to which IRSA sold to Koad plot number 36 of Terrenos de Caballito in exchange for Koad's agreement to construct, at its sole expense, a residential complex to be named Caballito Nuevo. Koad has agreed to develop a residential complex consisting of two 34-story towers containing 220 apartments each, consisting of one, two and three bedroom residential units with surface areas ranging from 40 to 85 square meters. The proposed apartment complex is currently expected to offer a wide variety of amenities and services. The total area of this apartment complex that will be for sale is estimated to be approximately 28,000 square meters. On August 2009, IRSA will be entitled to ownership of 26.7% of the total square meters and 25% of the parking lots of the entire complex, representing 118 apartments and 55 parking lots located in Tower 1. As a result of an incentive scheme agreed to with Koad, the number of square meters IRSA will receive could vary according to the project's date of completion. As a result of this transaction, Koad granted to IRSA a first lien mortgage on the property to secure up to US\$7.4 million of its obligations to IRSA and posted a surety bond in IRSA's favor supporting an additional US\$2.0 million of Koad's obligations to IRSA.

Dock IV, City of Buenos Aires. This luxury office building has a total surface area of approximately 22,000 square meters, and will offer 11,000 square meters of large and versatile office space for lease. The building's layout welcomes both companies requiring smaller office space, averaging 200 square meters, and corporations in need of an entire floor. The building's development is currently at its first stage, bid submission for the foundations and lobby. The building will have nine floors with offices and commercial shops on the first floor. Paper work seeking permits for bid submissions for the second stage is still pending.

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Torres Renoir, Dock III. On November 25, 2004 a deed of conveyance of title for a certain plot known as plot 1.c. was executed in favor of *Desarrollos y Proyectos Sociedad Anónima* (DYPESA). This deed establishes in kind consideration for the sale, and at the same time granted DYPESA the option to acquire in barter another plot known as plot 1.e. This option acts as an alternative to the construction of the 13th floor of the building to be developed on plot 1.c. As a guaranty for this transaction, DYPESA established a first lien mortgage for US\$8.03 on plot 1.c. and for US\$10.8 on plot 1.e. DYPESA contracted an obligation to transfer 4.642 square meters at the building constructed on certain plot known as plot 1c, representing 28.5% of the apartment surface of such building, and 6.421 square meters at the building constructed on certain plot known as plot 1e, representing 31.5% of the total apartment surface of that building. During December 2006 IRSA began the sales of the available units.

On May 18, 2005, Buenos Aires Trade & Finance Center S.A. (Trade) signed a purchase agreement relating to certain plot known as plot 1.d., with then owner of this plot, DYPESA. On that date Trade paid DYPESA US\$2.15 million. On January 19, 2006, a partial payment of the outstanding balance of US\$1.0 million was made. As of September 30, 2006, the outstanding balance for this sale recorded in accounts receivable is US\$5.35 million. This sum is expected to be collected when the deed of title is executed and the property transferred.

To provide for the sustained increase in the demand for residential apartments in the Puerto Madero area, during fiscal year 2006 IRSA has entered into bartering contracts allowing to start the construction of these two exclusive dwelling towers of 37 and 40-storey. In line with the boom of developments in the area, the market has great expectations on the project given its exceptional features. On September 30, 2006 due to the interest shown in this project, the marketing of Tower I was launched as the rate of progress was 78.3%. During fiscal year 2007 preliminary sales contracts were signed for 76.4% of the units available. In respect of Tower II works started and the percentage of work completed is 4.5%.

Completed Apartment Projects

Torres Jardín, City of Buenos Aires. Torres Jardín is a high-rise residential complex located in the Buenos Aires neighborhood of Villa Crespo, approximately five minutes from Abasto Shopping. Torres Jardín I, II and III have been completed and consist of 490 one, two and three-bedroom residential apartments. The complex also includes 295 spaces of underground parking. As of June 30, 2007 there is one apartment and 35 parking spaces pending sale. The project originally included four 23-story towers targeting the middle-income market, but IRSA decided not to construct Torres Jardín IV and may consider a barter transaction with a third party for its construction.

Torres de Abasto, City of Buenos Aires. Torres de Abasto is a 545-apartment high-rise residential apartment complex developed through IRSA's subsidiary Alto Palermo, located one block from Abasto Shopping. The project consists of three 28-story buildings and one 10-story building targeted to the middle-income market. The apartments were completed in May 1999. The complex has a swimming pool, a terrace, 24-hour security, four retail stores on the ground floor of one of the buildings and 310 underground parking spaces. As of June 30, 2007, 100% of the units in the complex had been sold.

Edificios Cruceros, City of Buenos Aires. Edificios Cruceros is a project located in the Puerto Madero area. This dwelling building covers 6,400 square meters of surface area of which 3,633 belong to the Company, and it is close to the Edificios Costeros office building. It is directed to the high-income segment and all its common areas have spectacular views to the river. This development was partially financed through the anticipated sale of its apartments. Works are 100% finished and as of June 30, 2007 more than 90% of the units had been sold.

Barrio Chico, City of Buenos Aires. In March 2003 IRSA purchased a plot of land on San Martín de Tours Street in the district of Barrio Parque, an exclusive residential zone in the City of Buenos Aires. At the time the sales contract was signed, US\$0.08 million were prepaid. In June 2003 at the time the deed of title was transferred, US\$0.23 million were paid. At that time, the property was mortgaged to Providence for US\$0.75 million, to guarantee 25% of the housing units IRSA was obligated to deliver upon the building's completion. IRSA financed with its own working capital the construction of this luxury residential complex designed for high-income

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customers. This is a unique Project located in Barrio Parque, an exclusive residential zone in the City of Buenos Aires. During May 2006 the successful marketing of this project was launched. The image of the product was previously developed with the name of Barrio Chico with advertisements in the most important media. As of June 30 2007 the project is finished and only 3 units are still to be sold.

Palacio Alcorta, City of Buenos Aires. Palacio Alcorta is a 191-loft units residential property that IRSA converted from a former Chrysler factory in the residential neighborhood of Palermo Chico, one of the most exclusive areas of Buenos Aires City, located just a ten-minute drive from downtown Buenos Aires. The loft units range from 60 to 271 square meters. This development project targets the upper-income market. Palacio Alcorta also has seven retail units and 165 parking spaces. As of June 30, 2007, all of the loft units in the complex had been sold.

Concepción Arenal 3000, City of Buenos Aires. Concepción Arenal 3000 is a 70-loft residential property located in the north-central area of the City of Buenos Aires. Each loft unit has a salable area of 86 square meters and a parking space. Lofts in this building are targeted to a middle-income market.

Alto Palermo Park and Plaza, City of Buenos Aires. Alto Palermo Park is one of two 34-story apartment buildings located two blocks from Alto Palermo Shopping in the exclusive neighborhood of Palermo. Apartments in this building are targeted primarily towards the upper-income market. Alto Palermo Park is located next to its twin building, Alto Palermo Plaza. Both buildings are comprised of three- and four-bedroom apartments with an average area of 158 square meters in the case of Alto Palermo Park and of 294.5 square meters, in the case of Alto Palermo Plaza. Each unit includes an average of 18 and 29 square meter parking/storage space, respectively. These buildings were included in the assets IRSA acquired in November 1997 from Pérez Companc S.A. As of June 30, 2007, 100% of Alto Palermo Plaza was sold and there was only one unit to be sold in the Alto Palermo Park.

Villa Celina, Greater Buenos Aires. Villa Celina is a 400-plot residential community for the construction of single family homes located in the residential neighborhood of Villa Celina on the southeastern edge of the City of Buenos Aires. IRSA has been developing this property in several stages since 1994. The first three stages involved 219 lots, each measuring on average 347 square meters and the last two stages involve 181 lots. As of June 30, 2007, 100% of the residential community had been sold.

Residential Communities

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

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

As of June 30, 2007, IRSA's residential communities for the construction of single-family homes for sale in Argentina had a total of 62,990 square meters of salable area in the Abril, residential communities located in the province of Buenos Aires.

Abril, Hudson, Greater Buenos Aires. Abril is a 312-hectare private residential community located near Hudson City, approximately 34 kilometers south of the City of Buenos Aires. IRSA has developed this property

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into a private residential community for the construction of single family homes targeting the upper-middle income market. The project includes 20 neighborhoods subdivided into 1,273 lots of approximately 1,107 square meters each. Abril also includes an 18-hole golf course, 130 hectares of woodlands, a 4,000 square meter mansion and entertainment facilities. A bilingual school, horse stables and sports centers and the construction of the shopping center were concluded in 1999. The neighborhoods have been completed, and as of June 30, 2007, 95.5% of the property had been sold for an aggregate of Ps.217.41 million, with 62,900 square meters left to be sold.

Benavidez, Tigre. Benavidez is an undeveloped 98.9 hectare plot located in the area of Tigre, 35 kilometers north from downtown Buenos Aires. On May 21, 2004 an exchange deed was signed whereby DEESA agreed to pay US\$3.98 million to Inversora Bolívar, of which US\$0.98 million were paid and the balance of US\$3.0 million will be paid through the exchange of 110 residential plots already chosen and identified in the option contract signed in December 3, 2003. Furthermore, through the same act, DEESA set up a first mortgage in favor of Inversora Bolívar on real property amounting to US\$3.0 million in guarantee of compliance with the operation and delivered US\$0.5 million to Inversora Bolívar corresponding to a deposit in guarantee of performance on the obligations undertaken. This balance will not accrue interest in favor of DEESA, and will be returned as follows: 50% of the outstanding balance at the time of certification of 50% of the progress of work and the remaining upon certification of 90% of work progress. Within this property, a closed quarter called *El Encuentro* is developed, with a direct access to highway 9 that facilitates the way into and out of the city. Considering the high price of the plots in the north of the province of Buenos Aires, mostly in the place in which this enterprise is placed, IRSA has great expectations for marketing the land through the bartering system. The launching of the sale of IRSA's units will be carried out at the beginning of fiscal year 2008. As of June 30, 2007, the work progress degree is 90%.

Land Reserves

IRSA has acquired large undeveloped properties as land reserves located in strategic areas for the future development of office and apartment buildings, shopping centers and single family housing. IRSA has acquired what it believes to be two of the largest and most important undeveloped river front plots in Buenos Aires, Puerto Retiro and Santa María del Plata, for the future development of residential and office spaces. In addition, IRSA has benefited from the improvement of land values during periods of economic growth. As of June 30, 2007, IRSA's land reserves totaled 17 properties consisting of approximately 3079 hectares (including Rosario, Caballito, Vicente Lopez and Coto C.I.C.S.A. (Coto) air space owned by Alto Palermo).

Land Reserves in the City of Buenos Aires

Solares de Santa María, City of Buenos Aires (ex Santa María del Plata). Solares de Santa María is a 70 hectares property facing the Río de la Plata in the South of Puerto Madero, 10 minutes far from the National Government House. This is an urbanization project developed through IRSA's subsidiary Solares de Santa María S.A. (Solares de Santa María), which has been recently incorporated. This project has a residential profile and mixed uses, it is currently expected to have offices, stores, hotels, sport and nautical clubs, service areas with schools, supermarkets, parking lots, etc.

The project ultimately submitted to government authorities included various proposals made by advisors of the Urban Environmental Plan Council (*Consejo del Plan Urbano Ambiental*) and contemplates the assignment of 358,000 square meters to become public parks including a 90,000 square meter green sector, boulevards designated for access to and walking around the neighborhood and the transference of all water areas (especially the zone in front of the commercial area) for public use. The river presence in this part of the city has been reserved for general public use, including space for a marina which may be built in the future.

While IRSA awaits the city government approvals and authorizations, IRSA has contacted national and international investors with experience in this type of real state developments.

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As part of the project, IRSA sold 31,491,932 shares for US\$10.6 million to Mr. Israel Sutton Dabbah, who is part of the Sutton Group. This sale represents the 10% of Solares de Santa María capital stock and is to be paid in the following manner: (i) an initial payment of US\$1,500,000; and (ii) the balance of US\$9,100,000 payable on December 26, 2007. Under the purchase agreement a first grade pledge on certain assets owned by the buyer was granted to IRSA and its subsidiary Palermo Invest S.A., the sellers, in order to secure the payment price.

Puerto Retiro. Puerto Retiro is an 8.3 hectare undeveloped riverside property bounded by the Catalinas and Puerto Madero office zones to the west, the transportation hub Retiro to the north and the Río de la Plata to the south and east. One of the only two significant privately owned waterfront properties in The City of Buenos Aires, Puerto Retiro may currently be utilized only for port activities. IRSA has initiated negotiations with municipal authorities in order to rezone the area. IRSA's plan is to develop a 360,000 square meter financial center. The launching date has not been settled and consequently, the estimated cost and financing method are not decided. IRSA owns a 50% interest in Puerto Retiro through its wholly-owned subsidiary Inversora Bolívar S.A. (Inversora Bolívar). See Legal Proceedings Puerto Retiro.

Caballito, Ferro Project. This is a property of approximately 25,539 square meters in the City of Buenos Aires, neighborhood of Caballito, one of the most densely populated of the city, which Alto Palermo purchased in October 1998. This plot would allow developing a shopping center having 30,000 square meters, a hypermarket, a cinema complex, and several recreation and entertainment activity areas. IRSA is currently working to define the commercial project. The approval of the authorization of the government of the City of Buenos Aires for the development of a shopping center in this plot has not been granted.

Terreno Figueroa Alcorta. With respect to the plot located in the Figueroa Alcorta avenue, in front of Paseo Alcorta on December 22, 2005, IRSA's subsidiary Alto Palermo subscribed a preliminary purchase contract with possession, by which Alto Palermo sold to RAGHSA S.A. the plot denominated Alcorta Plaza for a total price of US\$7.7 million. The terms and conditions of payment agreed were determined in four installments of US\$1.9 million, the first installment to be due at the date of the preliminary sales contract and the second one collected on March 30, 2006, date on which the final deed was signed. The third installment was paid in March 2007 and the fourth installment is due in March 2008.

Land Reserves in the Province of Buenos Aires

Pereiraola, Hudson. Through Inversora Bolivar, IRSA owns a 100.0% interest in Pereiraola S.A., a company whose principal asset is a 130 hectare undeveloped property adjacent to IRSA's Abril community. IRSA intends to use this property to develop a private community for the construction of single family homes targeted at the middle-income market. IRSA has not yet established the costs and financing method for this proposed project, but IRSA has already obtained the necessary municipal permits. The plot's book value is estimated to be Ps.21.7 million as of June 30, 2007.

Pilar. Pilar is a 74 hectare undeveloped land reserve property located close to Pilar City, 55 kilometers northwest of downtown of the City of Buenos Aires. The property is easily accessible due to its proximity to the Autopista del Norte. The Pilar area is one of the most rapidly developing areas of the country. IRSA is considering several alternatives for this property including the development of a residential community or the sale of this property as it is and, therefore, IRSA does not have a cost estimate or a financing plan. The plot's book value is estimated to be Ps.3.4 million as of June 30, 2007.

Vicente López, Olivos, Provincia de Buenos Aires. On January 16, 2007, Patagonian Investment S.A. and Ritelco S.A. acquired 90% and 10%, respectively, of the total shares of the company named Rummaala S.A. (*Rummaala*), the main asset of which is a plot of land located in Vicente Lopez, Province of Buenos Aires. As of June 30, 2007, IRSA holds 100% of the ownership interest of Rummaala as a result of certain transactions performed with Patagonian Investment S.A. and Ritelco S.A. The purchase price was US\$21.17 million, payable as follows: (i) US\$4.25 million in cash and (ii) by delivering certain units of the building to be constructed in the land owned by Rummaala in the amount of US\$16.92 million, within a 4-year term as from the approval date of the plans by the related authorities or when the facilities be vacated, whichever last occurs.

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

Simultaneously with the former transaction, Rummaala acquired a plot of land adjacent to its own property for a total consideration of US\$15.00 million, payable as follows: (i) US\$0.50 million in cash; (ii) by delivering certain units of buildings Cruceros I and II in the amount of US\$1.25 million and (iii) by delivering certain units of the building to be constructed in the land acquired for a total consideration of US\$13.25 million, within a 40-month term considered as from the approval date of the plans by the related authorities or when the facilities be vacated, whichever last occurs.

Other Undeveloped Plots in the City and Province of Buenos Aires. IRSA's land reserve portfolio also includes nine land reserve properties located in Buenos Aires and its surrounding areas. These properties are projected for future developments of offices, shopping centers, apartment buildings and residential communities. The main properties under this category include Merlo, Mariano Acosta and Ponedvedra.

Land Reserves in Other Provinces

Torres Rosario Project, City of Rosario, Province of Santa Fe. IRSA's subsidiary Alto Palermo owns a plot of land covering approximately 50,000 square meters of surface area in the city of Rosario, in the place in which the Alto Rosario Shopping Center is located. A residential complex will be built in this plot of land.

Neuquén Project, Province of Neuquén. On July 6, 1999, Alto Palermo acquired a 94.6% share in Shopping Neuquén amounting to Ps.4.2 million. Alto Palermo paid Ps.0.9 million on September 1, 1999, and the remaining Ps.3.3 million were to be paid on July 5, 2001, or at the time of the opening of the shopping center to be constructed in the building owned by Shopping Neuquén, whichever happened first. As of June 30, 2007 the remaining was paid.

The only asset of Shopping Neuquén is a plot of land of 50,000 square meters approximately, in which IRSA hopes to build a shopping center. IRSA is currently involved in litigation which will likely determine whether IRSA proceeds with this proposed project. See Legal Proceedings Legal issues with the City Hall of Neuquén.

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

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

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

Offices and Other Non-shopping Center Leased Properties

Overview

IRSA is engaged in the acquisition, development and management of offices and other rental properties in Argentina. As of June 30, 2007, IRSA directly and indirectly, owned interests in 24 office and other rental

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properties in Argentina which comprised 234,320 square meters of gross leaseable area. Of these properties, 17 were office properties which comprised 138,315 square meters of gross leaseable area. For fiscal year 2007, IRSA had revenues from office and non-shopping center leases properties of Ps.55.7 million.

All IRSA's office rental property in Argentina is located in Buenos Aires City. All of these properties are rented to various different premium tenants. For the year ended June 30, 2007 the average occupancy rate for all IRSA's properties in the Offices and other rental property segment was approximately 97.37%. Seven different tenants accounted for approximately 26.75% of IRSA's monthly office rental and 28.91% of IRSA's total revenues for fiscal year 2007 for the same concept. IRSA's seven main office rental tenants are: Grupo Total Austral, Finterbusch Pickenhayn Sibille S.C. (KPMG), Microsoft Argentina S.A., Techint Cia. Tecnica Int. SACeI, Occidental Argentina, Exploration and Production Inc., Marval & O'Farrel and Cisco Systems Argentina S.A.

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

Leases. IRSA leases its offices and other properties pursuant to contracts with an average term of three years, with the exception of a few contracts with terms of five years. These contracts are renewable for two or three additional years at the tenant's option. Contracts for the rental of property not located in shopping malls are generally stated in U.S. dollars, and in accordance with Argentine law they are not subject to inflation adjustment. Rental rates for renewed periods are negotiated at market value.

Properties

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

Offices and other non-shopping center leased properties

| | Date of Acquisition | Leaseable Area sqm ⁽¹⁾ | Occupancy Rate ⁽²⁾ | IRSA'S Effective Interest | Monthly Rental Income Ps./000 ⁽³⁾ | Accumulated Annual Rental Income Book | | | Value (in thousand pesos) ⁽⁵⁾ |
|--|---------------------------|---|----------------------------------|---------------------------------|---|---|---------------|---------------|--|
| | | | | | | for fiscal years Ps./000 ⁽⁴⁾ | | | |
| | | | | | | 2007 | 2006 | 2005 | |
| Offices | | | | | | | | | |
| Intercontinental Plaza ⁽⁶⁾ | 11/18/97 | 22,535 | 100.00% | 100.00% | 1,115 | 10,977 | 5,436 | 5,289 | 94,992 |
| Dock Del Plata | 11/15/06 | 7,921 | 100.00% | 100.00% | 450 | 3,103 | N/A | N/A | 26,194 |
| Libertador 498 | 12/20/95 | 10,533 | 100.00% | 100.00% | 651 | 6,307 | 3,872 | 3,061 | 41,061 |
| Maipú 1300 | 09/28/95 | 10,280 | 100.00% | 100.00% | 590 | 6,006 | 3,515 | 2,797 | 42,347 |
| Laminar Plaza | 03/25/99 | 6,521 | 100.00% | 100.00% | 416 | 4,631 | 3,059 | 2,346 | 29,187 |
| Reconquista 823/41 | 11/12/93 | 5,016 | 100.00% | 100.00% | 173 | 1,139 | N/A | N/A | 19,093 |
| Suipacha 652/64 | 11/22/91 | 11,453 | 100.00% | 100.00% | 188 | 1,398 | 1,055 | 621 | 12,292 |
| Edificios Costeros | 03/20/97 | 6,389 | 95.73% | 100.00% | 282 | 3,124 | 1,760 | 1,242 | 18,471 |
| Costeros Dique IV | 08/29/01 | 5,437 | 96.01% | 100.00% | 222 | 1,987 | 1,736 | 1,378 | 20,875 |
| Bouchard 710 | 06/01/05 | 15,014 | 100.00% | 100.00% | 767 | 8,900 | 5,813 | 412 | 68,390 |
| Bouchard 551 | 03/15/07 | 33,324 | 100.00% | 100.00% | 1,124 | 3,925 | N/A | N/A | 241,899 |
| Madero 1020 | 12/21/95 | 215 | 100.00% | 100.00% | 8 | 97 | 78 | 47 | 1,694 |
| Works in progress Dique IV ⁽¹¹⁾ | 12/02/97 | N/A | N/A | 100.00% | N/A | N/A | N/A | N/A | 9,684 |
| Others ⁽⁷⁾ | N/A | 3,677 | 100.00% | N/A | 110 | 1,289 | 1,041 | 804 | 10,826 |
| Subtotal Offices | | 138,315 | 99.36% | | 6,095 | 52,883 | 27,364 | 17,997 | 637,005 |

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| | | | | | | | | | |
|---|----------|----------------|---------------|------------|--------------|---------------|---------------|---------------|----------------|
| Other rental properties | | | | | | | | | |
| Commercial properties ⁽⁸⁾ | N/A | 642 | 83.00% | N/A | 20 | 242 | 175 | 139 | 4,156 |
| Thames ⁽⁶⁾ | 11/01/97 | 33,191 | 100.00% | 100.00% | 51 | 607 | 607 | 580 | 3,899 |
| Santa María del Plata | 7/10/97 | 60,100 | 100.00% | 100.00% | 68 | 1,043 | 1,234 | 57 | 12,494 |
| Other properties ⁽⁹⁾ | N/A | 2,072 | 100.00% | N/A | 5 | 168 | 106 | 124 | 2,610 |
| Subtotal | | 96,005 | 95.75% | N/A | 144 | 2,060 | 2,122 | 900 | 23,159 |
| Related fees | N/A | N/A | N/A | N/A | N/A | 740 | 1,079 | 534 | N/A |
| Total offices and other ⁽¹⁰⁾ | N/A | 234,320 | 97.37% | N/A | 6,239 | 55,683 | 30,565 | 19,431 | 660,164 |

Notes:

(1) Total leaseable area for each property. Excludes common areas and parking.

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- (2) Calculated dividing occupied square meters by leaseable area.
- (3) Agreements in force as of 06/30/07 for each property were computed.
- (4) Total consolidated leases, according to the RT21 method.
- (5) Cost of acquisition, plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment.
- (6) Through Inversora Bolivar.
- (7) Includes the following properties: Madero 942, Av. de Mayo 595, Av. Libertador 602, Rivadavia 2774, Dock 5 Puerto Madero and Sarmiento 517 (through IRSA)
- (8) Includes the following properties: Constitución 1111, Alsina 934/44 (fully sold), Crucero I; Retail stores in Abril and Casona in Abril (through IRSA and Inversora Bolivar).
- (9) Includes the following properties: one unit in Alto Palermo Park (through IBSA) and Constitución 1159 (through IRSA).
- (10) Corresponds to the Offices and Other Rental Properties business unit mentioned in Note 4 to IRSA's audited consolidated financial statements included elsewhere in this prospectus.
- (11) Work in progress of a building of offices AAA in Puerto Madero.

The following table shows a schedule of the lease expirations of IRSA's office and other properties for leases outstanding as of June 30, 2007, assuming that none of the tenants exercise renewal options or terminate their lease early. Most tenants have renewal clauses in their leases.

| Fiscal year of lease expiration | Number of leases expiring ⁽¹⁾ | Square meters subject to expiring leases ⁽²⁾ (in square meters) | Percentage of total square meters subject to expiration (%) | Annual rental income under expiring leases (Ps.) | Percentage of total rental income under expiring leases (%) |
|---------------------------------|--|---|--|---|--|
| 2008 | 75 | 144,085 | 62% | 20,056,180 | 27% |
| 2009 | 52 | 37,736 | 16% | 20,622,695 | 28% |
| 2010 | 42 | 30,493 | 13% | 20,072,355 | 27% |
| 2011+ | 11 | 21,102 | 9% | 13,892,432 | 18% |
| Total | 180 | 233,416 | 100% | 74,643,662 | 100% |

(1) Includes Offices which contract has not been renewed and vacant stores as of June 30, 2007.

(2) Does not include vacant lease square meters.

The following table shows IRSA's offices occupancy percentage during fiscal years ended June 30, 2005, 2006 and 2007:

| Offices | Occupancy Percentage Fiscal year ended June 30, ⁽¹⁾ | | |
|------------------------|---|------|------|
| | 2005 | 2006 | 2007 |
| | (in percentage) | | |
| Intercontinental Plaza | 96 | 100 | 100 |
| Bouchard 710 | 100 | 100 | 100 |
| Bouchard 557 | N/A | N/A | 100 |
| Dock del Plata | N/A | N/A | 100 |
| Libertador 498 | 94 | 100 | 100 |
| Maipu 1300 | 96 | 95 | 100 |
| Laminar Plaza | 95 | 100 | 100 |
| Madero 1020 | 100 | 100 | 100 |
| Reconquista 823/41 | | | 100 |
| Suipacha 652/64 | 80 | 100 | 100 |
| Edificios Costeros | 100 | 95 | 96 |
| Costeros Dock IV | 100 | 100 | 96 |
| Others ⁽²⁾ | 100 | 100 | 100 |

(1) Leased square meters in accordance with lease agreements in effect as of June 30, 2007, 2006 and 2005 considering the total leaseable office area for each year.

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- (2) Includes the following buildings: Madero 942, Av. De Mayo 595, Av. Libertador 602, Sarmiento 517 and Rivadavia 2768.

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The following table sets forth the annual average income per square meter for IRSA's offices during fiscal years ended June 30, 2007, 2006 and 2005:

| Offices | Annual average income per square meter | | |
|-----------------------------|---|------|------|
| | Fiscal year ended June 30, ⁽¹⁾ | | |
| | 2005 | 2006 | 2007 |
| | (Ps. per square meter) | | |
| Intercontinental Plaza | 293 | 299 | 487 |
| Bouchard 710 ⁽²⁾ | 27 | 387 | 623 |
| Bouchard 557 ⁽³⁾ | N/A | N/A | 118 |
| Dock del Plata | N/A | N/A | 392 |
| Libertador 498 | 330 | 374 | 634 |
| Maipu 1300 | 286 | 373 | 597 |
| Laminar Plaza | 379 | 479 | 710 |
| Madero 1020 | 219 | 362 | 450 |
| Suipacha 652/64 | 95 | 119 | 123 |
| Reconquista 823/41 | | | 236 |
| Edificios Costeros | 196 | 278 | 504 |
| Costeros Dock IV | 265 | 259 | 387 |
| Others ⁽⁴⁾ | 219 | 285 | 429 |

(1) Calculated considering Annual Leases to total leaseable office area, in accordance with IRSA's percentage of ownership in each building.

(2) Lease agreement beginning in the fourth quarter of fiscal year 2005.

(3) Lease agreement beginning in the third quarter of fiscal year 2007, consequently income is for only three months.

(4) Includes the following buildings: Madero 942, Av. De Mayo 595, Av. Libertador 602, Sarmiento 517 and Rivadavia 2768.

Set forth below you will find information regarding IRSA's principal currently owned office properties, including the names of the tenants occupying 5% or more of the gross leasable area of each property.

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

Bouchard 710, City of Buenos Aires. Bouchard 710 is an office building acquired by IRSA in June 2005, located in the Retiro area. The building is a 12-story tower, with an average area per floor of 1,251 square meters, with 180 units for car parking. Tenants are Unilever de Argentina S.A., Finterbusch Pickenhayn Sibille S.C. (KPMG), and Microsoft de Argentina S.A.

Bouchard 551, City of Buenos Aires. Bouchard 551 is a Class A office building IRSA acquired in March 2007, located in the Retiro area close to the intersection of the Leandro N. Alem and Córdoba avenues and the Plaza Roma. The building is a 23-story tower covering a surface area of 2,900 square meters in the low floors that becomes smaller as it goes higher up to 900 square meters approximately, and parking for 177 units. Principal lessees include La Nación S.A., Price Waterhouse & Co., AS. EM. S.R.L. and Techint Cía. Técnica Internacional S.A.C.e I.

Dock del Plata, City of Buenos Aires. Dock del Plata is a Class A office building IRSA acquired in November 2006, located in the Puerto Madero area at Alicia Moreau de Justo 400. The building is 4-story high, with an average surface per plant of 1,500 square meters and parking lot for 309 units. The principal lessees are Veco S.A., Davila 380 S.A., Farmacity S.A., Rosso Alba, Francia y Ruiz Romero, Converse Argentina S.A., AT & T Communications Serv. S.R.L., MCO LEX S.R.L., Garfin Agropecuaria S.A., CA Argentina S.A. and Dell América Latina Corp.

Libertador 498, City of Buenos Aires. Libertador 498 is a 27-story office tower located at the intersection of three of the most important fares thorough of the City of Buenos Aires, making it accessible from the north, west and south of the city. IRSA owns 17 floors with an average area per floor of 620 square meters

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and 281 parking spaces. The building has a singular cylindrical design and a highly visible circular neon billboard that makes it a landmark in the Buenos Aires skyline. The principal tenants in this building currently include MTV Networks Argentina S.R.L., Epson Argentina S.A., Cervecería y Maltería Quilmes, Yara Argentina S.A., Alfaro Abogados S.C., Julius Baer Financial Consultancy S.A., LG Electronics Argentina S.A., Eastman Chemical Argentina S.R.L., Allergan Productos Farmaceuticos S.A. and Alto Palermo's subsidiary, Tarshop S.A.

Maipú 1300, City of Buenos Aires. Maipú 1300 is a 23-story office tower located on the San Martín Plaza, a prime office zone. The building is also located within walking distance of the Retiro commuter train station, Buenos Aires' most important public transportation hub, connecting rail, subway and bus transit. IRSA owns the entire building which has an average area per floor of 440 square meters. The building's principal tenants currently include Allende & Brea, Carlson Wagonlit Travel Argentina S.A. and PPD Argentina S.A.

Laminar Plaza, City of Buenos Aires. Laminar Plaza is a 20-story office building located in Catalinas, the City of Buenos Aires' most exclusive office district. Each floor has an average area of 1,453 square meters, including common areas. IRSA owns 5 floors and 66 parking spaces. The main tenants, among others, are as follows: Cisco Systems, Telefónica Móviles de Argentina S.A., Chubb Argentina de Seguros S.A., Hewitt Associates S.A., Apache Petrolera Argentina S.A., Natural Energy S.A. and Bank Hapoalim B.M.

Madero 1020, City of Buenos Aires. Madero 1020 is a 25-story office tower located in the center of Catalinas, an important office area, with views of the Port of Buenos Aires, the Río de la Plata and the city's downtown area. As of June 30, 2007, IRSA owns a 215-square meter lockup.

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

Reconquista 823/41, City of Buenos Aires. Reconquista 823/41 is a 15-story office tower located in the Catalinas area. IRSA owns the entire building which is made up of three basements, space for 52 cars in the car parks, the ground floor and 15 floors of office space. The building has floors with an average area of 540 square meters. As of June 30, 2007, IRSA has an occupancy rate of 100.0%. The building's principal tenants include Marval & O'Farrell and Tracker S.R.L.

Edificios Costeros, Dique II, City of Buenos Aires. Costeros A and B are two four-story buildings developed by IRSA and located in the Puerto Madero area. IRSA owns the two buildings which have a gross leasable area of 6,319 square meters. In September 1999 IRSA completed their construction and in April 2000 began to market the office spaces and 147 parking spaces. The main tenants of these properties are as follows: Leo Burnett Worldwide Invest. Inc., Reckitt Benckiser Argentina S.A., Martina Di Trento S.A., Loyalty Marketing Group S.A., Italcred S.A., Minera Agua Rica L.L.C. and Somos Tres S.R.L.

Edificios Costeros, Dique IV, City of Buenos Aires. On August 29, 2001, IRSA signed the deed of purchase of Section C of the office complex known as Puerto del Centro that includes buildings 5 and 6. The property is located in the Puerto Madero area and has approximately 5,500 square meters of gross leasable area and 50 parking spaces. The building's principal tenants currently include Nextel Argentina S.A., Consultora de Estudios Bonaerense S.R.L., London Supply S.A.C.I.F.I., Techint Cía. Técnica Internacional S.A.C.I. and Trafigura Argentina S.A.

Other office properties. IRSA also has interests in three smaller office properties, all of which are located in the City of Buenos Aires. These properties are either entire buildings or portions of buildings, none of which contributed more than Ps.0.8 million in annual rental income for fiscal year 2006. Among these properties are Madero 942, Libertador 602, Av. de Mayo 595, Rivadavia 2768 and Sarmiento 517.

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Retail and other properties. IRSA's portfolio of non-shopping center leased properties includes nine non-shopping center leased properties that are leased as street retail, a warehouse, two leased undeveloped plots of land and various other uses. Most of these properties are located in the City of Buenos Aires, although some are located in other cities in Argentina. These properties include Constitución 1111, Edificio Crucero I, Abril commercial stores, Thames and Santa María del Plata.

Hotels

At the end of the 1997 fiscal year, IRSA acquired the Hotel Llao Llao, its first luxury hotel. Some months later, as part of the acquisition from Pérez Companc of the Old Alto Palermo, IRSA acquired an indirect 50% interest in the Hotel Intercontinental in Buenos Aires which IRSA owns through its subsidiary Inversora Bolívar. In March 1998, IRSA acquired the Hotel Libertador. During fiscal year 1999, IRSA sold a 20% interest in the Hotel Libertador to Hoteles Sheraton de Argentina S.A., (Hoteles Sheraton de Argentina) and during the fiscal year 2000, IRSA sold 50% of IRSA's interest in the Hotel Llao Llao to the Sutton Group. During fiscal year 2007 IRSA increased its share in Inversora Bolivar by 100% and obtained an indirect share in the Hotel Intercontinental of 76.34%.

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

| Hotel | Date of Acquisition | IRSA's effective interest | Number of rooms | Average Occupancy % ⁽¹⁾ | Average price per room | Accumulated sales in Ps.000 as of June 30 of fiscal (in thousand Ps.) ⁽³⁾ | | | Book value as of 06/30/07 |
|------------------------------------|---------------------|---------------------------|-----------------|------------------------------------|------------------------|--|----------------|---------------|---------------------------|
| | | | | | Ps. ⁽²⁾ | 2007 | 2006 | 2005 | |
| Intercontinental ⁽³⁾ | 11/97 | 76 | 309 | 69.4% | 413 | 45,263 | 39,305 | 33,228 | 61,404 |
| Sheraton Libertador ⁽⁴⁾ | 3/98 | 80 | 200 | 82.9% | 336 | 29,338 | 25,302 | 20,556 | 40,950 |
| Llao Llao ⁽⁵⁾ | 6/97 | 50 | 158 | 71.8% | 768 | 48,080 | 39,156 | 33,336 | 66,992 |
| Plots in Bariloche ⁽⁵⁾ | 12/07 | 50 | N/A | | | N/A | N/A | N/A | 21,900 |
| Total | | | 667 | 74.0% | 469 | 122,681 | 103,763 | 87,120 | 191,246 |

- (1) Accumulated average in the twelve-month period.
- (2) Accumulated average in the twelve-month period.
- (3) Through Nuevas Fronteras S.A.(Subsidiary of Inversora Bolívar S.A.).
- (4) Through Hoteles Argentinos S.A.
- (5) Through Llao Llao Resorts S.A.

Hotel Llao Llao, San Carlos de Bariloche, Province of Rio Negro. In June 1997 IRSA acquired the Hotel Llao Llao from Llao Llao Holdings S.A. 50% is currently owned by the Sutton Group. The Hotel Llao Llao is located on the Llao Llao peninsula, 25 kilometers from San Carlos de Bariloche and is one of the most important tourist hotels in Argentina. Surrounded by mountains and lakes, this hotel was designed and built by the famous architect Bustillo in a traditional alpine style and first opened in 1938. The hotel was renovated between 1990 and 1993 and has a total constructed surface area of 15,000 square meters and 158 rooms. The hotel-resort also includes an 18-hole golf course, tennis courts, health club, spa, game room and swimming pool. The hotel is a member of The Leading Hotels of the World, Ltd., a prestigious luxury hospitality organization representing 430 of the world's finest hotels, resorts and spas. The Hotel Llao Llao is currently being managed by Compañía de Servicios Hoteleros S.A. which manages the Alvear Palace Hotel, a luxury hotel located in the Recoleta neighborhood of Buenos Aires.

Currently, the hotel is being expanded at an expected cost of approximately US\$12.7 million. The number of suites in the hotel is being increased to 200 rooms, improvements are being made in the kitchen and laundry room, and a high technology water purifying plant is to be constructed. The first stage of construction is in the final process, and the second stage of the construction, which includes reinforced concrete, masonry and facilities, started in December 2005. As of June 30, 2007 the progress of the works is 70.68% and works are estimated to be completed by the first quarter of fiscal year 2008. The offer of rooms to the public is estimated for the months of November and December of the current calendar year.

Hotel Intercontinental, City of Buenos Aires. In November 1997, IRSA acquired 51% of the Hotel Intercontinental from the Pérez Compan S.A. The Hotel Intercontinental is located in the downtown City of Buenos Aires neighborhood of Monserrat, adjacent to the Intercontinental Plaza office building. Intercontinental Hotels Corporation, a United States corporation, currently owns 25% of the Hotel Intercontinental. The hotel's meeting facilities include eight meeting rooms, a convention center and a divisible 588 square meter ballroom. Other amenities include a restaurant, a business center, a spa and a fitness facility with swimming pool. The hotel was completed in December 1994 and has 309 rooms. The hotel is managed by the Intercontinental Hotels Corporation.

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

The hotel is currently under renovation. IRSA is upgrading the hotel's guest rooms and meeting rooms, and are soliciting bids for the improvement of its elevators. In addition, IRSA is improving the hotel's corridors and the lobby bar and are replacing the carpets in the main reception area. IRSA currently believes that the total cost of these improvements is likely to be approximately US\$5.0 million works are estimated to be completed by the end of year 2008.

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

IRSA's Investment in Banco Hipotecario

IRSA has a significant investment in Banco Hipotecario which represented 7.3% of its consolidated assets as of June 30, 2007. Established in 1886 by the Argentine government and privatized in 1999, Banco Hipotecario has historically been Argentina's leading mortgage lender, provider of mortgage-related insurance and mortgage loan services. All of its operations and customers are located in Argentina where it operates a nationwide network of 33 branches and 47 sales offices.

Banco Hipotecario is a full-service commercial bank offering a wide variety of banking activities and related financial services to individuals, small- and medium-sized companies and large corporations. As of June 30, 2007, Banco Hipotecario ranked second in the Argentine financial system in terms of shareholders' equity, second in terms of net income and ninth in terms of total assets. As of June 30, 2007, Banco Hipotecario's shareholders' equity was Ps.2,711.3 million, its assets were Ps.10,167.6 million, and its net income for the first six months of 2007 was Ps.149.8 million. Since 1999, Banco Hipotecario's shares have been listed on the Buenos Aires Stock Exchange in Argentina, and since 2006 it has had a Level I GDR program.

Banco Hipotecario's business strategy is focused on leveraging its financial position and developing a diversified banking business built on its existing mortgage franchise. Since its debt restructuring in 2004, it began to make progress in this diversification strategy, growing its lending business and developing new business lines, implementing integrated technological solutions to enable its entry into retail banking, extending its marketing network and creating back-office services to support its new operations.

In 2005, as part of its business diversification strategy, Banco Hipotecario expanded its product offerings and began offering personal loans, resumed mortgage lending and launched pledge loans. It expanded its corporate loan product offerings and implemented certain customer loyalty strategies. In response to demand for retail and wholesale time deposits and savings accounts, Banco Hipotecario started offering personal checking accounts and launched the Visa Banco Hipotecario credit card which has steadily grown in terms of market penetration and transaction size. Banco Hipotecario also continued its strategy of expanding the offering of non-mortgage related insurance products it offers, including combined family, life, unemployment, health, personal accident and ATM theft insurance.

At June 2007, it continued expanding these business lines, as non-financial private sector loans increased to Ps.748.6 million, principally as a result of retail and consumer loan originations which more than doubled compared to June 2006. Commercial loans to the private sector also increased 55.7% during the same period.

Banco Hipotecario seeks to achieve a balanced portfolio of mortgage loans, consumer financing and corporate credit lines, while maintaining an adequate risk management policy. As of June 30, 2007, its portfolio of non-mortgage loans increased to 37.8% of its total loan portfolio compared to 28.9% as of June 30, 2006.

During 2006 and 2007, Banco Hipotecario also experienced continued increases in deposits, including savings accounts and time deposits.

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The following table sets forth Banco Hipotecario's sources of funding as of the dates indicated.

| | As of December 31, | | As of June 30 |
|--------------------------|--------------------|-----------|---------------|
| | 2005 | 2006 | 2007 |
| Checking accounts | Ps. 21.1 | Ps. 18.7 | Ps. 39.3 |
| Saving accounts | 126.1 | 165.6 | 183.9 |
| Time deposits | 358.2 | 428.6 | 613.4 |
| Other deposit accounts | 19.2 | 23.4 | 27.9 |
| Accrued interest payable | 3.1 | 3.6 | 4.1 |
| Total | Ps. 527.7 | Ps. 639.9 | Ps. 868.6 |

Competition**Shopping centers**

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

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

| Company | Shopping Center | Location ⁽¹⁾ | Leasable gross area | Shops | % Overall national leasable area ⁽²⁾ | % Shop ⁽²⁾ |
|---------------------|--|-------------------------|---------------------|--------------|---|-----------------------|
| Alto Palermo | Alto Avellaneda ⁽⁵⁾ | GBA | 49,604 | 152 | 3.77% | 3.08% |
| | Abasto de Buenos Aires | BA | 39,683 | 171 | 3.01% | 3.47% |
| | Mendoza Plaza Shopping ⁽³⁾⁽⁵⁾ | Mendoza | 39,392 | 151 | 2.99% | 3.06% |
| | Paseo Alcorta ⁽⁵⁾ | BA | 48,893 | 116 | 3.71% | 2.35% |
| | Alto Palermo Shopping. | BA | 18,210 | 150 | 1.38% | 3.04% |
| | Buenos Aires Design ⁽⁴⁾ | BA | 13,988 | 61 | 1.06% | 1.24% |
| | Patio Bullrich | BA | 10,978 | 83 | 0.83% | 1.68% |
| | Alto Noa ⁽⁵⁾ | Salta | 18,831 | 85 | 1.43% | 1.72% |
| | Córdoba Shopping ⁽⁵⁾ | Córdoba | 23,428 | 108 | 1.78% | 2.19% |
| | Alto Rosario ⁽⁵⁾ | Rosario | 40,415 | 143 | 3.07% | 2.90% |
| Subtotal | | | 303,422 | 1,220 | 23.04% | 24.72% |
| Cencosud | Unicenter Shopping ⁽⁵⁾ | GBA | 90,869 | 287 | 6.90% | 5.82% |
| | Plaza Oeste Shopping ⁽⁵⁾ | GBA | 38,720 | 138 | 2.94% | 2.80% |
| | Quilmes Factory ⁽⁵⁾ | GBA | 31,373 | 47 | 2.38% | 0.95% |
| | Lomas Center Shopping ⁽⁵⁾ | GBA | 24,271 | 50 | 1.84% | 1.01% |
| | San Martin Factory ⁽⁵⁾ | GBA | 24,388 | 31 | 1.85% | 0.63% |
| | Parque Brown Factory ⁽⁵⁾ | GBA | 23,553 | 41 | 1.79% | 0.83% |

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| | | | | | |
|---|---------|----------------|--------------|---------------|---------------|
| Las Palmas del Pilar Shopping ⁽⁵⁾ | GBA | 37,662 | 102 | 2.86% | 2.07% |
| Jumbo Palermo Centro Comercial ⁽⁵⁾ | BA | 22,763 | 46 | 1.73% | 0.93% |
| El Portal de la Patagonia ⁽⁵⁾ | Neuquén | 21,700 | 45 | 1.65% | 0.91% |
| El Portal de Escobar ⁽⁵⁾ | GBA | 18,886 | 24 | 1.43% | 0.49% |
| El Portal de los Andes ⁽⁵⁾ | Mendoza | 22,962 | 40 | 1.74% | 0.81% |
| Portal de Madryn ⁽⁵⁾ | Chubut | 0 | 0 | 0.00% | 0.00% |
| El Portal de Rosario ⁽⁵⁾ | Rosario | 57,419 | 182 | 4.36% | 3.69% |
| Subtotal | | 414,566 | 1.033 | 31.48% | 20.93% |

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| Company Other Operators | Shopping Center | Location⁽¹⁾ | Leasable gross area | Shops | % Overall national leasable area⁽²⁾ | % Shop⁽²⁾ |
|------------------------------------|---------------------------------|-------------------------------|--------------------------------|--------------|---|-----------------------------|
| | Bahia Blanca | | 17,887 | 73 | 1.36% | 1.48% |
| | Caballito Shopping Center | | 4,800 | 75 | 0.36% | 1.52% |
| | Del Parque Shopping | | 2,985 | 61 | 0.23% | 1.24% |
| | Devoto Shopping | | 17,615 | 90 | 1.34% | 1.82% |
| | El Solar del Abadia | | 6,825 | 90 | 0.52% | 1.82% |
| | Galerias Pacifico | | 12,647 | 151 | 0.96% | 3.06% |
| | Libertad Poeta Lugones | | 24,000 | 164 | 1.82% | 3.32% |
| | Los Gallegos Shopping | | 12,000 | 65 | 0.91% | 1.32% |
| | Nine Shopping | | 25,295 | 95 | 1.92% | 1.93% |
| | Nordelta Centro Comercial | | 8,808 | 69 | 0.67% | 1.40% |
| | Nuevocentro Shopping | | 25,700 | 121 | 1.95% | 2.45% |
| | Palace Garden Centro Comercial | | 4,230 | 58 | 0.32% | 1.18% |
| | Palmares Open Mall | | 22,570 | 97 | 1.71% | 1.97% |
| | Parque Comercial Auchan Quilmes | | 10,500 | 14 | 0.80% | 0.28% |
| | Parque Comercial Avellaneda | | 57,000 | 81 | 4.33% | 1.64% |
| | Parque Comercial Bs As II | | 26,300 | 32 | 2.00% | 0.65% |
| | Paseo del Sol | | 29,664 | 73 | 2.25% | 1.48% |
| | Paseo Diagonal | | 4,050 | 24 | 0.31% | 0.49% |
| | Patio Casey | | 4,023 | 41 | 0.31% | 0.83% |
| | Patio Olmos | | 13,198 | 121 | 1.00% | 2.45% |
| | Plaza Liniers Shopping | | 5,800 | 64 | 0.44% | 1.30% |
| | Posadas Plaza Shopping | | 5,347 | 59 | 0.41% | 1.20% |
| | San Luis Shopping Center | | 27,754 | 37 | 2.11% | 0.75% |
| | Shopping del Jardin | | 12,521 | 41 | 0.95% | 0.83% |
| | Shopping del Siglo | | 12,540 | 81 | 0.95% | 1.64% |
| | Showcenter Haedo | | 24,644 | 40 | 1.87% | 0.81% |
| | Showcenter Norte | | 39,688 | 19 | 3.01% | 0.39% |
| | Spinetto Shopping | | 15,047 | 47 | 1.14% | 0.95% |
| | Tren de la Costa | | 28,398,600 | 102 | 2.16% | 2.07% |
| | Village Recoleta | | 0 | 22 | 0.00% | 0.45% |
| | Boulevard Shopping | | 0 | 0 | 0.00% | 0.00% |
| | El Palacio Galerias | | 1,500 | 30 | 0.11% | 0.61% |
| | Estacion Recoleta | | 0 | 0 | 0.00% | 0.00% |
| | Paseo Pilar | | 4,618 | 65 | 0.35% | 1.32% |
| | Paseo Shopping | | 6,921 | 72 | 0.53% | 1.46% |
| | Solei Factory | | 25,330 | 101 | 1.92% | 2.05% |
| | Portal Tucumán Shopping | | 28,050 | 93 | 2.13% | 1.88% |
| | Village Caballito | | 5,471 | 13 | 0.42% | 0.26% |
| | Torres del Sol | | 12,095 | 163 | 0.92% | 3.30% |
| | Catamarca Shopping Tucumán | | 13,040 | 38 | 0.99% | 0.77% |
| Subtotal | | | 598,862 | 2,682 | 45.48% | 54.35% |
| Total | | | 1,316,850 | 4,935 | 100% | 100% |

(1) GBA means Gran Buenos Aires, the Buenos Aires metropolitan area, and BA means the city of Buenos Aires.

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

(3) The effective interest of Alto Palermo in Mendoza Plaza Shopping is 85.4%.

(4) Alto Palermo has an effective interest of 54% in ERSA, a company that operates the concession of this building.

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

Source: Argentine Chamber of Shopping Centers.

Credit Card Operations

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The credit card market in Argentina is highly competitive due to (i) the active participation in this market of substantially all international and domestic banks conducting business in Argentina, most of which have substantially greater financial resources than IRSA does and (ii) the strong market position of both Visa and Mastercard in Argentina. IRSA's principal competitors in various segments of the credit card market include:

International and domestic Cards: Visa, Master, AMEX, Cabal, Diners and Carta Franca.

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Regional cards: Naranja, Provencred, Efectivo Sí and Credilogros.

Zonal cards: Italcred, Carta Sur, Crédito Actual and Credial.

Closed cards: Falabella, Garbarino, Frávega, Musimundo, Carrefour and Century.

Banks: Columbia, Itaú, Comafi, Privado and others.

International financial companies: GE Capital and Cetelem.

Development and Sale of Properties

A large number of companies are currently competing with IRSA in the development and sale of properties in Argentina. This segment is highly fragmented, and an increasing number of companies are taking advantage of low construction costs and attractive property values, making this segment highly competitive. In addition, there is a substantial supply of comparable properties in the vicinity of IRSA's developed properties which may adversely affect its ability to sell IRSA's developed properties at prices that generate a positive return on its investment.

Offices and Other Non-Shopping Center Rentals

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

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

Hotels

IRSA owns three luxury hotels in Argentina which are managed through strategic alliances by international operators including Sheraton Overseas Management Corporation, Intercontinental Hotels Corporation and the local operator Compañía de Servicios Hoteleros S.A. which manages the Hotel Alvear. The Hotel Llao Llao is unique for its landscape and beauty, and IRSA's other two hotels, Hotel Intercontinental and Hotel Sheraton Libertador, are located in the City of Buenos Aires. IRSA competes with many other leading luxury hotels in the City of Buenos Aires including, among others: Abasto Plaza, Alvear Palace, Caesar Park, Claridge, Emperador, Feirs Park, Four Seasons, Hilton, Loi Suites, Marriot Plaza, Meliá, NH City, Panamericano, Sheraton, Sofitel, Madero, MayFlower, Etoile, Faena, and Regal Pacific.

Regulation and Government Supervision

The laws and regulations governing the acquisition and transfer of real estate, as well as municipal zoning ordinances, are applicable to the development and operation of IRSA's properties.

Currently, Argentine law does not specifically regulate shopping center lease agreements. Since IRSA's shopping center leases generally differ from ordinary commercial leases, IRSA has created standard provisions that govern the relationship with its shopping center tenants.

Leases

Argentine law imposes certain restrictions on landlords, including:

a prohibition to include price adjustment clauses based on inflation increases in lease agreements; and

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the imposition of a three-year minimum lease term for retail property, except in the case of stands and/or spaces in markets and fairs. Although IRSA's lease agreements were U.S. dollar-denominated, Decree No. 214/2002, Decree No. 762/2002 and Law N° 25,820 that amended the Public Emergency Law, provided that monetary obligations in force as of January 7, 2002 arising from agreements governed by private law and which provided for payments in U.S. dollars were subject to the following rules:

financial obligations were to be paid in Pesos at the exchange rate of Ps.1.00 = US\$1.00 plus the CER for commercial leases;

from October 1, 2002 and until March 31, 2004 for residential leases, the obligations where the tenant is an individual and the dwelling is used as the family residence of permanent use were to be paid in Pesos at the exchange rate of Ps.1.00 = US\$1.00 plus the CVS;

if because of the application of these provisions, the amount of the installment were higher or lower than the amount at the moment of the payment, any of the parties could require an equitable adjustment of the price. If the parties did not reach an agreement, the judicial courts could decide about the difference in each particular case; and

pursuant to Decree No. 117/2004 and Law No. 25,796 that amends Law No. 25,713, the CVS became unenforceable since April 1, 2004.

Under the Argentine Civil Code and the Lease Law No. 23,091, lease terms may not exceed ten years, except for leases regulated by Law No. 25,248 (which provides that real estate leases containing purchase options *leasing inmobiliario*- are not subject to term limitations). Generally, IRSA's lease agreements run for a term of 3 to 10 years.

Lease Law No. 23,091, as amended by Law No. 24,808 provides that tenants may rescind commercial lease agreements after the first six months by sending a written notice at least 60 days before the termination of the contract. Such rescission is subject to penalties which range from one to one and a half months of rent. If the tenant rescinds during the first year of the lease the penalty is one and a half month's rent and if the rescission occurs after the first year of lease the penalty is one month's rent.

While current Argentine government policy discourages government regulation of lease agreements, there can be no assurance that additional regulations will not be imposed in the future by the Argentine Congress, including regulations similar to those previously in place. Furthermore, most of IRSA's leases provide that the tenants pay all costs and taxes related to the property in proportion to their respective leasable areas. In the event of a significant increase in the amount of such costs and taxes, the Argentine government may respond to political pressure to intervene by regulating this practice, thereby negatively affecting IRSA's rental income. On August 16, 2006, economy minister Felisa Miceli announced a loosening of requirements on mortgage loans up to Ps.300,000. Banks were enabled to finance 100 percent of house purchases on property valued at up to Ps.200,000 and 90 percent of purchases of property worth up to Ps.300,000. The duration of these loans will be up to 30 years. These measures were taken in response to the escalating cost of leases and the difficulties in accessing the mortgage loan market. These measures became effective in September, 2006.

The Argentine Civil and Commercial Procedure Code enables the lessor to pursue what is known as an *executory proceeding* where lessees fail to pay rent. In executory proceedings debtors have fewer defenses available to prevent foreclosure, making these proceedings substantially shorter than ordinary ones. In executory proceedings the origin of the debt is not under discussion; the trial focuses on the instrument of the debt itself. The aforementioned code also permits special eviction proceedings, which are carried out in the same way as ordinary proceedings. The Argentine Civil Code enables judges to summon tenants who fall two months in arrears to

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vacate the property they are renting within 10 days of having received notice to such effect. However, historically, large court dockets and numerous procedural hurdles have resulted in significant delays to evictions proceedings, which generally last from six months to two years from the date of filing of the suit to the time of actual eviction.

On February 4, 2003, the Argentine government enacted Decree No. 204/2003 establishing a mediation procedure for a limited period of 90 days. On May 2003, the Argentine Congress enacted Law No. 25,737 which suspended foreclosures for an additional period of 90 days, which ended in May 2003. On September 2003, several financial institutions voluntarily agreed not to foreclose on their mortgage loans. On November 2005, the Argentine congress enacted Law No. 26,062 that extended the foreclosures suspension for an additional 120 days period, which was extended for 90 days more by Law No. 26,084 and for 180 days more by Law No. 26,103. Pursuant to these successive extensions, foreclosure on mortgaged property will be suspended until December 2006.

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

This term was however extended twice first by Decree No. 352/2004 and then by Law No. 26,062 effective as of November 4, 2005. The above mentioned law extends the term 120 days as of the day of its publication and suspends foreclosure proceedings for an additional 120 days period. In addition, Law No. 26,103 extended the duration of these measures to 180 days from the expiration of the extension established by Law 26,062. Recently enacted Law No. 26,167 established a special proceeding to replace ordinary trials for the enforcement of some mortgage loans. Such special proceedings give creditors ten days to inform to the debtor the amounts owed to them and thereafter agree with the debtor on the amount and terms of payment. In case of failure by the parties to reach an agreement, payment conditions are to be determined by the judge.

Development and Land Use

Buenos Aires Urban Planning Code. IRSA's real estate activities are subject to several municipal zoning, building and environmental regulations. In the city of Buenos Aires, where the vast majority of IRSA's real estate properties are located, the Buenos Aires Urban Planning Code (*Código de Planeamiento Urbano de la Ciudad de Buenos Aires*) generally restricts the density and use of property and controls physical features of improvements on property, such as height, design, set-back and overhang, consistent with the city's urban landscape policy. The administrative agency in charge of the Urban Planning Code is the Secretary of Urban Planning of the City of Buenos Aires.

Buenos Aires Building Code. The Buenos Aires Building Code (*Código de la Edificación de la Ciudad de Buenos Aires*) complements the Buenos Aires Urban Planning Code and regulates the structural use and development of property in the city of Buenos Aires. The Buenos Aires Building Code requires builders and developers to file applications for building permits, including the submission to the Secretary of Work and Public Services (*Secretaría de Obras y Servicios Públicos*) of architectural plans for review, to assure compliance therewith.

IRSA believes that all of its real estate properties are in material compliance with all relevant laws, ordinances and regulations.

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Sales and Ownership

Real Estate Installment Sales Law. The Real Estate Installment Sales Law No. 14,005, as amended by Law No. 23,266 and Decree No. 2015/1985, imposes a series of requirements on contracts for the sale of subdivided plots of land regarding, for example, the sale price which is paid in installments and the deed, which is not conveyed until final payment. The provisions of this law require, among other things:

the registration of the intention to sell the property in subdivided plots in the Real Estate Registry (*Registro de la Propiedad Inmueble*) corresponding to the jurisdiction of the property. Registration will only be possible with regards to unencumbered property. Mortgaged property may only be registered where creditors agree to divide the debt in accordance with the subdivided plots. However, creditors may be judicially compelled to agree to the division.

the preliminary registration with the Real Estate Registry of the purchase instrument within 30 days of execution of the agreements.

Once the property is registered, the installment sale may not occur in a manner inconsistent with the Real Estate Installment Sales Act, unless seller registers his decision to desist from the sale in installments with the Real Estate Registry. In the event of a dispute over the title between the purchaser and third-party creditors of the seller, the installment purchaser who has duly registered the purchase instrument will obtain the deed to the plot. Further, the purchaser can demand conveyance of title after at least 25% of the purchase price has been paid, although the seller may demand a mortgage to secure payment of the balance of the purchase price.

After payment of 25% of the purchase price or the construction of improvements on the property equal to at least 50% of the property value, the Real Estate Installment Sales Act prohibits the rescission of the sales contract for failure by the purchaser to pay the balance of the purchase price. However, in such event the seller may take action under any mortgage on the property.

Consumer Protection Law No. 24,240, as amended, regulates several issues concerning the protection of consumers in the arrangement and execution of contracts. The Consumer Protection Law purports to prevent potential abuses deriving from the strong bargaining position of sellers of goods and services in a mass-market economy where standard form contracts are widespread. As a result, the Consumer Protection Law deems void and unenforceable certain contractual provisions in consumer contracts, including those which:

warranty and liability disclaimers;

waiver of consumer rights;

extension of seller rights; and

shifting of the burden of proof against consumers.

In addition, the Consumer Protection Law imposes penalties ranging from fines to closing down of establishments in order to induce compliance from sellers.

The Consumer Protection Law defines consumers or users, as the individuals or legal entities that contract for a price for final use or that of their own benefit or their family or social group:

the acquisition or rental of movable property;

the supply of services; and

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the acquisition of new real estate intended for housing, including plots of land acquired with the same purpose, when the offer is public and directed to undetermined persons.

It also establishes that those who acquire, store, utilize or consume goods or services to integrate them into a production, transformation, commercialization or supplying to third parties process will not be considered consumers or users.

In addition, the Consumer Protection Law defines the suppliers of goods and services as the individuals or legal entities, either public or private that in a professional way, even occasionally, produce, import, distribute or commercialize goods or supply services to consumers or users.

The following are excluded from the application of the Consumer Protection Law:

services supplied by professionals that require a college degree and registration in officially recognized professional organizations or by a governmental authority; and

contracts involving used assets, executed between consumers.

The Consumer Protection Law determines that the information contained in the offer addressed to undetermined prospective consumers, binds the offeror during the period in which the offer takes place and until its public revocation. Further, it determines that specifications included in advertisements, announcements, prospectuses, circulars or other media bind the offeror and are considered part of the contract entered into by the consumer. On June 2005, Resolution No. 104/05, which complements the Consumer Protection Law, adopted MERCOSUR's Resolution on which requires that those who engage in commerce over the Internet (E-Business) to disclose in a precise and clear manner the characteristics of the products and/or services offered and the sale terms.

Buildings Law. Buildings Law No. 19,724, as amended, sets forth a regime for the construction of buildings for later subdivision into condominium (*Propiedad Horizontal*). Under this law, developers must inform potential purchasers of their intention to sell the building as a condominium, as well as of all sale conditions, and the size of each unit in relation to the whole building. The sale of these units is subject to subdivision approval and in order to be included in Buildings Law regime must be registered with the Real Estate Registry (*Registro de la Propiedad Inmueble*). This law also states that, in the event that construction is not completed, all amounts already deposited must be repaid to the purchasers.

Mortgage Regulation. The Argentine Civil Code regulates mortgages both as a contract and as a right over property. There are no special provisions in the Civil Code aimed at protecting mortgagors. Any agreement entered into by a mortgagor and a mortgagee at time of execution of the mortgage or prior to the default of the mortgagor allowing the mortgagee to recover the property without a public auction of the property will not be enforced by the courts as contrary to Argentine public policy.

Until the enactment of Trust Law No. 24,441, the only procedure available to collect unpaid amounts secured by a mortgage was a proceeding regulated by the Civil and Commercial Procedure Code. The heavy caseload on the courts that hear such matters usually delays the proceeding, which currently takes 1 to 2 years to complete.

Chapter V of Trust Law No. 24,441 institutes a new procedure which may expedite collection of unpaid amounts secured by a mortgage. To be applicable, the new rules, which allow an out-of-court auction, need to be expressly agreed to by the parties in the mortgage contract.

Currently, IRSA includes in its mortgages a clause enabling the enforcement of Law No. 24,441. However, there can be no assurance that such collection provisions will accelerate the recovery of unpaid amounts under mortgage guarantees.

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On the other hand, the Public Emergency Law, as amended, established the suspension for the term of 270 days from the enactment of that law, of all the judicial or non-judicial enforcement procedures, including the enforcement of mortgages and pledges, regardless of their origin. On February 14, 2002, Law No. 25,563 amending the Bankruptcy Law (the New Bankruptcy Law) was enacted. Under the New Bankruptcy Law, certain bankruptcies and foreclosures (including foreclosures on mortgage loans) were suspended for a period of 180 days from the law's effective date. Such period was extended for 90 days more by Law No. 25,640 dated September 2002, expiring on February, 2003.

On February 4, 2003, the Executive Branch enacted Decree No. 204/2003 creating a mediation proceeding, for a limited period of 90 days, to be conducted through the Legal Emergency Units (*Unidades de Emergencias Legales*) depending from the Ministry of Labor, Employment and Social Security and the Ministry of Production. Such Legal Emergency Units shall intervene at the request of debtors or creditors in foreclosure cases.

The mediation proceeding is voluntary and free. Proposals and negotiations made by the parties during the mediation proceedings are subject to the confidentiality of ordinary mediations. No mediation proceeding will result in the suspension or interruption of the legal terms running in judicial or out-of-court foreclosure proceedings.

The Legal Emergency Units will attempt to facilitate an agreement between the parties, enabling the debtor the performance of his obligations without lessening the creditor's rights. The intervention of the Legal Emergency Units shall conclude with an agreement or with the impossibility of reaching such agreement. The Decree establishes that the conciliation proceeding shall be in force from the day of its publication in the Official Gazette and will have a term of force of 90 days.

Most mortgages executed by IRSA provide that it is empowered to declare the anticipated expiration of the loan upon non-payment of an installment. This enables IRSA to recover the unpaid amounts through the sale of the relevant property pursuant to the Civil and Commercial Procedure Code and Law No. 24,441.

Pursuant to Argentine law, fees and expenses related to collection procedures must be borne by the debtor, and the proceeds from any auction of the property may be used for the settlement of such obligation.

Although IRSA's mortgages are U.S. dollar-denominated, Decree No. 214/2002 and Decree No. 762/2002 that amend the Public Emergency Law provide that monetary obligations in force as of January 7, 2002, resulting from agreements governed by private law and which provide for payments in U.S. dollars are subject to the following rules:

financial obligations were to be paid in Pesos at the exchange rate of Ps.1.00 = US\$1.00 plus the CER for commercial leases;

from October 1, 2002 and until March 31, 2004 for residential leases, the obligations where the tenant is an individual and the dwelling is used as the family residence of permanent use were to be paid in Pesos at the exchange rate of Ps.1.00 = US\$1.00 plus the CVS;

if because of the application of these provisions, the amount of the installment were higher or lower than the amount at the moment of the payment, any of the parties could require an equitable adjustment of the price. If the parties did not reach an agreement, the judicial courts could decide about the difference in each particular case; and

pursuant to Decree No. 117/2004 and Law No. 25,796 that amends Law No. 25,713, the CVS became unenforceable since April 1, 2004.

Protection for the Disabled Law. The Protection for the Disabled Law No. 22,431, enacted on March 20, 1981, as amended, provides that in connection with the construction and renovation of buildings,

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obstructions to access must be eliminated in order to enable access by handicapped individuals. In the construction of public buildings, entrances, transit pathways and adequate facilities for mobility impaired individuals must be provided.

Buildings constructed before the enforcement of the Protection for the Disabled Law must be adapted to provide accesses, transit pathways and adequate facilities for mobility-impaired individuals. Those pre-existing buildings, which due to their architectural design may not be adapted to the use by mobility-impaired individuals, are exempted from the fulfillment of these requirements. The Protection for the Disabled Law provides that residential buildings must ensure access by mobility impaired individuals to elevators and aisles.

Credit Cards Law. Law No. 25,065, amended by Law No. 26,010, regulates different aspects of the business known as credit card system. The regulations impose minimum contractual contents and the approval thereof by the Industry, Commerce and Mining Secretary (*Secretaría de Industria, Comercio y Minería de la Nación*), as well as the limitations on the interest to be collected by users and the commissions to the stores adhering to the system. The Credit Card Law applies to banking and non-banking cards, such as Tarjeta Shopping, issued by Tarshop S.A.

Antitrust Law. Law No. 25,156 prevents trust practices and requires administrative authorization for transactions that according to the Antitrust Law constitute an economic concentration. According to this law, mergers, transfers of goodwill, acquisitions of property or rights over shares, capital or other convertible securities, or similar operations by which the acquirer controls or substantially influences a company, are considered as an economic concentration. Whenever an economic concentration involves a company or companies (i) which hold 25% or more of the relevant market or (ii) which exceed the accumulated sales volume by approximately Ps.200.0 million in Argentina or Ps.2,500 million worldwide; then the respective concentration should be submitted for approval to the *Comisión Nacional de Defensa de la Competencia*. The request for approval may be filed, either prior to the transaction or within a week after its completion.

The Antitrust Law provides that economic concentrations in which the transaction amount and the value of the assets absorbed, acquired, transferred or controlled in Argentina, do not exceed Ps.20.0 million are exempted from the administrative authorization. Notwithstanding the foregoing, when the transactions effected during the prior 12-month period exceed in total Ps.20.0 million or Ps.60.0 million in the last 36 months, these transactions must be notified to the Antitrust Authority (*Comisión Nacional de Defensa de la Competencia*). As the consolidated annual sales volume of Alto Palermo and IRSA exceed Ps.200.0 million, IRSA should give notice to the Antitrust Authority (*Comisión Nacional de Defensa de la Competencia*) of any concentration provided for by the Antitrust Law. On January 5, 2007 IRSA submitted before the Antitrust Authority (*Comisión Nacional de Defensa de la Competencia*) an opinion for the ratification of the acquisition of Bouchard Plaza Building due to the fact that such acquisition is not an economic concentration that needs to be notified to the Antitrust Authority (*Comisión Nacional de Defensa de la Competencia*) in terms of the Antitrust Law.

Credit Cards Law

Law No. 25,065, amended by Law No. 26,010, regulates different aspects of the business known as credit card system. The regulations impose minimum contractual contents and the approval thereof by the Industry, Commerce and Mining Secretary (*Secretaría de Industria, Comercio y Minería de la Nación*), as well as the limitations on the interest to be collected by users and the commissions to the stores adhering to the system. The Credit Card Law applies to banking and non-banking cards, such as Tarjeta Shopping, issued by Tarshop S.A.

Organizational Structure

The following table presents information relating to IRSA's ownership interest and the percentage of IRSA's consolidated total net revenues represented by IRSA's subsidiaries as of June 30, 2007.

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| Subsidiary | Activity | Country of Incorporation | Ownership percentage ⁽¹⁾ | Voting power percentage ⁽¹⁾ | Total net income percentage |
|---|------------------|--------------------------|-------------------------------------|--|-----------------------------|
| Ritelco S.A. | Investment | Uruguay | 100% | 100% | 0.0% |
| Patagonian Investment S.A. | Investment | Argentina | 100% | 100% | 0.0% |
| Palermo Invest S.A. | Investment | Argentina | 100% | 100% | 0.0% |
| Rummaala S.A. | Real estate | Argentina | 100% | 100% | 0.0% |
| Solares de Santa María S.A. | Real estate | Argentina | 90% | 90% | 0.01% |
| CYRSA | Real estate | Argentina | 100% | 100% | 0.0% |
| Pereiraola S.A. | Real estate | Argentina | 100% | 100% | 0.0% |
| Inversora Bolivar S.A. ⁽⁴⁾ | Real estate | Argentina | 100% | 100% | 7.75% |
| Hoteles Argentinos S.A. | Hotel | Argentina | 80% | 80% | 3.97% |
| Llao Llao Resorts S.A. | Hotel | Argentina | 50% | 50% | 6.51% |
| Alto Palermo S.A. ⁽²⁾ | Shopping Centers | Argentina | 62.48% | 62.48% | 65.41% |
| Canteras Natal Crespo S.A. ⁽³⁾ | Real estate | Argentina | 50% | 50% | 0.01% |

(1) It does not contemplate irrevocable contributions.

(2) Alto Palermo's Consolidated Information.

(3) IRSA has joint control of Canteras Natal Crespo S.A., a land reserve for a future development, with ECIPSA. See Note 2.6 to IRSA's audited consolidated financial statements.

(4) Percentage of total net income based upon Inversora Bolivar's consolidated results which include those of Nuevas Fronteras S.A. IRSA has a significant interest in Banco Hipotecario, an Argentine company organized under Argentine Law engaged in banking activity. As of June 30, 2007, IRSA owned 11.76% of Banco Hipotecario, and 5.0% of such ownership was through IRSA's subsidiary Ritelco S.A. Also, as of June 30, 2007, the voting power held by IRSA and Ritelco S.A. in Banco Hipotecario was 18.4%.

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As of June 30, 2007, IRSA had 3,298 employees. IRSA's employees are not represented by any union other than its hotel workers who are members of *Unión de Trabajadores del Turismo, Hoteleros y Gastronómicos de la República Argentina* (UTHGRA). IRSA has not experienced a strike or significant work stoppage in the last ten years and believe that its relations with its employees are good.

The following table sets forth the number of employees in IRSA's various businesses at June 30, 2007:

| | Argentine Real Estate ⁽¹⁾ | Shopping Centers ⁽²⁾ | Hotels ⁽³⁾ | Telecommunication ⁽⁴⁾ | Credit Cards ⁽⁵⁾ | Total |
|---------------------|---|------------------------------------|-----------------------|----------------------------------|--------------------------------|-------|
| As of June 30, 2002 | 150 | 600 | 618 | 45 | 226 | 1,639 |
| As of June 30, 2003 | 140 | 605 | 628 | 51 | 222 | 1,646 |
| As of June 30, 2004 | 129 | 681 | 688 | 51 | 390 | 1,939 |
| As of June 30, 2005 | 154 | 872 | 861 | 75 | 556 | 2,518 |
| As of June 30, 2006 | 185 | 966 | 1,024 | 0 | 979 | 3,154 |
| As of June 30, 2007 | 228 | 983 | 785 | 0 | 1,302 | 3,298 |

(1) Argentine Real Estate includes IRSA, Inversora Bolívar, Baldovinos, Madero, Libertador 498.

(2) Starting June 2000, Shopping Centers includes Altocity (e-commerce) and does not include Mendoza Plaza prior to fiscal year 2005.

(3) Hotels include Intercontinental, Sheraton, Libertador and Llao Llao.

(4) Telecommunications include Red Alternativa and Alternativa Gratis.

(5) Credit cards include Tarshop.

Property

As of June 30, 2007, all of IRSA's property (consisting of rental properties in the office and retail real estate sectors, development properties primarily in the residential real estate sector, and shopping centers) was located in Argentina. IRSA leases its headquarters, located at Bolívar 108, C1066AAD and Moreno 877, piso 22, C1091AAQ Buenos Aires, Argentina, pursuant to two lease agreements that expire on February 28, 2014 and November 30, 2008, respectively. IRSA does not currently lease any material properties other than its headquarters.

The following table sets forth certain information about IRSA's properties:

| Property | Date of Acquisition | Leaseable/ Salem ² (1) | Location | Net Book Value Ps./000 ⁽²⁾ | Encumbrance | Outstanding principal amount Ps./000 | Maturity Date | Balance due at maturity | Rate | Use |
|--|------------------------|--------------------------------------|----------------------|---|--------------------------|---|------------------|-------------------------------|--------------------|---------------|
| Intercontinental Plaza ⁽³⁾ | 11/18/97 | 22,535 | City of Buenos Aires | 94,992 | | | | | | Office Rental |
| Dock del Plata | 11/15/06 | 7,921 | City of Buenos Aires | 26,194 | | | | | | Office Rental |
| Bouchard 710 | 06/01/05 | 15,014 | City of Buenos Aires | 68,390 | Mortgage ⁽¹⁰⁾ | 14.8 | May-08 | 1.3 | Fixed Rate 8.5% | Office Rental |
| Bouchard 551 | 03/15/07 | 33,324 | City of Buenos Aires | 241,899 | | | | | | Office Rental |
| Libertador 498 | 12/20/95 | 10,533 | City of Buenos Aires | 41,061 | Mortgage ⁽⁴⁾ | 81.0 | Nov-09 | 10.8 | Libor 3M + 200 bps | Office Rental |
| Maipú 1300 | 09/28/95 | 10,280 | City of Buenos Aires | 42,347 | | | | | | Office Rental |
| Laminar Plaza | 03/25/99 | 6,521 | City of Buenos Aires | 29,187 | Mortgage ⁽⁴⁾ | 81.0 | Nov-09 | 10.8 | Libor 3M + 200 bps | Office Rental |
| Madero 1020 | 12/21/95 | 215 | City of Buenos Aires | 1,694 | | | | | | Office Rental |
| Reconquista 823/41 | 11/12/93 | 5,016 | City of Buenos Aires | 19,093 | | | | | | Office Rental |
| Suipacha 652/64 | 11/22/91 | 11,453 | City of Buenos Aires | 12,292 | Mortgage ⁽⁹⁾ | 41.1 | Apr-10 | 41.1 | | Office Rental |
| Edificios Costeros | 03/20/97 | 6,389 | City of Buenos Aires | 18,471 | | | | | | Office Rental |
| Costeros Dique IV | 08/29/01 | 5,437 | City of Buenos Aires | 20,875 | Mortgage ⁽⁴⁾ | 81.0 | Nov-09 | 10.8 | Libor 3M + 200 bps | Office Rental |
| | 12/02/97 | N/A | City of Buenos Aires | 9,684 | | | | | | Office Rental |

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| | | | | | |
|----------------|----------|-------|----------------------|-------|---------------|
| Obras en Curso | | | | | |
| Dique IV | | | | | |
| Madero 942 | 08/31/94 | 768 | City of Buenos Aires | 2,468 | Office Rental |
| Av. De Mayo | | | | | |
| 595/99 | 08/19/92 | 1,958 | City of Buenos Aires | 5,134 | Office Rental |
| Av. Libertador | | | | | |
| 602 | 01/05/96 | 638 | City of Buenos Aires | 2,831 | Office Rental |

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| Property | Date of Acquisition | Leaseable/ Saleable ⁽¹⁾ | Location | Net Book Value Ps./000 ⁽²⁾ | Encumbrance | Outstanding principal amount | Maturity Date | Balance due at maturity | Rate | Use |
|--|---------------------|---------------------------------------|------------------------------|--|--------------------------|------------------------------|---------------|-------------------------|--------------------|-----------------------------------|
| | | | | | | Ps./000 | | | | |
| Avia 2774 | 09/19/91 | 274 | City of Buenos Aires | 295 | | | | | | Office Rental |
| Onto 517 | 01/12/94 | 39 | City of Buenos Aires | 98 | | | | | | Office Rental |
| ución 1111 | 06/16/94 | 312 | City of Buenos Aires | 777 | | | | | | Commercial |
| o I | 03/20/97 | 192 | City of Buenos Aires | 285 | | | | | | Commercial |
| María del Plata | 07/10/97 | 60,100 | City of Buenos Aires | 12,494 | | | | | | Others Rental |
| s ⁽³⁾ | 11/01/97 | 33,191 | Province of Buenos Aires | 3,899 | | | | | | Others Rental |
| ución 1159 | 06/16/94 | 2,072 | City of Buenos Aires | 2,050 | | | | | | Others Rental |
| Properties ⁽⁵⁾ | N/A | 331 | City and Province of Bs. As. | 3,209 | | | | | | Office Rental |
| Palermo Shopping ⁽⁵⁾⁽⁶⁾ | 11/18/97 | 18,210 | City of Buenos Aires | 175,517 | | | | | | Shopping Center |
| ⁽⁵⁾ | 07/17/94 | 39,683 | City of Buenos Aires | 187,436 | | | | | | Shopping Center |
| Avellaneda ⁽⁵⁾ | 11/18/97 | 27,336 | City of Avellaneda | 89,664 | | | | | | Shopping Center |
| Alcorta ⁽⁵⁾ | 06/06/97 | 14,403 | City of Buenos Aires | 64,432 | | | | | | Shopping Center |
| ullrich ⁽⁵⁾ | 10/01/98 | 10,978 | City of Buenos Aires | 103,137 | | | | | | Shopping Center |
| oa ⁽⁵⁾ | 03/29/95 | 18,831 | City of Salta | 27,040 | | | | | | Shopping Center |
| s Aires Design ⁽⁵⁾ | 11/18/97 | 13,988 | City of Buenos Aires | 16,082 | | | | | | Shopping Center |
| osario ⁽⁵⁾ | 11/09/04 | 30,261 | City of Rosario | 84,145 | | | | | | Shopping Center |
| za Plaza ⁽⁵⁾ | 12/02/94 | 39,392 | City of Mendoza | 89,004 | | | | | | Shopping Center |
| oa Shopping ⁽⁵⁾ | 12/27/07 | 11,056 | City of Córdoba | 75,508 | Mortgage ⁽¹⁰⁾ | 16.3 | Oct-37 | | Libor + 1.5% | Shopping Center |
| merican Mall ⁽⁵⁾ | 06/29/06 | 28,741 | City of Buenos Aires | 167,606 | | | | | | Shopping Center (in construction) |
| én ⁽⁵⁾ | 07/08/99 | N/A | Province of Neuquén | 12,302 | | | | | | Shopping Center (in construction) |
| Retiro ⁽³⁾ | 05/18/97 | 82,051 | City of Buenos Aires | 54,861 | | | | | | Land Reserve |
| to | 11/03/97 | 20,968 | City of Buenos Aires | 9,223 | | | | | | Land Reserve |
| María del Plata | 07/10/97 | 675,952 | City of Buenos Aires | 135,785 | | | | | | Land Reserve |
| ola ⁽⁷⁾ | 12/16/96 | 1,299,630 | Province of Buenos Aires | 21,717 | | | | | | Land Reserve |
| as Natal Crespo | 07/27/05 | 4,320,000 | Province of Córdoba | 5,559 | | | | | | Land Reserve |
| e López | 01/16/07 | 29,564 | Province of Buenos Aires | 115,623 | | | | | | Land Reserve |
| Reserves of Land ⁽⁸⁾ | N/A | 14,628,354 | City and Province of Bs.As. | 80,623 | | | | | | Land Reserve |
| Residential apartments, units and others | N/A | 80,761 | City and Province of Bs.As. | 211,497 | | | | | | Residential apartments and others |
| Lao Liao | 06/01/97 | 15,000 | City of Bariloche | 66,992 | | | | | | Hotel |
| intercontinental | 11/01/97 | 37,742 | City of Buenos Aires | 61,404 | | | | | | Hotel |
| Libertador ⁽¹¹⁾ | 03/01/98 | 17,463 | City of Buenos Aires | 40,950 | Mortgage | 18.6 | Mar-10 | 15.6 | Libor 3M+450 bps | Hotel |
| os Bariloche | 12/01/06 | N/A | Province of Rio Negro | 21,900 | Mortgage | 7.3 | Dec-09 | 0.3 | Libor Rate+700 bps | Hotel |

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

(2) Cost of acquisition or development (adjusted as discussed in Note 2.c to the consolidated financial statements), plus improvements, less accumulated depreciation, less allowances.

(3) Through IBSA.

(4) IRSA has mortgaged certain real estate properties (13 functional units at Libertador 498, 71 complementary units in Laminar Plaza and 19 complementary units in Dique IV) in connection with the issuance of the collateralized notes. On June 30, 2007 mortgaged properties had a net book value of Ps.91.1 million and an outstanding principal amount of Ps.81.0 million.

(5) Through Alto Palermo. IRSA owns a 54% interest in ERSA. Currently IRSA's shares of Emprendimiento Recoleta S.A. are pledged.

(6) Shopping Alto Palermo (SAPSA) is owned by Alto Palermo. On January 18, 2001, (i) Alto Palermo issued Series A Senior Notes for US\$40 million and (ii) Alto Palermo and SAPSA co-issued Series B Senior Notes for US\$80 million that will be severally paid by Alto Palermo and SAPSA. The Series A and B Senior Notes (the Senior Notes) are due in 2005. The payment of the total amount of the Senior Notes is guaranteed by a Trust Agreement pursuant to which all of Alto Palermo's shares of SAPSA were transferred to a trust. The Trust Agreement was entered into on January 16, 2001 between Alto Palermo and Ritelco, as shareholders of SAPSA and as Trustors, Río Trust S.A., as Trustee, and the holders of the Senior Notes as beneficiaries. At June 30, 2005, IRSA fully cancelled the Senior Notes outstanding.

(7) Directly through IRSA and indirectly through IBSA.

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- (8) Includes the following land reserves: Terrenos Pilar, Padilla 902 and Terreno Torre Jardín IV (through IRSA), Terreno Pontevedra; Isla Sirgadero; Mariano Acosta, Intercontinental Plaza II and Merlo (through IBSA), and Terreno Rosario, Terreno Caballito and the Coto project (through Alto Palermo).
- (9) As security for compliance with the construction of the future building to be constructed in a plot of land in Vicente Lopez, Province of Buenos Aires and transfer of the future units, the company's property located at Suipacha 652 was mortgaged.
- (10) Right over real property granted by a debtor to a creditor whereby the creditor is authorized to receive the income from such property to cancel interest and/or principal under existing debt.

Insurance

IRSA carries insurance policies with insurance companies it considers to be financially sound. IRSA employs multi-risk insurance for its shopping centers, which covers fire damage and negligence liability, electrical and water damages, theft and business interruption. IRSA has to make a limited number of claims under IRSA's shopping centers' insurance, including a claim for a fire at Alto Avellaneda Shopping on March 5, 2006 and to date IRSA has been able to recover substantially all of those claims from its insurers.

In IRSA's Development and Sale of properties segment, it only maintains insurance when it retains ownership of the land under development or when it develops the property itself. IRSA's liability and fire insurance policies cover potential risks such as property damages, business interruption, fire, falls, collapse, lightning and gas explosion. Such insurance policies have specifications, limits and deductibles which IRSA believes are customary. IRSA maintains insurance policy for its properties after the end of construction only if it retains ownership, primarily in the Offices and Other Non-Shopping Center Rental Properties segment.

IRSA carries directors and officers' insurance covering management's civil liability, as well as legally mandated insurance, including employee personal injury. IRSA does not provide life or disability insurance for its key employees as benefits. IRSA believes its insurance policies are adequate to protect it against the risks for which it is covered. However, no assurances can be given that the amount of insurance IRSA carries will be sufficient to protect it from material loss. See Risk Factors Risks Related to IRSA's Business Some potential losses are not covered by insurance, and certain kinds of insurance coverage may become prohibitively expensive.

Legal Proceedings

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

In 1991, Indarsa had purchased 90% of Tandanor, a former government-owned company, which owned a piece of land near Puerto Madero of approximately 8 hectares, divided into two parcels: Planta 1 and 2. After the purchase of Tandanor by Indarsa, in June 1993, Tandanor sold Planta 1 to Puerto Retiro, for a sum of US\$18 million pursuant to a valuation performed by J.L.

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Ramos, a well-known real estate brokerage firm in Argentina. Indarsa failed to pay to the Argentine government the price for its purchase of the stock of Tandanor, and as a result the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa was its holding in Tandanor, the Argentine government is seeking to extend Indarsa's bankruptcy to other companies or individuals which, according to its view, acted as a single economic group. In particular, the Argentine government has requested the extension of Indarsa's bankruptcy to Puerto Retiro which acquired Planta 1 from Tandanor.

The deadline for producing evidence in relation to these legal proceedings has expired. The parties have submitted their closing arguments and are awaiting a final judgment. However, the judge has delayed his decision until a final judgment in the criminal proceedings against the former Defense Minister and former directors of Indarsa has been delivered. We cannot give you any assurance that IRSA will prevail in this proceeding, and if the plaintiff's claim is upheld by the courts, all of the assets of Puerto Retiro would likely be used to pay Indarsa's debts and IRSA's investment in Puerto Retiro, valued at Ps.54.9 million as of June 30, 2007, would be lost. As of June 30, 2007, IRSA had not established any reserve in respect of this contingency.

Llao Llao Holding S.A.

Llao Llao Holding S.A. purchased Hotel Llao Llao in November, 1997, from the Argentine National Parks Administration. Llao Llao Holding S.A., the predecessor of Llao Llao Resorts S.A., was sued in 1997 by the National Parks Administration to collect the unpaid balance of the purchase price in Argentine sovereign debt securities amounting to US\$2.9 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\$2.9 million in Argentine sovereign debt securities available at the date of the ruling, plus compensatory and punitive interest and attorneys' fees. On March 2, 2004, IRSA deposited a payment of Ps.7.2 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 having a total principal amount of US\$4.1 million. The total amount deposited on that date was Ps.9.2 million.

On June 30, 2004, the plaintiff filed a brief rejecting IRSA's payment as a partial payment and requesting the court to determine the term for the deposit of funds amounting to final payment of the total debt. The trial court pesified the outstanding sum of plaintiff's credit to IRSA and the plaintiff appealed this decision. The court of appeals ruled in favor of the plaintiff maintaining the sum due was payable in U.S. dollars. IRSA has appealed this decision but the appellate court declared it inadmissible. IRSA appealed the decision before the Federal Supreme Court and the final decision is still pending.

The plaintiff filed a petition requesting that the above mentioned deposit amount be transferred to a savings account. IRSA did not oppose this petition agreeing that its obligations would be cancelled upon such payment.

As of June 30, 2007 the plaintiff has not filed any petition to have the ruling enforced, nor has it furnished a report of the amount to be paid by IRSA and the amount to be paid remains undetermined.

As of June 30, 2007, IRSA had established a reserve in the amount of Ps.4.6 million which it determined by calculating the difference between the amount claimed for compensatory and punitive interest (US\$3.8 million) and the amount IRSA has deposited in favor of the National Parks Administration (Ps.7.2 million). In addition, as of such date IRSA had established an additional reserve of Ps.1.0 million to cover its possible liability for the fees of the plaintiff's attorneys.

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Legal issues with the City Hall of Neuquén

In June 2001, Shopping Neuquén requested that the City Hall of Neuquén allow it to transfer certain parcels of land to third parties so that each participant in the commercial development to be constructed would be able to build on its own land. The City Hall Executive Branch previously rejected this request under Decree No. 1437/2002 which also established the expiration of the rights arising from Ordinance 5178, including the loss of any improvement and expenses incurred. As a result, Shopping Neuquén had no right to claim indemnity charges and annulled its buy-sell land contracts.

Shopping Neuquén submitted a written appeal to this decision on January 21, 2003. It also sought permission to submit a revised schedule of time terms, taking account of the current situation and including reasonable short and medium term projections. The City Hall Executive Branch rejected this request in Decree 585/2003. Consequently, on June 25, 2003, Shopping Neuquén filed an Administrative Procedural Action with the High Court of Neuquén requesting, among other things, the annulment of Decrees 1,437/2002 and 585/2003 issued by the City Hall Executive Branch. On December 21, 2004, the High Court of Neuquén communicated its decision that the administrative procedural action that Shopping Neuquén had filed against the City Hall of Neuquén had expired. Shopping Neuquén filed an extraordinary appeal for the case to be sent to the Argentine Supreme Court, which is yet to be decided.

On December 13, 2006, Shopping Neuquén signed an agreement with both the City Hall and the Province of Neuquén stipulating a new timetable for construction of the commercial and housing enterprises (the Agreement). Also, Shopping Neuquén was permitted to transfer certain parcels to third parties so that each participant in the commercial development to be constructed would be able to build on its own land, with the exception of the land in which the shopping center will be constructed. The Legislative Council of the City Hall of Neuquén duly ratified the Agreement. The City Hall Executive Branch promulgated the ordinance issued on February 12, 2007.

The Agreement also provides that Shopping Neuquén will submit, within 120 days after the Agreement is signed, a new urban project draft with an adjustment of the environmental impact survey, together with a map of the property subdivision, which the City Hall of Neuquén will approve or disapprove within 30 days. If the project is approved, Shopping Neuquén will submit the final maps of the works to the City Hall within 150 days of this decision and construction must commence within a maximum period of 90 days thereafter. The first stage of construction (including minimum construction of 21,000 square meters of the shopping center and 10,000 square meters of the hypermarket) is expected to be completed within a maximum period of 22 months. The Agreement is conditional upon the City Hall declaring the feasibility of the draft project submitted, and upon the terms and conditions of this decision being accepted by Shopping Neuquén S.A. The City Hall of Neuquén reserves its right to rescind the Agreement and file the legal actions it deems pertinent if its conditions are contravened.

On March 28, 2007, Shopping Neuquén submitted the new project draft and revised environmental impact survey to the City Hall of Neuquén. On May 10, 2007, the City Hall of Neuquén, requested certain explanations and made recommendations for IRSA's consideration before issuing an opinion on the feasibility of the draft project. On July 17, 2007, Shopping Neuquén answered the City Hall's requests and on September 20, 2007, the City Hall approved the feasibility of the project.

Other Litigation

As of July 5, 2006, the AFIP filed a preliminary injunction with the Federal Court for Administrative Proceedings for an aggregate amount of Ps.3,689,485.5, plus an added amount, provisionally estimated, of Ps.900,000 for legal fees and interest. The main dispute is about the capital gains tax due for admission rights. In the first instance, AFIP pleaded for a general restraining order.

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On November 29, 2006, the Federal Court issued an order substituting such restraining order for an attachment on the parcel of land located in Caballito neighborhood, City of Buenos Aires, where Alto Palermo is planning to develop a shopping center.

Table of Contents**MANAGEMENT****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.

Information about Senior Management

The following table shows information about our current senior management designated by the board of directors meeting:

| Name | Date of Birth | Position | Current Position Held Since |
|-----------------------|----------------------|------------------------------------|------------------------------------|
| Eduardo S. Elsztain | 01/26/1960 | Chairman of the board of directors | 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 Alto Palermo.

Alejandro Bartolomé. Mr. Bartolomé obtained a degree in agriculture from University of Buenos Aires (*Universidad de Buenos Aires*) and a Master's degree in Animal Production from University of Reading (England). He was treasurer of CREA Monte Buey Inrville 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.

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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.

Board of directors

We are managed by a board of directors, which consists of nine directors and three alternate directors. Each director and alternate director is elected by our shareholders at an annual ordinary meeting of shareholders for a three-year term, provided, however, that only one third of the board of directors is elected each year. The directors and alternate directors may be re-elected to serve on the board any number of times. There are no arrangements or understandings pursuant to which any director or person from senior managements is selected.

Our current board of directors was elected at shareholders meetings held on October 22, 2004, November 29, 2005 and October 31, 2006 for terms expiring in the years 2007, 2008 and 2009, as the case may be.

On November 31, 2006, Mrs. Susan Segal presented her resignation to the position of director, being at the moment nine directors and three alternate directors.

Our current directors are as follows:

| | Date of Birth | Position in Cresud | Term Expires ⁽²⁾ | Date of Current Appointment | Current Position Held Since |
|--------------------------------|---------------|---|-----------------------------|-----------------------------|-----------------------------|
| Directors⁽¹⁾ | | | | | |
| Eduardo S. Elsztain | 01/26/1960 | Chairman | 06/30/08 | 11/29/05 | 1994 |
| Saúl Zang | 12/30/1945 | First vice- chairman | 06/30/08 | 11/29/05 | 1994 |
| Alejandro G. Elsztain | 03/31/1966 | Second vice- chairman 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 | 06/30/09 | 10/31/06 | 2003 |
| Jorge Oscar Fernández | 01/08/1939 | Director | 06/30/09 | 10/31/06 | 2003 |
| Fernando A. Elsztain | 01/04/1961 | Director | 06/30/07 | 10/22/04 | 2004 |
| David A. Perednik | 11/15/1957 | Director and chief administrative officer | 06/30/07 | 10/22/04 | 2004 |
| Pedro Damaso Labaqui Palacio | 02/22/1943 | Director | 06/30/09 | 10/31/06 | 2006 |
| 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.

(2) Term expires at the annual ordinary shareholders meeting.

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, Alto Palermo, Shopping Alto Palermo S.A., Consultores Asset Management and BACS Banco de Crédito & Securitización among other companies. He is also vice-chairman of Banco Hipotecario, E-Commerce Latina S.A. and BrasilAgro among other companies. He is Fernando A. Elsztain s cousin and Alejandro G. Elsztain s brother.

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Saúl Zang. Mr. Zang obtained a law degree from University of Buenos Aires (*Universidad de Buenos Aires*). He is a member of the International Bar Association (Asociación Internacional de Abogados) and the Interamerican Federation of Lawyers (Federación Interamericana de Abogados). He is a founding member of the law firm Zang, Bergel & Viñes. He is also first vice-chairman of the board of directors of IRSA and Shopping Alto Palermo S.A., and vice-chairman of Alto Palermo, Puerto Retiro and Fibesa; and director of Banco Hipotecario, Nuevas Fronteras S.A., Tarshop and Palermo Invest S.A.

Alejandro G. Elsztain. Mr. Elsztain obtained a degree in agricultural engineering from University of Buenos Aires (*Universidad de Buenos Aires*). He is chairman of Inversiones Ganaderas S.A. and Cactus Argentina. He is also second vice-chairman of IRSA and executive vice-chairman of Alto Palermo and Shopping Alto Palermo S.A. He is a member of the board of directors of Futuros y Opciones S.A. Mr. Alejandro G. Elsztain is the brother of our chairman, Eduardo S. Elsztain, and cousin of Fernando A. Elsztain.

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.

Gabriel A. G. Reznik. Mr. Reznik obtained a degree in Civil Engineering from University of Buenos Aires (*Universidad de Buenos Aires*). He worked for IRSA since 1992 until May 2005 at which time he resigned. He formerly worked for an independent construction company in Argentina. He is an alternate director of Puerto Retiro S.A., Tarshop S.A. and Fibesa, as well as member of the board of Banco Hipotecario, among others.

Jorge Oscar Fernández. Mr. Fernández obtained a degree in Economic Sciences from University of Buenos Aires (*Universidad de Buenos Aires*). He has performed professional activities at several banks, financial corporations, brokerage and insurance firms and other companies related to financial services. He is also involved in many industrial, commercial and professional institutions and associations.

Fernando A. Elsztain. Mr. Elsztain studied architecture at University of Buenos Aires (*Universidad de Buenos Aires*). He has been engaged in the real estate business as a consultant and as managing officer of a real estate company. He is chairman of the board of directors of Llao Llao Resorts S.A., Palermo Invest S.A. and Nuevas Fronteras S.A. He is also a director of IRSA, Alto Palermo, Shopping Alto Palermo, Hoteles Argentinos and Tarshop and alternate director of Banco Hipotecario and Puerto Retiro. He is the cousin of our director chief executive officer Alejandro Elsztain and of our chairman Eduardo S. Elsztain.

Pedro Damaso Labaqui Palacio. Mr. Labaqui obtained a law degree from University of Buenos Aires (*Universidad de Buenos Aires*). He is also director of Bapro Medios de Pago S.A., Permanent Syndic of Bayfe S.A. Fondos Comunes de Inversión, Member of the Supervisory Committee of the J. Minetti S.A., alternate Director of J. Minetti S.A., alternate Member of the Supervisory Committee of J.Minetti S.A.; and Director of REM Sociedad de Bolsa S.A.

David A. Perednik. Mr. Perednik obtained a degree in accounting from University of Buenos Aires (*Universidad de Buenos Aires*). He has worked for several companies such as Marifran Internacional S.A., a subsidiary of Louis Dreyfus Amateurs where he worked as Financial Manager from 1986 to 1997. He also worked as a Senior Consultant in the administration and systems department of Deloitte & Touche from 1983 to 1986. He is also chief administrative officer of IRSA and Alto Palermo.

Salvador D. Bergel. Mr. Bergel obtained a law degree and a PhD from Litoral University (*Universidad Nacional del Litoral*). He is a founding partner of Zang, Bergel & Viñes and a consultant at Repsol YPF S.A. He is also an alternate director of Alto Palermo.

Juan C. Quintana Terán. Mr. Quintana Terán obtained a law degree from University of Buenos Aires (*Universidad de Buenos Aires*). He is also a consultant at Zang, Bergel & Viñes law firm. He has been chairman and Judge of the National Commercial Court of Appeals of the City of Buenos Aires (Cámara Nacional de Apelaciones en lo Comercial). He is an alternate director of Alto Palermo.

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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.

Employment contracts with our directors

We do not have written contracts with our directors. However, Mr. Eduardo Elsztain, Saúl Zang, Alejandro Elsztain, Fernando Elsztain, Clarisa Lifsic and David Perednik are employed by us under the Labor Contract Law No. 20.744. This law governs certain conditions of the labor relationship, including remuneration, protection of wages, hours of work, holidays, paid leave, maternity protection, minimum age requirements, protection of young workers and suspension and termination of the contract.

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 October 31, 2006:

| Member | Date of Birth | Position |
|-----------------------|-----------------------|------------------|
| José Daniel Abelovich | (m/d/y) 07/20/1956 | Member |
| Marcelo Héctor Fuxman | 11/30/1955 | Member |
| Roberto Murmis | 04/07/1959 | Member |
| Alicia Rigueira | 12/02/1951 | Alternate member |
| Sergio Kolaczyk | 11/28/1964 | Alternate member |
| Silvia Cecilia De Feo | 10/07/1958 | Alternate member |

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 Alto Palermo, Shopping Alto Palermo, Hoteles Argentinos, Inversora Bolívar and IRSA.

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 Alto Palermo, Shopping Alto Palermo, Inversora Bolívar and IRSA.

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 Shopping Alto Palermo, Futuros y Opciones S.A., Llao Llao Resorts S.A. and IRSA.

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Alicia Rigueira. Mrs. Rigueira holds a degree in accounting from the University of Buenos Aires. Since 1998 she has been a manager at Estudio Abelovich, Polano & Asociados, affiliated with SC International. From 1974 to 1998, Mrs. Rigueira has held various positions in the medium size business auditing and consulting departments of Estudio Harteneck, López y Cía, affiliated with Coopers & Lybrand. Mrs. Rigueira lectured at the Facultad de Ciencias Económicas de la Universidad de Lomas de Zamora.

Sergio Leonardo Kolaczyk. Mr. Kolaczyk obtained a degree in accounting from the University of Buenos Aires (*Universidad de Buenos Aires*). He is a professional of Abelovich, Polano & Asociados, a member firm of SC International. He is also an alternate member of the Supervisory Committee of Alto Palermo and IRSA.

Silvia De Feo. Mrs. De Feo obtained a degree in accounting from the University of Belgrano (*Universidad de Belgrano*). She is a manager at Abelovich, Polano & Asociados/ 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 Shopping Alto Palermo, Inversora Bolivar, Baldovinos S.A. and IRSA.

Audit Committee

In accordance with the Regime of Transparency in Public Offerings provided by Decree No. 677/01, the regulations of the *Comisión Nacional de Valores* and Resolutions No. 400 and 402 of the *Comisión Nacional de Valores*, our board of directors established an audit committee which would focus on assisting the board in exercising its duty of care, compliance with disclosure requirements, the enforcement of accounting policies, management of our business risks, the management of our internal control systems, ethical conduct of our businesses, monitoring the sufficiency of our financial statements, our compliance with the laws, independence and capacity of independent auditors and performance of our internal audit duties both by our company and our external auditors.

On December 15, 2006, our board of directors appointed Jorge Oscar Fernández, Pedro Damaso Labaqui Palacio, 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).

Share Ownership

The following tables set forth the amount and percentage of our shares beneficially owned by our directors, as of June 30, 2007.

| Name | Position | Share Ownership | |
|--------------------------|--|----------------------------|---------------|
| | | Number of Shares | Percentage(*) |
| Eduardo S. Elsztain | Chairman | 101,965,172 ⁽¹⁾ | 32.9% |
| Saúl Zang | First Vice-Chairman | 43,000 | 0.01% |
| Alejandro G. Elsztain | Second vice-chairman / chief executive officer | 20 | <0.01% |
| Jorge Oscar Fernández | Director | 2,700,000 | 0.9% |
| Senior Management | | | |
| Alejandro Bartolomé | Chief production officer | 10,000 | <0.01% |
| Alejandro Casaretto | Chief real estate officer | 50,000 | 0.02% |

- (1) Includes (i) 101,459,172 common shares beneficially owned by Inversiones Financieras del Sur S.A., 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., (ii) 456,000 common shares beneficially owned by Dolphin Fund Plc., whose investment manager is a company beneficially owned by Eduardo Elsztain and (iii) 50,000 common shares owned directly by Eduardo S. Elsztain.

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Compensation

Compensation of directors

Under Argentine law, if the compensation of the members of the board of directors is not established in the by-laws of the company, it should be determined by the shareholders' meeting. The maximum amount of total compensation to the members of the board of directors, including compensation for technical or administrative permanent activities, cannot exceed 25% of the earnings of the company. That amount should be limited to 5% when there is no distribution of dividends to shareholders, and will be increased proportionally to the distribution. When one or more directors perform special commissions or technical or administrative activities, and there are no earnings to distribute, or they are reduced, the shareholders' meeting may approve compensation in excess of the above-mentioned limits.

The compensation of our directors for each fiscal year is determined pursuant to Argentine law, and taking into consideration whether the directors performed technical or administrative activities and our fiscal year's results. Once the amount is determined, they are considered at the shareholders' meeting.

At our shareholders meeting held on October 31, 2006 the shareholders approved an aggregate compensation of Ps.1.62 million for all of our directors for the fiscal year ended June 30, 2006.

Compensation of Supervisory Committee

The shareholders meeting held on October 31, 2006, 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, 2007 was Ps.2.1 million.

As of June 30, 2007, we had set aside an aggregate amount of Ps.202,218 to provide pension, retirement or similar benefits for our directors and members of our administrative, supervisory and audit committees.

Compensation plan for executive management

During fiscal year 2007, we developed a special compensation plan for our key managers (the Plan) by means of contributions to be made by us and the employees.

Such Plan is directed to key managers and aims to retain them by increasing their total compensation package, granted to those who have met certain conditions. Participation and contributions under the Plan are voluntary. Once the invitation to participate has been accepted by the employee (the Participant), he/she is required to make two kinds of contributions: monthly contributions (salary based) and extraordinary contribution (annual bonus based). The suggested contribution to be made by Participants is: up to 2.5% of their monthly salary and up to 15.0% of their annual bonus.

This Plan is intended to improve the compensation benefits of the key management employees who are encouraged to increase his/her compensation package by getting an extraordinary reward at the end of the Plan for those who have met certain conditions mentioned below.

Our contribution will be 200% of the employees' monthly contributions and 300% of the extraordinary employees' contributions.

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The funds arising out of the Participants' contributions are transferred to a special independent vehicle created and located in Argentina as a Investment Fund approved by the Comisión Nacional de Valores. Such funds (including the rents derived thereof) are freely redeemable upon request of the Participants.

Contributions made by us under the Plan are transferred to another separate and independent vehicle (e.g., a trust fund).

Participants or their assignees, as the case may be, will have access to 100% of the benefits of the Plan (that is, our contributions made on Participants' behalf to the specially created vehicle) under the following circumstances:

ordinary retirement in accordance with applicable labor regulations;

total or permanent incapacity or disability; and

death.

In case of resignation or termination without good cause, the manager will get the amounts arising out of our contribution only if he or she has participated in the Plan for at least 5 years.

As of June 30, 2007 our contributions amounted to Ps.0.14 million.

Table of Contents**PRINCIPAL SHAREHOLDERS**

The following table sets forth information regarding ownership of our capital stock by each person known to us to own beneficially at least 5% of our common shares, Argentine pension funds and all our directors and officers as a group.

| Shareholder | Share Ownership as of June 30, 2007 | |
|---|-------------------------------------|---------------|
| | Number of Shares | Percentage |
| IFISA ⁽¹⁾ | 101,459,172 | 32.8% |
| Jefferies & Company Inc ⁽²⁾ | 29,898,404 | 9.7% |
| Fidelity Management & Research Co. ⁽²⁾ | 24,370,000 | 7.9% |
| Directors and officers ⁽³⁾ | 153,020 | 0.05% |
| Argentine pension funds in the aggregate ⁽⁴⁾ | 11,550,778 | 3.7% |
| Total | 167,431,374 | 54.15% |

(1) Mr. Eduardo S. Elsztain may be deemed beneficial owner of 32.8% of our total shares by virtue of his voting power to control Inversiones Financieras del Sur S.A.

(2) According to a Schedule 13G filed with the SEC on February 14, 2007.

(3) Includes the shares directly owned by Eduardo Elsztain.

(4) Based on estimates from the Superintendency of AFJP (*Administradora de Fondos de Jubilaciones y Pensiones*). None of the pension funds individually own more than 3.7% of our common shares. The highest percentage owners of the shares are *Met* with approximately 0.8%, *Consolidar* with approximately 0.7%, *Orígenes* with approximately 0.6% and *Nación* with approximately 0.6%.

As of June 30, 2004, 2005, 2006 and 2007, IFISA owned 27.5%, 20.2%, 16.0% and 32.8%, respectively, of our total shares. The increase in the ownership from 2006 to 2007 was due to the conversion of Cresud's convertible notes and Warrants that IFISA owned. IFISA has the same voting rights as our other shareholders.

IFISA, our largest shareholder and a company of which Eduardo Elsztain, our director, is the largest beneficial owner, has indicated that it intends to exercise all of its statutory preemptive rights and possibly some of its accretion rights in connection with this offering.

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DESCRIPTION OF CAPITAL STOCK

Set forth below is certain information relating to our capital stock, including brief summaries of certain provisions of our bylaws, the Argentine corporate law and certain related laws and regulations of Argentina, all as in effect as at the date hereof. The following summary description of our capital stock does not purport to be complete and is qualified in its entirety by reference to our bylaws, the Argentine corporate law and the provisions of other applicable Argentine laws and regulations, including the *Comisión Nacional de Valores* and the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) rules.

Stock Exchanges in which our securities are listed

Our common shares are listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) under the trading symbol CRES and NASDAQ under the trading symbol CRESY. As of June 30, 2007 our authorized capital stock consists of 309,576,220 common shares, Ps.1.00 par value per share.

As of June 30, 2007, our outstanding capital stock consisted of 309,576,220 common shares. As of that date (1) we had no other shares of any class or series issued and outstanding and (2) we had 2,802,502 convertible Notes and 3,106,252 warrants outstanding. Our common shares have one vote per share. All outstanding shares of the common shares are validly issued, fully paid and non assessable. As of June 30, 2007, there were approximately 948 holders of all of our common shares.

As of June 30, 2007, our 8% convertible notes due 2007 were outstanding in an aggregate principal amount of US\$2.80 million. These convertible notes are convertible, at any time at the option of the holder thereof, into our common shares at a conversion ratio of US\$0.5078 principal amount equal to one common share. In addition, the convertible notes contain a warrant that allows holders to acquire 1.9693 shares of par value Ps.0.1 per share at a price of US\$0.6093 each per convertible note. As of August 29, 2007, the price for our common shares on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) was Ps.6.35 per common share, so on that date holders of our convertible notes were entitled to acquire common shares through conversion at a price per share below the price for such common shares on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*). To the extent that the conversion ratio in our convertible notes remains in the money, we expect all such notes to be converted into common shares. If all such convertible notes are in fact converted and in consequence all warrants are exercised, as we currently expect, we will issue an additional 11,635,985 common shares in satisfaction of such conversion rights and warrants exercise.

General

The number of issued shares has increased over the past three years due to ongoing conversions of our convertible notes. In 2005, 2006 and 2007 12,251,760, 57,819,970 and 88,971,671 new shares were issued, respectively.

Shareholders' rights in an Argentine stock corporation are governed by its bylaws and by the Argentine Corporation Law No. 19,550. All provisions of the Argentine Companies Law take precedence over any contrary provision in a corporation's bylaws.

The Argentine securities markets are principally regulated by the *Comisión Nacional de Valores* under *Resolución General* N° 368/2001 as amended, the Public Offering of Securities Law N° 17,811, the Negotiable Obligations Law N° 23,576, Decree 677/2001 and the Argentine Corporation Law No. 19,550. These laws govern disclosure requirements, restriction on insider trading, price manipulation and protection of minority investors.

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.

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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;

Financial activities, except for those regulated by Law No. 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.

Limited liability

Shareholders' liability for losses are limited to their shareholdings in the Company. Notwithstanding the foregoing, under the Argentine Corporation Law No. 19,550, shareholders who voted in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or a company's by-laws (or regulation, if any) may be held jointly and severally liable for damages to such company, other shareholders or third parties resulting from such resolution. In addition, a shareholder who votes on a business transaction in which the shareholder's interest conflicts with that of the Company may be liable for damages under the Argentine companies' law, but only if the transaction would not have been validly approved without such shareholder's vote.

Capitalization

We may increase our share capital upon authorization by our shareholders at an ordinary shareholders' meeting. Capital increases must be registered with the Argentine public business, registry referred to as the Argentine public business, registry referred to as the *Registro Publico de Comercio*, and published in the Boletín Oficial. Capital reductions may be voluntary or mandatory and must be approved by the shareholders at a special shareholders' meeting (*asamblea extraordinaria*). Reductions in capital are mandatory when losses have depleted reserves and exceed 50% of capital. At June 30, 2007 our share capital consisted of 309,576,220 common shares.

Our bylaws provide that preferred stock may be issued when authorized by the shareholders at a special shareholders' meeting (*asamblea extraordinaria*) and in accordance with applicable regulations. Such preferred stock may have a fixed cumulative dividend, with or without additional participation in our profits, resolved by the shareholders' meetings. Our company currently has no outstanding preferred stock.

Preemptive Rights and Increases of Share Capital

Pursuant to our by-laws and Argentine Corporation Law No. 19,550, in the event of an increase in our share capital, each of our existing holders of our common shares has a preemptive right to subscribe for new common shares in proportion to such holder's share ownership pursuant to our by-laws and the Argentine Corporation Law No. 19,550. For any shares of a class not preempted by any holder of that class, the remaining holders of the class will be entitled to accretion rights based on the number of shares they purchased when they exercised their own preemptive rights. Rights and accretion rights must be exercised simultaneously within 30 days following the time in which notices to the shareholders of a capital increase and of the rights to subscribe thereto are published for three days in the Boletín Oficial and a widely circulated newspaper in Argentina. Pursuant to the Argentine Companies Law, such 30-day period may be reduced to 10 days by a decision of our shareholders adopted at a special shareholders' meeting (*asamblea extraordinaria*).

Additionally, the Argentine Companies Law permits shareholders at a special shareholders' meeting (*asamblea extraordinaria*) to suspend or limit the preemptive rights relating to the issuance of new shares in specific and exceptional cases in which the interest of our company requires such action and, additionally, under the following specific conditions:

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the issuance is expressly included in the list of matters to be addressed at the shareholders meeting; and

the shares to be issued are to be paid in-kind or in exchange for payment under pre-existing obligations.

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Furthermore, Article 12 of the Negotiable Obligations Law permits shareholders at a special shareholders meeting (*asamblea extraordinaria*) to suspend preemptive subscription rights for the subscription of convertible bonds under the above-mentioned conditions. Preemptive rights may also be eliminated, so long as a resolution providing so has been approved by at least 50% of the outstanding capital stock with a right to decide such matters and so long as the opposition to such resolution does not surpass 5% of the share capital.

Shareholders Meetings and Voting Rights

Our bylaws provide that shareholders meetings may be called by our board of directors or by our Supervisory Committee or at the request of the holders of shares representing no less than 5% of the common shares. Any meetings called at the request of shareholders must be held within 30 days after the request is made. Any shareholder may appoint any person as its duly authorized representative at a shareholders meeting, by granting a proxy. Co-owners of shares must have single representation.

In general, the following matters can be considered only at a special shareholders meeting (*asamblea extraordinaria*):

matters that may not be approved at an ordinary shareholders meeting;

the amendment of our bylaws;

reductions in our share capital;

redemption, reimbursement and amortization of our shares;

mergers, and other corporate changes, including dissolution and winding-up;

limitations or suspensions to preemptive rights to the subscription of the new shares; and

issuance of debentures, convertible negotiable obligations and bonds that not qualify as notes (*obligaciones negociables*).

In accordance with our by-laws, ordinary and special shareholders meetings (*asamblea extraordinaria*) are subject to a first and second quorum call, the second to occur upon the failure of the first. The first and second notice of ordinary shareholders meetings may be made simultaneously. In the event that both are made on the same day, the second must occur at least one hour after the first. If simultaneous notice was not given, the second notice must be given within 30 days after the failure to reach quorum at the first. Such notices must be given in compliance with applicable regulations.

A quorum for an ordinary shareholders meeting on the first call requires the presence of a number of shareholders holding a majority of the shares entitled to vote and, on the second call, the quorum consists of the number of shareholders present, whatever that number. Decisions at ordinary shareholders meetings must be approved by a majority of the votes validly exercised by the shareholders.

A quorum for an special shareholders meeting (*asamblea extraordinaria*) on the first call requires the presence of persons holding 60% of the shares entitled to vote and, on the second call, the quorum consists of the number of shareholders present, whatever that number. Decisions at special shareholders meeting (*asamblea extraordinaria*) generally must be approved by a majority of the votes validly exercised.

However, pursuant to the Argentine Companies Law, all shareholders meetings, whether convened on a first or second quorum call, require the affirmative vote of the majority of shares with right to vote in order to approve the following decisions:

advanced winding-up of the company;

transfer of the domicile of the company outside of Argentina;

fundamental change to the purpose of the company;

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total or partial mandatory repayment by the shareholders of the paid-in capital; and

a merger or a spin-off, when our company will not be the surviving company.

Holders of common shares are entitled to one vote per share. Owners of common shares represented by ADRs exercise their voting rights through the ADR Depository, who acts upon instructions received from such shareholders and, in the absence of instructions, votes in the same manner as our majority of the shareholders present in the shareholders' meeting.

The holders of preferred stock are not entitled to voting rights. However, in the event that no dividends are paid to such holders for their preferred stock, the holders of preferred stock are entitled to voting rights. Holders of preferred stock are also entitled to vote on certain special matters, such as a transformation of the corporate type, early dissolution, change to a foreign domicile, fundamental change in the corporate purposes, total or partial replacement of capital losses, mergers in which our company is not the surviving entity, and spin-offs. The same exemption will apply in the event the preferred stock is traded on any stock exchange and such trading is suspended or canceled.

Dividends and Liquidation Rights

The Argentine Companies Law establishes that the distribution and payment of dividends to shareholders is valid only if they result from realized and net earnings of the company pursuant to an annual balance sheet approved by the shareholders. Our board of directors submits our financial statements for the previous financial year, together with the reports of our Supervisory Committee, to the Annual Ordinary Shareholders' Meeting. This meeting must be held by October 30 of each year to approve the financial statements and decide on the allocation of our net income for the year under review. The distribution, amount and payment of dividends, if any, must be approved by the affirmative vote of the majority of the present votes with right to vote at the meeting.

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 and severally 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.

When we declare and pay dividends on the common shares, the holders of our ADRs, each representing the right to receive ten ordinary shares, outstanding on the corresponding registration date, are entitled to receive the dividends due on the common shares underlying the ADRs, subject to the terms of the Deposit Agreement dated March 18, 1997 executed by and between us, The Bank of New York, as depository and the eventual holders of ADRs. The cash dividends are to be paid in Pesos and, except under certain circumstances, are to be converted by the Depository into U.S. dollars at the exchange rate prevailing at the conversion date and are to be paid to the holders of the ADRs net of any applicable fee on the dividend distribution, costs and conversion expenses, taxes and public charges. Since January 2002 and due to the devaluation of the Peso, the exchange rate for the dividends will occur at a floating market rate.

Our dividend policy is proposed from time to time by our board of directors and is subject to shareholders' approval at an ordinary shareholders' meeting. Declarations of dividends are based upon our results of operations, financial condition, cash requirements and future prospects, as well as restrictions under debt obligations and other factors deemed relevant by our board of directors and our shareholders.

Dividends may be lawfully paid only out of our retained earnings determined by reference to the financial statements prepared in accordance with Argentine GAAP. In accordance with the Argentine Companies Law, net income is allocated in the following order: (i) 5% is retained in a legal reserve until the amount of such reserve equals 20% of the Company's outstanding capital; (ii) dividends on preferred stock or common shares or other amounts may be retained as a voluntary reserve, contingency reserve or new account, or (iii) for any other purpose as determined by the Company's shareholders at an ordinary shareholders' meeting.

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Our legal reserve is not available for distribution. Under the applicable regulations of the *Comisión Nacional de Valores*, dividends are distributed pro rata in accordance with the number of shares held by each holder within 30 days of being declared by the shareholders for cash dividends and within 90 days of approval in the case of dividends distributed as shares. The right to receive payment of dividends expires three years after the date on which they were made available to shareholders. The shareholders' meeting may authorize payment of dividends on a quarterly basis provided no applicable regulations are violated. In such case, all and each of the members of the board of directors and the supervisory committee will be jointly and severally liable for the refund of those dividends if, at the end of the respective fiscal year, the realized and net earnings of the Company are not sufficient to allow for the payment of dividends.

In the event of liquidation, dissolution or winding-up of our company, our assets are

to be applied to satisfy its liabilities; and

to be proportionally distributed among holders of preferred stock in accordance with the terms of the preferred stock. If any surplus remains, our shareholders are entitled to receive and share proportionally in all net assets available for distribution to our shareholders, subject to the order of preference established by our bylaws.

Approval of Financial Statements

Our fiscal year ends on June 30 of each year, after which we prepare an annual report which is presented to our board of directors and Supervisory Committee. The board of directors submits our financial statements for the previous financial year, together with the reports of our Supervisory Committee, to the annual ordinary shareholders' meeting, which must be held within 120 days of the close of our fiscal year, in order to approve our financial statements and determine our allocation of net income for such year. At least 20 days before the ordinary shareholders' meeting, our annual report must be available for inspection at our principal office.

Right of Dissenting Shareholders to Exercise Their Appraisal Right

Whenever certain actions are approved at a special shareholders' meeting (*asamblea extraordinaria*) (such as the approval of a merger, a spin-off (except when the shares of the acquired company are publicly traded), a fundamental change of corporate purpose, a transformation from one type of corporation to another, a transfer of the domicile of our company outside of Argentina or, as a result of the action approved, the shares cease to be publicly traded) any shareholder dissenting from the adoption of any such resolution may withdraw from our company and receive the book value per share determined on the basis of our latest financial statements, whether completed or to be completed, provided that the shareholder exercises its appraisal rights within ten days following the shareholders' meeting at which the resolution was adopted.

In addition, to have appraisal rights, a shareholder must have voted against such resolution or act within 15 days following the shareholders' meeting if the shareholder was absent and can prove that he was a shareholder of record on the day of the shareholders' meeting. Appraisal rights are extinguished with respect to a given resolution if such resolution is subsequently overturned at another shareholders' meeting held within 75 days of the previous meeting at which the original resolution was adopted. Payment on the appraisal rights must be made within one year of the date of the shareholders' meeting at which the resolution was adopted, except where the resolution involved a decision that our stock cease to be publicly traded, in which case the payment period is reduced to 60 days from the date of the resolution.

Ownership Restrictions

The *Comisión Nacional de Valores* regulations require that transactions that 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 Valores*. 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 listed, should notify the

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Comisión Nacional de Valores on a monthly basis, of 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.

In addition, the *Comisión Nacional de Valores* must be immediately notified of transactions which cause a person's holdings of capital stock of an Argentine company whose securities are publicly listed to hold 5% or more of the voting power and of every change in the holdings of such person that represents a multiple of 5% of the voting power. Holders of more than 50% of the common shares of a company or who otherwise have voting control of a company, as well as directors, officers and members of the supervisory committee, must provide the *Comisión Nacional de Valores* with annual reports setting forth their holdings in the capital stock of such companies and monthly reports of any change in their holdings.

Tender Offers

Tender offers under Argentine law may be voluntary or mandatory. In either case, the offer must be made addressed to all shareholders. In the case of a mandatory tender offer, the offer must also be made to the holders of subscription rights, stock options or convertible debt securities that directly or indirectly may grant a subscription, acquisition or conversion right on voting shares.

Decree No. 677/2001 establishes that a person or entity wishing to acquire a significant holding (*participaciones significativas*) shall be required to launch a mandatory tender offer.

A mandatory tender offer will not be required in those cases in which the purpose of the acquisition of the significant holding is not to acquire the control of a company.

The *Comisión Nacional de Valores* defines a significant holding as holdings that represent an equal or a higher percentage than 35% and 51% of the voting shares as the case may be.

When a person or an entity intends to acquire more than 35% of the shares of a company, a mandatory tender offer to purchase 50% of the corporate voting capital is required by law.

If a person or an entity owns between 35% and 51% of the shares of a company, and wishes to increase its holdings by at least 6% within a 12 month period, a mandatory tender offer to acquire shares representing at least 10% of the voting capital will be legally required.

When a person or an entity wishes to acquire more than 51% of the shares of a company, a mandatory tender offer to acquire 100% of the voting capital will be legally required.

Finally, when a shareholder controls 95% or more of the outstanding shares of a company, (i) any minority shareholder may, at any time, demand that the controlling party make an offer to purchase all of the remaining shares of the minority shareholders and (ii) the controlling party can issue a unilateral statement of intention to acquire all of the remaining shares owned by the other stockholders.

Pursuant to the Argentine Companies Law we may redeem our outstanding common shares only under the following circumstances:

to cancel such shares and only after a decision to reduce our capital stock (with shareholder approval at a special shareholders meeting (*asamblea extraordinaria*));

to avoid significant damage to our company under exceptional circumstances, and then only using retained earnings or free reserves that have been fully paid, which action must be ratified at the following ordinary shareholders meeting; or

in the case of the acquisition by a third-party of our common shares.

The Public Offering of Securities Law provides for other circumstances under which our company, as a corporation whose shares are publicly listed, can repurchase our shares. The following are necessary conditions for the acquisition of our shares:

the shares to be acquired shall be fully paid,

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there shall be a board of directors resolution containing a report of our supervisory committee or audit committee. Our board of directors resolution must provide the purpose of the acquisition, the maximum amount to be invested, the maximum number of shares or the maximum percentage of capital that may be acquired and the maximum price to be paid for our shares. Our board of directors must give complete and detailed information to both shareholders and investors,

the purchase shall be carried out with net profits or with free or optional reserves, and we must prove to the *Comisión Nacional de Valores* that we have the necessary liquidity and that the acquisition will not affect our solvency,

under no circumstances may the shares acquired by our company, including those that may have been acquired before and held by us as treasury stock, be more than 10% of our capital stock or such lower percentage established by the *Comisión Nacional de Valores* after taking into account the trading volume of our shares.

Any shares acquired by us that exceed 10% of our capital stock must be disposed of within 90 days from the date of acquisition originating the excess without prejudice of the liability corresponding to our board of directors.

Transactions relating to the acquisition of our own shares may be carried out through open market transactions or through a public offering:

in the case of acquisitions in the open market, the amount of shares purchased daily cannot exceed 25% of the mean daily traded volume of our shares during the previous 90 days.

in either case, the *Comisión Nacional de Valores* can require that the acquisition be carried out through a public offering if the shares to be purchased represent a significant percentage in relation to the mean traded volume.

General Resolution No. 368/2001 of the *Comisión Nacional de Valores* as amended, provides general requirements that any company must comply with in the case of the acquisition of its shares under the Corporations Law or under the Public Offering of Securities Law. The acquisition of its shares by a company must be:

approved by a resolution of the board of directors with a report of its supervisory committee,

notice must be given to the *Comisión Nacional de Valores* and the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), and notice must be published in the Boletín of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) or in a widely circulated newspaper in Argentina,

be carried out with net profits or free reserves from the last financial statements and approved by the board of directors,

the board of directors has to prove to the *Comisión Nacional de Valores*, that the company has the necessary liquidity and that the acquisition does not affect its solvency.

all shares acquired by the company, including those that may have been acquired before and held by it as treasury stock, may not exceed 10% of its capital stock.

There are no legal limitations to ownership of our securities or to the exercise of voting rights pursuant to the ownership of our securities, by non-resident or foreign shareholders.

Registrations and Transfers

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Our common shares are held in registered, book-entry form. The registry for our shares is maintained by Caja de Valores S.A. at its executive offices located at 25 de mayo 362, (C1002ABH) Buenos Aires, Argentina. Only those persons whose names appear on such share registry are recognized as owners of our common shares. Transfers, encumbrances and liens on our shares must be registered in our share registry and are only enforceable against us and third parties from the moment registration takes place.

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Compliance with NASDAQ listing standards on corporate governance

Cresud corporate governance practices are governed by the applicable Argentine law; particularly, the Argentine Corporation Law No. 19,550, Decree No. 677/2001 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, 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.

The requirements of Rule 4,350 and the Argentine corporate governance practice that we follow in lieu thereof are described below:

NASDAQ Standards for US companies

Rule 4350(b)(1)(A) Distribution of Annual and Interim Reports.

CRESUD S CORPORATE PRACTICES

In lieu of the requirements of Rule 4350(b)(1)(A), we follow 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 Exchange (*Bolsa de Comercio de Buenos Aires*), within 70 calendar days following the close of our fiscal year. Interim reports must be filed with the *Comisión Nacional de Valores* and the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) within 42 calendar days following the close of each fiscal quarter. The Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) 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. We also send the English language translation of our 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 March 18, 1997, among us, The Bank of New York, as depository, and owners of ADSs issued thereunder, we are required to furnish The Bank of New York with, among other things, English language translations of our 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 our shareholders, at our

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NASDAQ Standards for US companies

Rule 4350I(1) Majority of Independent Directors.

CRESUD S CORPORATE PRACTICES

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).

In lieu of the requirements of Rule 4350I(1), we follow Argentine law which does not require that a majority of the board of directors be comprised of independent directors. Argentine law instead requires that public companies in Argentina must have a sufficient number of independent directors to be able to form an audit committee of at least three members, the majority of which must be independent pursuant to the criteria established by the *Comisión Nacional de Valores*.

Rule 4350I(2) Executive Sessions of the board of directors.

In lieu of the requirements of Rule 4350I(2), we follow 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). Our board of directors as a whole is responsible for monitoring our affairs. In addition, under Argentine law, the board of directors may approve the delegation of specific responsibilities to designated directors or non-director managers. Also, it is mandatory for public companies to form a supervisory committee (composed of *syndics*) which is responsible for monitoring our legal compliance under Argentine law and compliance with our by-laws. Finally, our audit committee has regularly scheduled meetings and, as such, such meetings will serve a substantially similar purpose as executive sessions.

Rule 4350I(3) Compensation of Officers.

In lieu of the requirements of Rule 4350I(3), we follow Argentine law which does not require companies to form a compensation committee comprised solely of independent directors. For the determination of the compensation of the chief executive officer and all other executive officers no decision of a majority of independent directors or a compensation committee comprised solely of independent directors is required under Argentine law. Under Argentine law, the board of directors is the corporate body responsible for determining the compensation of the chief executive officer and all other executive officers, so long as they are not directors. In addition, under Argentine law, the audit committee shall give its opinion about the reasonableness of management's proposals on fees and option plans for our directors or managers.

Rule 4350I(4) Nomination of directors.

In lieu of the requirements of Rule 4350I(4), we follow 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.

Table of Contents**NASDAQ Standards for US companies****Rule 4350(d)(1) Audit Committee Charter.****CRESUD S CORPORATE PRACTICES**

In lieu of the requirements of Rule 4350(d)(1), we follow 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 our 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 Sarbanes 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, we have 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, we have a supervisory committee 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), we follow 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 we are 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).

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NASDAQ Standards for US companies

Rule 4350(g) Solicitation of Proxies.

CRESUD S CORPORATE PRACTICES

In lieu of the requirements of Rule 4350(g), we follow 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 supervisory committee, manager or employee of the issuer, which are prohibited by Argentine law from acting as proxies. In addition, our American Depositary 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), we follow 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.

Table of Contents**DESCRIPTION OF THE AMERICAN DEPOSITARY RECEIPTS**

The following is a summary of certain provisions of the deposit agreement dated as of March 18, 1997 among us, the ADS depository, all owners and holders from time to time of ADRs issued under the deposit agreement. Such summary does not purport to be complete and is qualified in its entirety by reference to the form of deposit agreement, incorporated as an exhibit to our Form 20-F, Registration Number 333-06548 as filed with the Securities and Exchange Commission. Copies of the deposit agreement are also available for inspection at the principal office of the ADS depository, currently located at 101 Barclay Street, 22nd Floor West, New York, New York 10286. Terms used in this prospectus and not otherwise defined shall have the respective meanings set forth in the deposit agreement.

American depository shares

ADRs evidencing ADSs are issuable by the ADS depository pursuant to the deposit agreement. One ADS represents the right to receive ten common shares. The shares represented by ADSs will be deposited with the *Caja de Valores* for the account of The Bank of New York S.A., as custodian and agent of the ADS depository in Argentina. An ADR may evidence any number of ADSs and represents all other securities, property and cash received in respect of shares in accordance with the deposit agreement. Only persons in whose names ADRs are registered on the books of the ADS depository will be treated by us as owners and holders of ADRs.

Deposit and Withdrawal of shares and Issuance of ADRs

Subject to the terms and conditions of the deposit agreement, the ADS depository has agreed that upon deposit with the custodian of our common shares by delivery of certificates of such shares to the custodian, by electronic transfer of such shares to the account maintained by the custodian, or delivery to the custodian of evidence, reasonably satisfactory to the custodian that irrevocable instructions have been given to cause such shares to be transferred to such account, together with appropriate issuance instructions and instruments of transfer or endorsement, satisfaction of all laws and regulations, payments of the fees and expenses of the ADS depository and the certifications referred to below, and subject to the terms of the deposit agreement, the ADS depository will execute and deliver at the ADS depository's principal corporate trust office, to the person or persons certified entitled thereto, an ADR or ADRs evidencing the number of ADSs issuable in respect of such deposit.

Upon surrender of ADRs at the principal corporate trust office of the ADS depository, and upon payment of the fees, taxes and governmental charges specified in the deposit agreement, subject to the terms and conditions of the deposit agreement, our corporate charter and deposited securities (as defined below) and Argentine laws and regulations, owners are entitled to electronic delivery through the *Caja de Valores* or, if available, to physical delivery at the office of the custodian in Buenos Aires or the principal corporate trust office of the ADS depository of the deposited securities and any other securities and property represented by the ADSs so surrendered. Such delivery will be made to the ADR holder or upon the ADR holder's order without unreasonable delay. The forwarding of shares and other documents of title for such delivery to an ADR holder, or as ordered by such ADR holder, will be at its risk and expense or the risk and expense of the person submitting such written instruction for delivery.

Under the deposit agreement, the ADS depository may not lend shares or ADRs. The ADS depository is not authorized to deliver shares except upon the receipt and cancellation of ADRs. However, the ADS depository, subject to the limitations and conditions specified in the deposit agreement and any limitations established by the ADS depository, may from time to time execute and deliver ADRs prior to receipt of shares in respect of which such issuance is made, which is referred to as a pre-release and may receive ADRs in lieu of shares. Each pre-release shall (a) be preceded or accompanied by a written representation and agreement from the person to whom ADRs are to be delivered that such person, or its customer, (i) owns the shares or ADRs to be remitted, as the case may be, (ii) assigns all beneficial right, title and interest in such shares or receipts, as the case may be to ADS depository for the benefit of the owners, and (iii) will not take any action with respect to such shares or receipts, as the case may be, that is inconsistent with the transfer of beneficial ownership (including, without the consent of the depository, disposing of such shares or receipts, as the case

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may be), other than in satisfaction of such pre-release; (b) at all times be fully collateralized with cash, US government securities or such other collateral as the ADS depository determines, in good faith, will provide substantially similar liquidity and security; (c) be terminable by the ADS depository on not more than five business days' notice; and (d) be subject to such further indemnities and credit regulations as the ADS depository deems appropriate. The ADS depository will limit the number of ADRs issued by pre-release involved in transactions to be done in accordance with the terms described in this paragraph with any one person on a case-by-case basis as it deems appropriate. The collateral referred to in clause (b) above shall be held by the ADS depository for the benefit of the owners as security for the performance of the obligations to deliver shares set forth in clause (a) above, and such collateral shall not constitute deposited securities under the deposit agreement. The number of ADSs which are outstanding at any time as a result of pre-releases will not normally exceed 30% of the shares deposited under the deposit agreement; *provided*, that the ADS depository reserves the right to change or disregard such limit from time to time as it deems appropriate and may, with our prior written consent, change such limit for purposes of general application. Neither we nor the custodian shall incur any liability to owners as a result of such transactions.

Subject to the foregoing, the ADS depository may own and deal in any class of our securities or of our affiliates and in ADRs.

Dividends, Other Distributions and Rights

Subject to applicable Argentine laws, regulations and approvals, to the extent that the ADS depository can in its judgment convert Pesos (or any other foreign currency) into U.S. dollars on a reasonable basis and transfer the resulting U.S. dollars to the United States, the ADS depository will promptly as practicable convert or cause to be converted all cash dividends and other cash distributions received by it on the deposited securities into U.S. dollars and distribute the resulting U.S. dollars after deduction of the fees of the ADS depository and any amount charged by the ADS depository in connection with the conversion of Pesos (or other foreign currency) into U.S. dollars, to the owners in proportion to the number of ADSs representing such deposited securities held by each of them. The amounts distributed will be reduced by any amounts required to be withheld by us, the ADS depository or the custodian on account of taxes or other governmental charges. If the ADS depository determines that in its judgment any foreign currency received by it cannot be so converted on a reasonable basis (including, as a result of applicable Argentine laws, regulations and approval requirements), the ADS depository may distribute the foreign currency received by it or in its discretion hold such currency uninvested for the respective accounts of the owners entitled to receive the same (without liability for interest).

In the event that the custodian or the ADS depository receives any distribution upon any deposited securities in securities or property (other than cash or shares or rights upon any deposited securities), the ADS depository will distribute such securities or property to the owners entitled thereto, after deduction or upon payment of the fees and expense of the ADS depository, in proportion to their holdings, in any manner that the ADS depository deems equitable and practicable. If in the opinion of the ADS depository, however, the distribution of such property cannot be made proportionately among such owners, or if for any other reason (including any requirement that we or the ADS depository withhold an amount on account of taxes or other governmental charges or that such securities must be registered under the Securities Act in order to be distributed to such owners) the ADS depository deems such distribution not feasible, the ADS depository may, upon consultation with us, adopt such method as it may deem equitable or practicable in order to effect such distribution, including the sale (public or private) of all or any part of such property and securities and the distribution to owners of the net proceeds of any such sale, as in the case of a distribution received in cash.

If we declare a dividend in, or free distribution of, additional shares, the ADS depository may, and shall if we so request, instruct us to deposit or cause such shares to be deposited with the account of the custodian at *Caja de Valores* and distribute to the owners in proportion to their holdings, additional ADRs for an aggregate number of ADSs representing the number of shares received as such dividend or free distribution, subject to the terms and conditions of the deposit agreement and after deduction or payment of any amounts required to be withheld on account of taxes or other governmental charges and the fees and expenses of the ADS depository. If additional ADRs are not so distributed, each ADS shall thereafter also represent the additional shares distributed with respect to the shares represented thereby. In lieu of issuing ADRs for fractions of ADSs, in any such case, the ADS depository shall sell the number of shares represented by the aggregate of such fractions and distribute the new proceeds in U.S. dollars, all in the manner and subject to the conditions set forth in the deposit agreement.

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Owners will be entitled, in proportion to the number of deposited securities represented by the ADSs held by the owner, to rights to subscribe to any new shares issued by us of the same class as the deposited securities represented by the ADSs, or any security convertible into such shares. Owners are also entitled to the right to exercise a purchase option over new shares of the same class as the deposited securities represented by the ADSs held by the owner, or any security convertible into such shares issued by us, which has not been purchased by other shareholders pursuant to their rights.

If we offer or cause to be offered to the holders of shares any rights to subscribe for additional shares or any rights of any other nature, the ADS depository shall have discretion as to the procedure to be followed in making such rights available to owners. The ADS depository may (i) to the extent that the ADS depository determines, at the time of the offering of any such rights, that it is lawful and feasible, and upon provision of any documents or certifications requested by the ADS depository, take such action as is necessary for all or certain of the rights to be made available to or exercised by or on behalf of certain or all of the owners; or (ii) to the extent that the ADS depository determines that taking of any such action is not lawful or feasible, sell such rights, and, after deduction or upon payment of all amounts required to be withheld on account of taxes or other governmental changes and the fees and expenses of the ADS depository, allocate the new proceeds of such sales for the accounts of such owners otherwise entitled thereto upon an averaged or other practical basis without regard to any distinctions among such owners because of exchange restrictions or the date of delivery of any ADR or ADRs, or otherwise.

The ADS depository will not make available to owners any right to subscribe for or to purchase any securities unless a registration statement under the Securities Act is in effect as to both the rights and the securities to which such rights relate or unless the offer and sale of such securities to such owners is exempt from registration under the provisions of the Securities Act.

Record Dates

Whenever any cash dividend or other cash distribution becomes payable or any distribution other than cash is made, or whenever rights are issued with respect to the deposited securities, or whenever, for any reason, the ADS depository causes a change in the number of shares that are represented by each ADS or whenever the ADS depository shall receive notice of any meeting of holders of deposited securities, the ADS depository will fix a record date (which, to the extent practicable, shall be the same as the corresponding record date set by us, or otherwise shall be the earliest practicable date thereafter) for the determination of the owners who are entitled to receive such dividend, distributions or rights or the net proceeds of the sale thereof, or to give instructions for the exercise of voting rights at any such meeting, or for fixing the date on or after which each ADS will represent the changed number of shares, subject to the provisions of the deposit agreement.

Voting

If requested in writing by us, as soon as practicable after receipt of notice of a meeting of holders of shares, or other deposited securities, and to the extent permitted by law, the ADS depository will mail to the owners the information contained in such notice of meeting. Owners at the close of business on the record date specified by the ADS depository are entitled, subject to Argentine law, or our bylaws and the provisions affecting the deposited securities, to instruct the ADS depository as to the exercise of the voting rights, if any, pertaining to the shares, or other deposited securities, underlying the ADRs held by such owners. Upon written request, the ADS depository will endeavor to vote or cause to be voted the shares, or other deposited securities, represented by the ADSs held by such owners in accordance with such instructions, *provided* that if, after complying with the foregoing procedures, the ADS depository does not receive instructions from an owner on or before the date established by the ADS depository for such purpose, the ADS depository will exercise such owner's voting rights relating to the shares or other deposited securities represented by the ADSs in the same manner as the majority of such shares or other deposited securities not held in the depository receipt facility under the deposit agreement, *provided further* that the ADS depository shall only be required to vote shares or other deposited securities in accordance with the foregoing procedures if it is satisfied that the actions to be voted upon are not contrary to Argentine law or regulations of our bylaws.

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Inspection of Transfer Books

The ADS depository will keep books at its transfer office in the City of New York for the registration and transfer of ADRs, which at all reasonable times will be open for inspection by the owners, *provided* that such inspection shall not be for the purpose of communicating with owners in the interest of a business or object other than our business or a matter related to the deposit agreement or the ADRs.

Reports and Notices

We will furnish to the ADS depository copies in English of all notices of shareholders' meetings, its annual reports to shareholders and other reports and communications that are made generally available to shareholders. Upon receipt thereof, the ADS depository will, upon our request, promptly mail such reports to all owners. The ADS depository will make available for inspection by owners at its principal office any reports and communications received from us that are made generally available to shareholders.

On or before the first date on which we give notice, by publication or otherwise, of any shareholders' meeting or of any adjourned shareholders meeting, or of the taking of any action in respect of any cash or other distributions or the offering of any rights in respect of deposited securities, we agree to transmit to the ADS depository and the custodian a copy of the notice thereof in the form given to owners. If requested by us, the ADS depository will, at our expense, arrange for the prompt mailing of such notices to all owners.

We will be required to file certain reports with the Securities and Exchange Commission pursuant to the Exchange Act. Such reports will be available for review and copying at the public reference facilities of the Securities and Exchange Commission. We are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements.

Changes Affecting Deposited Shares

Upon any change in par value, split-up, consolidation or any other reclassification of deposited securities or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting us or to which we are a party, any securities which shall be received by the ADS depository or the custodian in exchange for, in conversion of or otherwise in respect of deposited securities shall be treated as new deposited securities under the deposit agreement, and the ADS depository may execute and deliver new ADRs, or call for the surrender of outstanding ADRs to be exchanged for additional ADRs specifically describing such new deposited securities.

Amendment and Termination of the Deposit Agreements

The form of ADR and the deposit agreement may at any time be amended by agreement between us and the ADS depository and, except as provided in the next sentence, such amendment shall require no consent from owners. Any amendment which imposes or increases any fees or charges (other than taxes and other governmental charges and expenses of the ADS depository), or which otherwise prejudices any substantial existing rights of owners, will not take effect as to outstanding ADRs until the expiration of 30 days after notice of such amendment has been given to the owners. Each owner, at the time such amendment becomes effective, will be deemed, by continuing to hold such ADR or ADRs, to consent and agree to such amendment and to be bound by the deposit agreement as amended thereby.

Whenever so directed by us, the ADS depository will terminate the deposit agreement by mailing notice of such termination to the owners of all ADRs then outstanding at least 90 days prior to the date fixed in such notice for such termination. The ADS depository may likewise terminate the deposit agreement if, at any time 90 days after the ADS depository shall have delivered to us a notice of its election to resign, a successor depository shall not have been appointed and accepted its appointment as provided in the deposit agreement. If any ADRs remain outstanding after the date of termination, the ADS depository thereafter will discontinue the registration of transfers of ADRs, will suspend the distribution of dividends to the owners thereof, will not give any further notices or perform any further acts under the deposit agreement except the collection of dividends and other distributions pertaining to the deposited securities, the sale of property and rights as provided in the deposit agreement and the delivery of deposited securities together with dividends or other distributions, in exchange for surrendered ADRs upon payment of the ADS depository's fee for such cancellations.

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At any time after the expiration of one year from the date of termination, the ADS depository may sell the deposited securities and hold the net proceeds, together with any cash then held, segregated and without liability for interest, for the pro rata benefit of the owners of ADRs which have not theretofore been surrendered and such owners will thereupon become general creditors of the ADS depository with respect to such net proceeds.

Governing Law

The deposit agreement and the ADRs, and all the rights thereunder, are governed by and will be interpreted in accordance with the laws of the State of New York.

Charges of ADS Depository

The following charges shall be incurred by any party depositing or withdrawing shares or by any party surrendering ADRs or to whom ADRs are issued (including without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADRs or deposited securities), whichever applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of shares generally on our register (or our appointed agent for transfer and registration of the shares) and applicable to transfers of shares to the name of the ADS depository or its nominee or the custodian or its nominee on the making of deposits or withdrawals hereunder, (3) such cable, telex and facsimile transmission expenses as are expressly provided in the deposit agreement to be at the expense of persons depositing shares or owners, (4) such expenses as are incurred by the ADS depository in the conversion of foreign currency, (5) a fee not in excess of US\$5.00 per 100 ADS (or portion thereof) for the execution and delivery of ADRs pursuant to the deposit of shares or other deposited securities or distribution in shares or other deposited securities and the surrender of ADRs for withdrawal of shares and other deposited securities, (6) a fee not in excess of US\$0.02 per ADS (or portion thereof), for any cash distribution made pursuant to the deposit agreement, and (7) a fee for the distribution of shares or Rights, such fee being an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares), but which securities are instead distributed by the depository to owners.

General

Neither the ADS depository nor us nor any of their directors, employees, agents or affiliates shall incur any liability to any owner if, by reason of any present or future provision of any law or regulation of the United States, Argentina or of any other country, or any governmental or regulatory authority or stock exchange, or by reason of any provision, present or future, of our bylaws, or by reason of any provision of or governing any deposited securities, or by reason of an act of God or war or other circumstances beyond its control, the ADS depository or us or any of their directors, employees, agents or affiliates shall be prevented, delayed or forbidden from, or subjected to any civil or criminal penalty on account of, doing or performing any act or thing which by the terms of the deposit agreement or the deposited securities it is provided shall be done or performed. Our obligations and those of the ADS depository under the deposit agreement are expressly limited to performing our or their respective duties specified therein without negligence or bad faith.

The ADRs are transferable on the books of the ADS depository, *provided*, that the ADS depository may close the transfer books at any time or from time to time, after consultation with us, when deemed expedient by it in connection with the performance of its duties under the deposit agreement or at our written request. As a condition precedent to the execution and delivery, registration of transfer, split-up, combination or surrender of any ADR or the transfer or withdrawal of any deposited securities, we, the ADS depository or the custodian may require payment from the presenter of the ADRs or the depositor of the shares of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto and payment of any applicable fees payable by the owners.

The ADS depository may refuse to deliver ADRs, register the transfer of any ADRs, make any distributions or deliver any deposited securities until it has received such proof of citizenship, residence,

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exchange control approval, legal or beneficial ownership or other information as it may deem necessary or proper or as we may require. The delivery of ADRs against deposits of shares or the registration of transfers of ADRs may be suspended during any period when the transfer books of the ADS depository or we are closed if such action is deemed necessary or advisable by the ADS depository or us, in good faith, at any time or from time to time in accordance with the deposit agreement.

Table of Contents**DESCRIPTION OF THE WARRANTS**

The warrants will be issued pursuant to a warrant agreement between us and the Bank of New York, as warrant agent. The following summary of certain provisions of the warrant agreement and the warrants does not purport to be complete and is qualified in its entirety by reference to the warrant agreement and the warrants, including the definitions of certain terms contained in the warrant agreement and warrants.

General

The warrants are freely transferable and each warrant will be exercisable during the six-day period from and including the 17th through the 22nd days of each February, May, September and November (to the extent that such dates are business days in Buenos Aires and in New York City), commencing with such period from and including February 17 through February 22, 2008. The warrants will automatically expire on _____, 2012. Prior to its expiration, each warrant will entitle its holder to purchase 0.3334 common shares for an exercise price of _____ per common share. As a result, three warrants must be exercised to purchase each common share. The exercise price will be determined by our board of directors and will be published by us together with the subscription price on _____, 2007. If as of the payment date of the warrant exercise price payment in U.S. dollars is legally prevented in Argentina, holders of warrants will be entitled to pay the exercise price in Argentine pesos in an amount equal to the Argentine peso equivalent (determined on the basis of the seller's reference exchange rate (*tipo de cambio vendedor*) published by Banco de la Nación Argentina and if such information is not available, by Bloomberg, for the purchase of pesos in exchange of U.S. dollars on the business day preceding the payment date of the exercise price of the warrants of the U.S. dollar exercise price of the warrants. The exercise price and the number of common shares issuable on exercise of a warrant are both subject to adjustment in certain cases. See *Changes Affecting Warrants* below.

We have agreed that until the earlier to occur of the exercise or expiration of all the warrants, we will keep a registration statement current with respect to the issuance of our common shares from time to time upon exercise of the warrants. We will apply for the listing of the warrants in the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*).

The warrants may be exercised by surrendering to us the warrant certificates evidencing such warrants, if any, with the accompanying form of election to exercise, properly completed and executed, together with payment of the exercise price. Payment of the exercise price may be made in the form of cash or a certified or official bank check payable to the order of us. Within five days that are business days in both Buenos Aires and New York City, after the submission to us of a properly completed and duly executed election to exercise, and payment in full of the exercise price, we will register new common shares the warrant agent will deliver or cause to be delivered, to or upon the written order of such holder, stock certificates representing the number of whole warrant shares. Certificates for warrants will be issued in registered form as definitive warrant certificates. We or the warrant agent may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration or transfer or exchange of warrants.

Fractional Shares

No fractional common share will be issued upon exercise of the warrants. We will accept exercises of warrants for whole, new common shares only and will round down any warrant exercise submitted for fractional, new common shares to the nearest whole number of new common shares. As a result, you must exercise three warrants to purchase each common share.

Unexercised Warrants

Unexercised warrants will not entitle their holders to any rights to vote at or attend our shareholders meetings or to receive any dividends in respect of our common shares. The holders of the warrants have no right to vote on matters submitted to our stockholders and have no right to receive cash dividends until such time as they are registered holders of the common shares or ADSs underlying such warrants. The holders of the warrants are not entitled to share in our assets in the event of the liquidation, dissolution or winding up of our affairs.

Changes Affecting Warrants***Adjustment of the exercise price and the number of our common shares that may be purchased pursuant to the warrants.***

If any corporate restructuring or action regarding our common shares is approved, different from any of those mentioned herein and which may have an impact on or represent a reduction of rights to the holders of the warrants, we will use our best efforts to negotiate with the holders of the warrants to set forth new exercise conditions, seeking to preserve the rights originally granted to the warrant, its economic and corporate value, the amount of underlying shares and their exercise price.

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Both the exercise price and the number of our common shares that may be purchased by exercising the warrants shall be subject to adjustments in order to preserve the value of the warrants.

(a) Stock splits, combinations, etc. If at any time after the date of issuance of the common shares issued pursuant to this offering, split, subdivide or combine our common shares, the exercise price prevailing at that time shall be reduced pro rata in the event of split or subdivision and increased pro rata in the event of combination.

(b) Reclassification, mergers, etc. In case of any reclassification or change of our outstanding common shares issuable upon exercise of the warrants, or in case of any consolidation or merger with or into another corporation (other than a merger in which we are the continuing corporation and which does not result in any reclassification or change of the then outstanding common shares or other stock issuable upon exercise of the warrants) or in case of any sale or conveyance to another corporation of all or substantially all of our assets, then, as a condition of such reclassification, change, consolidation, merger, sale or conveyance, we or such a successor or purchasing corporation, as the case may be, shall forthwith make lawful and adequate provision whereby the holder of warrants then outstanding shall have the right thereafter to receive on exercise of the warrants a number of shares of the successor or purchasing corporation equal to that resulting from application of the exchange relation established for the reclassification, combinations or merger with respect to the underlying shares acquired pursuant to the exercise of the warrants.

(c) Issuance of options or convertible securities. If we shall, at any time or from time to time after the date hereof, issue, sell, distribute or otherwise grant in any manner to all holders of our common shares any rights to subscribe for or to purchase, or any warrants or options for the purchase of, our common shares or any stock or securities convertible into or exchangeable for our common shares, whether or not such any rights to subscribe for or to purchase, or any warrants or options for the purchase of, our common shares or any stock or securities convertible into or exchangeable for our common shares are immediately exercisable, and the price per share at which common shares are issuable upon the exercise of such rights to subscribe for or to purchase, or any warrants or options for the purchase of, our common shares or any stock or securities convertible into or exchangeable for our common shares determined by dividing (i) the aggregate amount, if any, received or receivable by us as consideration for the issuance, sale, distribution or granting of such rights to subscribe for or to purchase, or any warrants or options for the purchase of, our common shares or any stock or securities convertible into or exchangeable for our common shares, plus the minimum aggregate amount of additional consideration, if any, payable to us upon the exercise of all such rights to subscribe for or to purchase, or any warrants or options for the purchase of, our common shares or any stock or securities convertible into or exchangeable for our common shares, plus, in the case of our common shares or any stock or securities convertible into or exchangeable for our common shares, the minimum aggregate amount of additional consideration, if any, payable upon the conversion or exchange of all such of our common shares or any stock or securities convertible into or exchangeable for our common shares, by (ii) the total maximum number of our common shares issuable upon the exercise of all such rights to subscribe for or to purchase, or any warrants or options for the purchase of, our common shares or any stock or securities convertible into or exchangeable for our common shares shall be less than the Current Market Price per common share on the record date for the issuance, sale, distribution or granting of such rights to subscribe for or to purchase, or any warrants or options for the purchase of, our common shares or any stock or securities convertible into or exchangeable for our common shares (the *Distribution*) then, effective upon such *Distribution*, the exercise price shall be reduced to the price determined by multiplying the exercise price in effect immediately prior to such *Distribution* by a fraction, the numerator of which shall be the sum of (i) the number of our common shares outstanding (exclusive of any treasury shares) immediately prior to such *Distribution* multiplied by the Current Market Price per common share of on the date of such *Distribution* plus (ii) the consideration, if any, received by us upon such *Distribution*, and the denominator of which shall be the product of (A) the total number of our common shares outstanding (exclusive of any treasury shares) immediately after such *Distribution* multiplied by (B) the Current Market Price per common share on the record date for such *Distribution*. For purposes of the foregoing, the total maximum number of common shares issuable upon exercise of all such rights to subscribe for or to purchase, or any warrants or options for the purchase of, our common shares or any stock or securities convertible into or exchangeable for our common shares shall be deemed to have been issued as of the date of such *Distribution* and thereafter shall be deemed to be outstanding and we shall be deemed to have received as consideration therefore such price per share, determined as provided above.

The Current Market Price per common share at any date shall be the average of the daily closing prices for the shorter of (i) the 20 consecutive trading days ending on the last full trading day on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) prior to the time and date of the earlier to occur of (A) the date as of which the Current Market Price is to be computed and (B) the last full trading day on such exchange or market before the commencement of *ex dividend* trading in our common shares relating to the event giving rise to the adjustments required by paragraph (a), (b), (c) or (d) (the *Time of Determination*); and (ii) the period commencing on the date next succeeding the first public announcement of the issuance, sale, distribution or granting in question through such last full trading day prior to the *Time of Determination*; provided that in the case of a firm commitment underwritten public offering, the Current Market Price shall mean the closing price of our common shares on the day of the pricing of such offering. The closing price for any day shall be the last reported sale price regular way or, in case no such reported sale takes place on such day, the average of the closing bid and asked prices regular way for such day, in each case on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*).

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(d) Dividends and Distributions. If we shall, at any time or from time to time after the date hereof, distribute to all holders of our common shares, any dividend as provided for under section 234 of the Argentine Corporation Law, in cash or in kind, or other distribution of cash, evidences of our indebtedness, other securities or other properties or assets, or any options, warrants or other rights to subscribe for or purchase any of the foregoing, then (A) the exercise price shall be decreased pro rata by the percentage in which the distribution exceeds 3% of the Current Market Price as defined above; and (B) the number of common shares purchasable upon the exercise of each warrant shall be increased to a number determined by multiplying the number of common shares so purchasable immediately prior to the record date for such distribution by a fraction, the numerator of which shall be the exercise price in effect immediately prior to the adjustment required by clause (A) of this sentence and the denominator of which shall be the exercise price in effect immediately after such adjustment. The adjustments required by this paragraph (d) shall be made whenever any such distribution occurs retroactive to the record date for the determination of stockholders entitled to receive such distribution.

(e) Issuance of additional common shares. If at any time we shall (except as hereinafter provided) issue or sell any additional of our common shares for consideration in an amount per additional common share less than the Current Market Price (as defined above), then the number of our common shares for which the warrants are exercisable shall be adjusted to equal the product obtained by multiplying the number of common shares for which the warrants are exercisable immediately prior to such issue or sale by a fraction (A) the numerator of which shall be the number of our common shares outstanding immediately after such issue or sale, and (B) the denominator of which shall be the sum of (1) the number of our common shares outstanding immediately prior to such issue or sale, and (2) the aggregate consideration received from the issuance or sale of the additional common shares divided by the Current Market Price (as defined above). No adjustment shall be made under this paragraph (e) for issuances of shares of our common stock (i) with respect to options issued under stock options plans as currently in effect or in effect from time to time or (ii) upon exercise of the warrants.

(f) Deferral of certain adjustments. No adjustment to the exercise price (including the related adjustment to the number of shares of our common shares purchasable upon the exercise of each warrant) shall be required hereunder unless such adjustment, together with other adjustments carried forward as provided below, would result in an increase or decrease of at least two percent (2%) of the exercise price; provided that any adjustments which by reason of this paragraph (f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. No adjustments need to be made for a change in the par value of our common shares.

(g) Changes in options and convertibles securities. If the exercise price provided for in any rights to subscribe for or to purchase, or any warrants or options for the purchase of, our common shares or any stock or securities convertible into or exchangeable for our common shares referred to in paragraph (c) above, the additional consideration, if any, payable upon the conversion or exchange of any stock or securities convertible into or exchangeable for our common shares, or the rate at which any stock or securities convertible into or exchangeable for our common shares are convertible into or exchangeable for our common shares shall change at any time (other than under or by reason of provisions designed to protect against dilution upon an event which results in a related adjustment), the exercise price then in effect and the number of common shares purchasable upon the exercise of each warrant shall forthwith be readjusted (effective only with respect to any exercise of any warrant after such readjustment) to the exercise price and number of our common shares so purchasable that would then be in effect had the adjustment made upon the issuance, sale, distribution or granting of such rights to subscribe for or to purchase, or any warrants or options for the purchase of, our common shares or any stock or securities convertible into or exchangeable for our common shares been made based upon such changed purchase price, additional consideration or conversion rate, as the case may be, but only with respect to such rights to subscribe for or to purchase, or any warrants or options for the purchase of, our common shares or any stock or securities convertible into or exchangeable for our common shares as then remain outstanding.

(h) Other adjustments. In the event that at any time, as a result of an adjustment, the holders of the warrants shall become entitled to receive any of our securities other than our common shares, thereafter the number of such other securities so receivable upon exercise of the warrants and the exercise price applicable to such exercise shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to our common shares contained herein.

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Reservation of Common Shares

We have authorized and reserved for issuance such number of shares of our common shares as shall be issuable upon the exercise of all outstanding warrants. Such common shares, when paid for and issued, will be duly and validly issued, fully paid and non-assessable, free of preemptive rights and free from all taxes, liens, charges and security interests with respect to the issue thereof.

Amendment of the Warrant Agreement

From time to time, we and the warrant agent, without the consent of the holders of the warrants, may amend or supplement the warrant agreement for certain purposes, including, without limitation, curing defects or inconsistencies or making any change that does not materially and adversely affect the interests of the holders of the warrants. Any amendment or supplement to the warrant agreement that has a material and adverse effect on the interests of the holders of the warrants shall require the written consent of the holders of a majority of the then outstanding warrants. The consent of each holder of the warrants affected shall be required for any amendment pursuant to which the exercise price would be increased or the number of warrant shares purchasable upon exercise of warrants would be decreased (other than pursuant to adjustments provided in the warrant agreement).

Governing Law

The warrant agreement and the warrants, and all the rights thereunder, are governed by and will be interpreted in accordance with the laws of the State of New York, except for the rights relating to the underlying common shares, which will be governed by the laws of Argentina.

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RELATED PARTY TRANSACTIONS

Lease of our Headquarters

From December 2001 to December 2003 we subleased our headquarters from Alto Palermo. 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, Alto Palermo, 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, Alto Palermo 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, 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.

Eduardo S. Elsztain, our chairman is also the chairman of the board of directors of Alto Palermo. Saúl Zang, our first vice-president is also director of Inversora Bolívar and Alejandro Gustavo Elsztain, our second vice-chairman is the vice chairman of Inversora Bolívar. In addition, Fernando Adrián Elsztain who is the chairman of Inversora Bolívar is also our director.

Lease Agreement

We lease a farm located in the Province of Córdoba, from Isaac Elsztain e Hijos S.C.A., pursuant to a lease agreement executed in July, 2005. This lease agreement has a term of three years and an option extend the lease for three additional years. The leased farm has an extension of 15,069 hectares.

The rent was agreed to be paid in the following conditions: (i) for the first year the equivalent in Pesos of 7 Kg. of beef per hectare; (ii) for the second year up to the conclusion of this agreement (a) the equivalent of Pesos of 10 Kg. of beef per hectare if the total amount of cattle is less than 3,000; or (b) the equivalent of Pesos of 15 kg. of beef per hectare if the total amount of cattle exceed 3,000. The beef price will be set, taking into account the price per kilo of beef fixed on Diario La Nación, the previous Saturday of the payment date.

Due to the crisis in the cattle sector during the last year, in February 26, 2007, we signed an addendum to the lease agreement, decreasing the rent in a 50% for the next six months with an extension option for six additional months. During fiscal 2007, we pay a rent of Ps.0.2 million.

Fernando Adrián Elsztain, our director is also president of Isaac Elsztain e Hijos S.C.A. In addition, Alejandro G. Elsztain who is alternate director of Isaac Elsztain e Hijos S.C.A. is also our second vice-chairman and CEO.

Consulting Agreement

Pursuant to the terms of a Consulting Agreement with Consultores Asset Management effective as of November 7, 1994, Consultores Asset Management provides us advisory services on matters related to capital investments in all aspects of the agriculture business. One of our shareholders and the Chairman of our board of directors is the owner of 85% of the capital stock of Consultores Asset Management and our First Vice Chairman of the board of directors holds the remaining 15% of its capital stock.

Pursuant to the terms of the Consulting Agreement, Consultores Asset Management provides us with the following services:

advises with respect to the investment of our capital in all aspects of agricultural operations, including, among others, sales, marketing, distribution, financing, investments, technology and business proposals;

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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 may not advise us with respect to transactions that are entirely related to real estate.

Under the Consulting Agreement, we pay Consultores Asset Management for its services, an annual fee equal to 10% of our annual after-tax net income. We also reimburse Consultores Asset Management the administrative expenses incurred by it in performing its duties under the Consulting Agreement and: (i) remuneration to the directors 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.

Fees totaled Ps.5.5 million, Ps.3.8 million and Ps.8.5 million for the years ended June 30, 2007, 2006 and 2005, respectively.

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 for the two fiscal years prior to such termination.

Donations to Fundación IRSA

From time to time, we donate money to Fundación IRSA, a charitable, not-for-profit organization, whose director is Eduardo S. Elsztain, our largest beneficial owner and our Chairman of the board of directors. Mr. Elsztain's wife serves as the President of Fundación IRSA.

During fiscal year ended June 30, 2007, we made no donations to Fundación IRSA; however, during the years ended June 30, 2006 and 2005, our donations amounted to Ps.1.6 million and Ps.1.2 million, respectively. In addition, as of June 30, 2007 we had recognized a liability for our unconditional promise to make a cash donation of Ps.1.8 million to Fundación IRSA and had accounted for such liability within trade accounts payable.

Agreement for Shared Corporate Services with IRSA and Alto Palermo

In order to reduce administrative expenses and to achieve a more efficient allocation of corporate resources, we entered into an Exchange of Operating Services Agreement with IRSA and Alto Palermo, on June 30, 2004. This agreement has a term of two years (being renewed for an equal period of time unless any of the parties decide to terminate it) by which tasks are performed by one or more of the companies for the benefit of one or more of other companies in exchange for a fee to be paid primarily through the provision of services in other areas. Through this agreement, each company continues to maintain its strategic and commercial independence while increasing operating efficiency. This agreement will not affect the independence of each company's record and accounting systems or adversely affect internal control systems or external audit tasks. Each company will continue to maintain separate assets and liabilities.

Alejandro Gustavo Elsztain is the General Coordinator of the program and Gabriel Adolfo Gregorio Reznik is responsible for the implementation of the agreement. The main duties for implementation of the project are (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 company'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.

The areas originally involved were Human Resources, Finance, Institutional Relations, Administration, Systems, Insurance, Purchasing, Messenger Services, Contracts, Operations and Directors Assistants, among others. This program was implemented to reduce operating costs by optimizing the individual administrative efficiencies of each company.

Currently, the program includes Internal Audit and the other Shared Corporate Services, while the sharing of Directors Assistants has been dropped.

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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 Alto Palermo. Our chairman is also chairman of IRSA and Alto Palermo and our vice-chairman is also vice-chairman of IRSA and Alto Palermo. 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 filed with the SEC in a report on Form 6-K dated July 1, 2004 and an amendment to this agreement was filed in a report on Form 6-K dated September 19, 2007. See Note 8 to our audited consolidated financial statements contained elsewhere in this prospectus.

Legal services

During the years ended June 30, 2005, 2006 and 2007, the law firm Zang, Bergel & Viñes provided us with legal services amounting Ps.0.3 million, Ps.0.6 million and Ps.0.2 million, respectively. Our first vice-chairman Saúl Zang and our director Salvador D. Bergel 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 shares.

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.

During 2006 and 2007 Inversiones Financieras del Sur S.A. exercised all of its conversion rights of its convertible notes and Warrants. As a result IFISA owned, as of June 30, 2007, 32.8% of our common shares. In the case that the remaining bondholders exercised their conversion rights of all of its convertible notes and Warrants, IFISA would own 31.6% of our common shares.

Acquisition of IRSA Units

Eduardo S. Elsztain and Saúl Zang are, Chairman and Vice Chairman of our board of directors, respectively and are also shareholders of our company. Mr. Elsztain and Mr. Zang are also Chairman and Vice-Chairman of the Board of Directors of IRSA, respectively and are also shareholders of IRSA.

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 consisting of US\$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 converted 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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In February 2006, the Company converted 5.0 million of convertible notes issued by IRSA for 9.2 million ordinary shares.

In April 2006, the Company converted 16.0 million of convertible notes issued by IRSA for 29.3 million ordinary shares.

As of June 30, 2007 we owned 25.0% 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 28.4% of IRSA's common shares. In the case all bondholders exercise their conversion rights and we exercise them as well, we would own 27.7% of IRSA's common shares.

Assuming we exercise all of our IRSA's warrants and Convertibles Notes and no other noteholders exercise such rights, as of June 30, 2007, we would own 36.3% of IRSA's common shares. In the case all bondholders exercise their warrants and Convertibles Notes and we exercise them as well, we would own 34.3% of IRSA's common shares.

We intend to convert all of our IRSA convertible notes and Warrants prior to their maturity.

Purchase of Cresud shares and notes by IFISA

Cresud convertible notes

During the fiscal year ended on June 30, 2007, IFISA converted 15.0 million convertible notes and subsequently exercised the 15.0 Cresud warrants. Both transactions resulted in the issue of 58.9 million Cresud common shares.

During the fiscal year ended on June 30, 2006, IFISA converted 5.5 million Cresud convertible notes resulting in the issue of 10.8 million Cresud common shares and 5.5 million warrants. During the same period IFISA purchased 0.5 million Cresud warrants and subsequently exercised 6.0 million warrants resulting in the issue of 11.9 million Cresud common shares.

On December 22, 2005 the Board of Directors of IFISA approved the distribution of dividends in kind of 3.5 million convertible notes of Cresud, as provided by the applicable law and its memorandum of incorporation. These assets were available for distribution during January 2006.

Cresud Shares

During the fiscal year ended on June 30, 2007, 58.9 million Cresud common shares were issued as a result of the conversion of 15.0 million Cresud convertible notes and the exercise of the 15.0 million Cresud warrants.

During the same period IFISA bought the net of 4.3 million of Cresud common shares.

During the fiscal year ended on June 30, 2006, 22.7 million Cresud common shares were issued as a result of the conversion of 5.5 million Cresud convertible notes and from the exercise of 6.0 million warrants, of which a net of 4.6 million Cresud common shares were sold.

On October 18, 2005 Refco filed for Chapter 11 bankruptcy protection and announced a deal to sell its brokerage business to private investors. At the same time, IFISA acknowledged that Refco had disputed the ownership of IFISA's account assets.

On August 10, 2005, IFISA entered into an equity financing with Refco, for which 0.86 million Cresud ADRs and 2.5 million IRSA Convertible Bonds were placed as collateral.

On July 17, 2006, IFISA asserted the Proof of Claim against Refco for a total amount of US\$10.8 million.

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On October 10, 2006, Marc S. Kirschner, the chapter 11 Trustee of Refco (the Trustee), announced his decision to liquidate substantially all of the Refco securities portfolio, by soliciting bids from multiple independent/dealers and by other means consistent with good market practice. The Trustee was also allowed to solicit additional bids from former Refco customers for particular securities, provided however, that neither the Trustee nor Refco shall have any obligation to contact former Refco customers, including IFISA when selling the above mentioned securities.

IFISA expressed its willingness to acquire the securities that were formerly in its account at Refco in a timely manner. Nevertheless, IFISA 's offer to purchase Cresud ADRs from the Trustee, which included 860,000 Cresud ADRs was rejected.

As of June 30, 2007 IFISA owned 101.5 million shares of Cresud, representing 32.8% of the total outstanding Cresud shares. On a fully diluted basis, considering the full conversion of outstanding convertible notes and the full exercise of the Warrants, IFISA 's total ownership in Cresud was 31.6%.

Purchase of Cresud Convertible Notes by Directors and Shareholders

As of June 30, 2007 and 2006, certain directors and shareholders were also holders of convertible notes, totaling US\$0.04 million and US\$15.2 million, respectively.

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TAXATION

Certain United States Federal Income Tax Consequences

The following summary describes certain United States federal income tax consequences of the ownership of ADS rights, common share rights, common shares, ADSs and warrants (collectively, "Equity Securities") by U.S. Holders (as defined below) as of the date hereof. Except where noted, it deals only with Equity Securities held as capital assets and does not deal with special situations, such as those of dealers in securities or currencies, financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, insurance companies, traders in securities that elect to use the mark-to-market method of accounting for their securities, persons holding Equity Securities as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, persons owning 10% or more of our voting stock, persons liable for alternative minimum tax, investors in pass-through entities or persons whose functional currency is not the U.S. dollar.

As used herein, the term "U.S. Holder" means a beneficial holder of an Equity Security that is for United States federal income tax purposes:

an individual citizen or resident of the United States;

a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust:

i if it is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust; or

i that has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

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 repealed, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the ADS depository to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

PERSONS CONSIDERING THE PURCHASE, OWNERSHIP OR DISPOSITION OF EQUITY SECURITIES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IN LIGHT OF THEIR PARTICULAR SITUATIONS AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION.

If a partnership holds Equity Securities, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. U.S. Holders that are partners of a partnership holding Equity Securities should consult their own tax advisors.

Issuance of ADS Rights or Common Share Rights

A U.S. Holder will not be subject to United States federal income taxation with respect to the receipt of ADS rights or common share rights.

Table of Contents*Basis and Holding Period of the ADS Rights and Common Share Rights*

Except as provided in the following sentence, the basis of the ADS rights or common share rights distributed to a U.S. Holder will be zero. However, if either (i) the fair market value of the ADS rights or common share rights is 15% or more of the fair market value (on the date of distribution) of the ADSs or common shares with respect to which they are distributed or (ii) the U.S. Holder of the ADS rights or common share rights irrevocably elects, in such holder's United States federal income tax return for the taxable year in which the ADS rights or common share rights are received, to allocate part of the basis of such ADSs or common shares to such ADS rights or common share rights, then upon exercise or sale of the ADS rights or common share rights the U.S. Holder's basis in such ADSs or common shares will be allocated between such ADSs or common shares and the ADS rights or common share rights in proportion to the fair market values of each on the date of distribution of the ADS rights or common share rights. No basis will be allocated to any such ADS rights or common share rights that lapse. A U.S. Holder will include its holding period in ADSs or common shares with respect to which the ADS rights or common share rights were distributed in determining the holding period of the ADS rights or common share rights.

Sale of Common Share Rights

Subject to the discussion under *Passive Foreign Investment Company* below, for United States federal income tax purposes, a U.S. Holder will recognize taxable gain or loss upon the sale or other disposition of common share rights (including the sale by the ADS rights agent of common share rights corresponding to unexercised ADS rights of a U.S. Holder) in an amount equal to the difference between the amount realized for the common share rights (or, in the case of unexercised ADS rights, distributions by the depositary with respect to the sale of the underlying common share rights) and the U.S. Holder's tax basis in the ADS rights or common share rights. Such gain or loss will generally be treated as capital gain or loss. Capital gain 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 under the Code. Gain or loss recognized by a U.S. Holder on a sale of common share rights generally will be treated as United States source gain or loss for United States foreign tax credit purposes.

Expiration of the ADS Rights or Common Share Rights

If a U.S. Holder does not exercise ADS rights prior to the end of the subscription period, such U.S. Holder generally will recognize no gain or loss, except to the extent of gains from distributions by the depositary with respect to the sale of common share rights represented by unexercised ADS rights, as discussed in *The Rights Offering*. If a U.S. Holder does not exercise common share rights prior to the end of the subscription period, it will recognize no gain or loss.

Exercise of the ADS Rights or Common Share Rights

U.S. Holders of ADS rights or common share rights will not recognize any gain or loss upon the exercise of the ADS rights or common share rights. The aggregate basis of ADSs or common shares and warrants acquired upon exercise of ADS rights or common share rights will be equal to the sum of such U.S. Holder's basis in the ADS rights or common share rights exercised and the amount paid upon exercise of those ADS rights or common share rights. The basis of the ADSs or common shares and warrants will be determined by allocating such aggregate basis among the ADSs or common shares and the warrants received in proportion to the relative fair market values of these securities on the date the ADS rights or common share rights are exercised. The holding period of ADSs or common shares and warrants acquired upon exercise of ADS rights or common share rights will begin on the date the ADS rights or common share rights are exercised.

ADSs

If you hold ADSs, for United States federal income tax purposes, you generally will be treated as the owner of the underlying common shares that are represented by such ADSs. Accordingly, deposits or withdrawals of common shares for ADSs will not be subject to United States federal income tax.

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The United States Treasury has expressed concerns that intermediaries in the chain of ownership between holders of ADSs and the issuer of the securities underlying the ADSs may be taking actions that are inconsistent with the claiming of foreign tax credits for 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 Argentinean taxes and the availability of the reduced rate of tax for dividends received by certain non-corporate holders, each as described below, could be affected by actions taken by intermediaries in the chain of ownership between the holder of an ADS and our company.

Taxation of Warrants

The exercise of a warrant to purchase common shares generally will not constitute a taxable event. Accordingly, a U.S. Holder generally will not recognize gain or loss upon the exercise of a warrant. Rather, a U.S. Holder will recognize taxable gain or loss if and when such U.S. Holder disposes of the common shares received pursuant to the exercise of the warrant in a taxable transaction. A U.S. Holder's aggregate tax basis in the common shares received pursuant to the exercise of the warrant will be equal to the amount paid upon the exercise of the warrant plus the U.S. Holder's basis in the warrant. The holding period of the common shares received pursuant to the exercise of the warrant would begin on the day that the warrant is exercised.

If a warrant is allowed to lapse unexercised, a U.S. Holder will recognize a capital loss equal to such U.S. Holder's basis in the warrant. Such loss will be long-term if the warrant has been held for more than one year. The deductibility of capital losses is subject to limitations under the Code.

The exercise price of the warrants will be adjusted in certain circumstances. Under Section 305(c) of the Code, adjustments (or failures to make adjustments) that have the effect of increasing a holder's proportionate interest in our assets or earnings may in some circumstances result in a deemed distribution to such holder. Adjustments to the exercise price made pursuant to a bona fide reasonable adjustment formula that has the effect of preventing the dilution of the interest of the holders of the warrants, however, will generally not be considered to result in a deemed distribution to holders. Certain of the possible exercise price adjustments provided in the warrants (including, without limitation, adjustments in respect of taxable dividends to holders of our common shares) may not qualify as being pursuant to a bona fide reasonable adjustment formula. If such adjustments are made, a holder of a warrant will be deemed to have received a distribution even though such holder has not received any cash or property as a result of such adjustments. Any deemed distributions will be taxable as a dividend, return of capital, or capital gain in accordance with the earnings and profits rules under the Code. U.S. Holders should consult their own tax advisors regarding the possible application of Section 305(c) of the Code.

Taxation of Dividends

Subject to the discussion under "Passive Foreign Investment Company" below, distributions on our common shares or ADSs (including amounts withheld to reflect Argentinean withholding taxes) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such dividends will be includable in your gross profit as ordinary income on the day actually or constructively received by you, in the case of our common shares, or by the depositary, in the case of our ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations. With respect to United States non-corporate investors, certain dividends received before January 1, 2011 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 common shares (or ADSs backed by such common 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 Global Select Market), but not our common 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 common shares that do not underlie ADSs currently meet the conditions required for these reduced tax rates. Furthermore, 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

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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. Non-corporate U.S. Holders should consult their own tax advisors regarding the application of these rules given their particular circumstances.

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 our common shares, or by the depositary, in the case of our ADSs, regardless of whether the Pesos are converted into U.S. dollars. If the Pesos received as a dividend are not converted into U.S. dollars on the date of receipt, you will have a tax basis in the Pesos equal to their U.S. dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the Pesos will be treated as United States source ordinary income or loss.

Subject to certain complex conditions and limitations, Argentinean withholding taxes on dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on our common shares or ADSs will be treated as income from sources outside the United States and will generally constitute passive income. If you do not elect to claim a credit for any foreign taxes paid during a taxable year, you may instead claim a deduction in respect of such foreign taxes. Further, in certain circumstances, if you:

have held our common shares or ADSs 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 our common shares or ADSs. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution (including amounts withheld to reflect Argentinean withholding taxes) 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 our common shares or ADSs (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by you on a subsequent disposition of our common shares or ADSs), and thereafter as capital gain recognized on a sale or exchange (as discussed below under *Taxation of Capital Gains*). 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 Argentinean 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).

Distributions of our common shares or ADSs that are received as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income taxes.

Passive Foreign Investment Company

Based on the current and projected composition of our income and the valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company (PFIC) for United States federal income tax purposes for the taxable year ending June 30, 2007, and we do not currently expect to become a PFIC, although there can be no assurance in this regard.

In general, we will be a PFIC for any taxable year in which:

at least 75% of our gross income is passive income; or

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at least 50% of the value (determined based on a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, cash is a passive asset and passive income generally includes dividends, interest, royalties, and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). If we own at least 25% by value of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of that other corporation's assets and receiving our proportionate share of its income.

The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may become a PFIC in the current or any future taxable year due to changes in the fair market value of our assets or income composition. If we are a PFIC for any taxable year during which you hold our Equity Securities, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our Equity Securities, 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 Equity Securities. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the common shares or ADSs will be treated as excess distributions. Under these special tax rules:

the excess distribution or gain will be allocated ratably over your holding period for the Equity Securities;

the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we become a PFIC, will be treated as ordinary income; and

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.

If we are a PFIC for any taxable year during which you hold our Equity Securities and any of our non-United States subsidiaries is also a PFIC, a U.S. Holder would be treated as owning a proportionate amount (by value) of the common shares of the lower tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

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, 2011, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. You will be required to file Internal Revenue Service Form 8621 if you hold our Equity Securities in any year in which we are classified as a PFIC.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on our Equity Securities as ordinary income under a mark-to-market method, provided that our common shares or ADSs are regularly traded on a qualified exchange or other market. Our common shares are listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), which must meet certain trading, listing, financial disclosure and other requirements to be treated as a qualified exchange under applicable United States Treasury regulations for purposes of the mark-to-market election, and no assurance can be given that the common shares are or will continue to be regularly traded for purposes of the mark-to-market election. Our ADSs are currently listed on the NASDAQ Global Select Market, which constitutes a qualified market, although there can be no assurance that the ADSs are or will be regularly traded.

If you make an effective mark-to-market election, you will include in each year as ordinary income the excess of the fair market value of our Equity Securities at the end of the year over your adjusted tax basis in our Equity Securities. You will be entitled to deduct as an ordinary loss each year the excess of your adjusted tax basis in our Equity Securities over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

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Your adjusted tax basis in our Equity Securities will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. 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 our common shares or ADSs are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election. You are urged to consult your tax advisors about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

In some cases, holders of Equity Securities in a PFIC may be able to avoid the rules described above by electing to treat the PFIC as a qualified electing fund under Section 1295 of the Code. This option will not be available to you because we do not intend to comply with certain calculation and reporting requirements necessary to permit you to make this election.

You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding our Equity Securities if we are considered a PFIC in any taxable year.

Taxation of Capital Gains

Subject to the discussion under *Passive Foreign Investment Company* above, for United States federal income tax purposes, you will recognize taxable gain or loss on any sale, exchange, redemption or other taxable disposition of our common shares or ADSs in an amount equal to the difference between the amount realized for the common shares or ADSs and your tax basis in the common shares or ADSs. Such gain or loss will generally be capital gain or loss. Capital gains of non-corporate shareholders 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 under the Code. Any gain or loss recognized by you will generally be treated as United States source gain or loss for United States foreign tax credit purposes.

Information Reporting and Backup Withholding

In general, information reporting will apply to dividends in respect of our common shares or ADSs and the proceeds from the sale, exchange or redemption of our common shares or ADSs that are 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. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or certification of other exempt status or fail to report in full dividend and interest income.

Backup withholding is not an additional tax. 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 the required information is timely furnished to the Internal Revenue Service.

Argentine Taxation

The following discussion is a summary of certain Argentine tax considerations associated with an investment in, ownership or disposition of common share rights, ADS rights, common shares, ADSs and warrants by (i) an individual holder that is resident in Argentina, (ii) an individual holder that is neither domiciled nor resident in Argentina, (iii) a legal entity organized under the laws of Argentina and (iv) a legal entity that is not organized under the laws of Argentina that does not have a permanent establishment in Argentina and is not otherwise doing business in Argentina on a regular basis. 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 prospectus, 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.

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Taxation of Dividends

Dividends, either in cash, common 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

Due to certain amendments made to the Argentine Income Tax Law, it is not entirely clear whether certain amendments concerning payment of income tax on capital gains arising from the sale, exchange or other disposition of common shares are in effect or not. Although Opinion No. 351 of the National Treasury General Attorney Office clarified the legal status of certain matters affecting the tax treatment of capital gains certain issues still remain unclear.

Resident individuals

Under what we believe to be a reasonable interpretation of existing applicable tax laws and regulations: (i) income derived from the sale, exchange or other disposition of common share rights, ADS rights, common shares, ADSs and warrants by resident individuals who do not sell or dispose of Argentine common shares on a regular basis would not be subject to Argentine income tax, and (ii) although there still exists uncertainty regarding this issue, income derived from the sale, exchange or other disposition of common share rights, ADS rights, common shares, ADSs and warrants by resident individuals who sell or disposes of Argentine common shares on a regular basis should be exempt from Argentine income tax.

Foreign beneficiaries

Capital gains obtained by non residents or foreign entities from the sale, exchange or other disposition of common share rights, ADS rights, common shares, ADSs and warrants are exempt from income tax. Pursuant to a reasonable interpretation of existing applicable laws and regulations, and although the matter is not completely free from doubt, such treatment should also apply to those foreign beneficiaries that qualify as "offshore entities" for Argentine tax law purposes. For this purpose, an offshore entity is any foreign legal entity which pursuant to its by-laws or to the applicable regulatory framework: (i) its principal activity is to invest outside the jurisdiction of its incorporation and/or (ii) cannot perform in such jurisdiction certain transactions.

Local entities

Capital gains obtained by Argentine entities (generally entities organized or incorporated under Argentine law, certain traders and intermediaries, local branches of non Argentine entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina) derived from the sale, exchange or other disposition of common share rights, ADS rights, common shares, ADSs and warrants are subject to income tax at the rate of 35%.

Losses arising from the sale, exchange or other disposition of common share rights, ADS rights, common shares and ADSs can be applied only to offset such capital gains arising from the sale, exchange or other disposition of these securities.

As warrants could qualify as speculative derivative financial instruments within the meaning of Argentine Income Tax Law, losses arising from the sale, exchange or other disposition of warrants could be applied only to offset such capital gains arising from the sale, exchange or other disposition of these types of securities.

WE RECOMMEND PROSPECTIVE INVESTORS TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES CONCERNING THE SALE OR OTHER DISPOSITIONS OF COMMON SHARES, ADSs, COMMON SHARE RIGHTS, ADS RIGHTS AND WARRANTS.

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Value Added Tax

The sale, exchange, disposition, or transfer of common share rights, ADS rights, common shares, ADSs and warrants is not subject to Value Added Tax.

Personal Assets Tax

Shares and ADSs

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 common 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 common 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 common 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.

Our shareholders approved the absorption of personal asset tax for the years 2002 to 2006. There can be no assurance that in the future this tax will be absorbed by the Company.

Warrants

Resident individuals

Individuals domiciled in Argentina whose personal assets exceed a total amount of Ps. 102,300 are subject to an Argentine personal assets tax. The personal assets tax would be levied on the holders of the warrants. The tax is determined by applying a 0.5% rate on any amount over Ps. 102,300. However, if the total value of such assets exceeds the sum of Ps. 302,300 the applicable rate is 0.75% on any amount over Ps. 102,300.

Foreign beneficiaries

Individuals domiciled or located abroad are subject to this tax at a rate of 0.75% of all their assets located in Argentina, in accordance with a special system of rules for payment of the tax by substitute obligors. Under this system, there is no tax liability if the amount payable is equal to or less than Ps. 255,750. The personal assets tax would be levied on the holders of the warrants.

Foreign entities that are holders of warrants are not subject to the personal assets tax.

Local entities

Argentine entities, generally entities organized or incorporated under Argentine law, are not subject to the personal assets tax.

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, common shares and ADSs issued by entities subject to such tax are exempt from paying the IGMP.

Gross Profit Tax

The gross profit tax is a local tax; therefore, the rules of the relevant provincial jurisdiction should be considered, which may levy this tax on the customary purchase and sale, exchange or other disposition of common shares, ADSs, common shares rights, ADS rights, warrants and/or the collection of dividends at an average rate of 3%, unless an exemption is applicable. In the particular case of the City of Buenos Aires, any

transaction involving common shares, ADSs, common share rights, ADS rights and warrants and/or the collection of dividends and revaluations is exempt from this tax.

There is no gross profit tax withholding system applicable to the payments made to foreign beneficiaries.

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 or the lease 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 common share rights, ADS rights, common shares, ADSs and warrants, executed in other jurisdictions, or with effects in those jurisdictions, could be deemed to be subject to this tax.

Tax on Credits and Debits in Bank Accounts

This tax is levied upon debits and credits in bank accounts and upon other transactions which, due to their special nature and characteristics, are similar or could be used in substitution for a checking account, such as payments on behalf of or in the name of third parties, procedures for the collection of securities or documents, drafts and transfers of funds made by any means, when these transactions are performed by local banks.

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The tax law and its regulations provide several exemptions to this tax. For example, it does not apply to entities recognized as exempt from income tax, to debits and credits relating to salaries, to retirement and pension emoluments credited directly by banking means and withdrawals made in connection with such credits and to credits in checking accounts originating from bank loans.

The general rate of the tax is 0.6%. An increased rate of 1.2% applies in cases in which there has been a substitution for the use of a checking account.

Court and Other Taxes

In the event that it becomes necessary to institute legal actions in relation to the common shares, ADSs and warrants 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 common shares in exchange for ADSs. Other than the taxes discussed above, no other Argentine taxes are applicable to an investment in common 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.

Table of Contents**EXPENSES OF THE OFFERING**

We estimate that our expenses in connection with this offering and the Argentine offering will be as follows:

| Expenses | Amount (in US\$) | Percentage of net proceeds of this offering (%) |
|---|---------------------|--|
| Securities and Exchange Commission registration fee | US\$ * | |
| NASDAQ listing fee | | |
| National Association of Securities Dealers, Inc. filing fee | | |
| Printing and engraving expenses | | |
| Legal fees and expenses | | |
| Accountant fees and expenses | | |
| Miscellaneous costs ⁽¹⁾ | | |
| Total | US\$ | % |

* To be provided in a further amendment

(1) Includes the fees of the Argentine *Comisión Nacional de Valores* and the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*).

All amounts in the table are estimated except the Securities and Exchange Commission registration fee, the NASDAQ listing fee, the NASD filing fee and the Argentine *Comisión Nacional de Valores* and Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) fees.

The depositary has agreed to pay some of these expenses on our behalf, subject to certain conditions.

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LEGAL MATTERS

The validity of the ADSs will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York. The validity of the rights, common shares and other matters governed by Argentine law will be passed upon for us by the law firm Zang, Bergel & Viñes, Buenos Aires, Argentina.

Saúl Zang and Salvador D. Bergel are partners of the law firm of Zang, Bergel & Viñes. Juan C. Quintana Terán is a consultant of the law firm of Zang, Bergel & Viñes. Saúl Zang serves as first vice-chairman of our board of directors. Salvador D. Bergel and Juan C. Quintana Terán serve as an alternative members of our board of directors.

EXPERTS

The consolidated financial statements of Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera Y Agropecuaria, as of June 30, 2006 and 2007 and for each of the three years in the period ended June 30, 2007 included in this prospectus have been so included in reliance on the report of Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, member firm of PricewaterhouseCoopers, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of IRSA Inversiones y Representaciones Sociedad Anonima as of June 30, 2006 and 2007 and for each of the three years in the period ended June 30, 2007 included in this prospectus have been so included in reliance on the report of Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, member firm of PricewaterhouseCoopers, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of Banco Hipotecario as of June 30, 2006 and 2007 and for each of the three years in the period ended June 30, 2007 included in this prospectus have been so included in reliance on the report of Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, member firm of PricewaterhouseCoopers, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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FORWARD LOOKING STATEMENTS

This prospectus contains statements that constitute forward-looking statements, in that they include 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 materially and adversely from those set forth in the forward-looking statements. Unless required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. However, you should carefully review the risk factors set forth in other reports and documents that we may file from time to time with the Securities and Exchange Commission.

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 or investing in Argentina or Argentine companies;

changes in exchange rates or regulations applicable to currency exchanges or transfer;

unexpected developments in pending litigation;

increased costs;

unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and

the factors discussed under Risk Factors.

You should not place undue reliance on such statements which speak only as of the date that they were made. 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 prospectus to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed a Registration Statement on Form F-3 with the SEC regarding this offering. This prospectus, which is part of the registration statement, does not contain all the information included in the registration statement, and you should refer to the registration statement and its exhibits to read that information. Reference in this prospectus to any of our contract or other documents are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contract or document. We are subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended, and under such act, we file reports, proxy statements and other information with the SEC. You can read our SEC filings, including the registration statement, over the internet at the SEC's website at www.sec.gov. You may also read and copy any document we file with the SEC at the following SEC locations:

Public Reference Room

450 Fifth Street

Room 1024

N.W., Washington, DC 20549

Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Room 10234, N.W., Washington, D.C. 20549, at prescribed rates. You may also request a copy of those filings, at no cost, by writing to Maria Cecilia Poch at our office at Moreno 877, 23rd Floor, (C1091AAQ) Buenos Aires, Argentina or calling +54 (11) 4323-7449. Our website is www.cresud.com.ar.

Table of Contents**ANNEX A CERTAIN INFORMATION RELATING TO BOLIVIA, BRAZIL, PARAGUAY AND URUGUAY****Bolivia**

Bolivia is situated in the center of South America and has a population of approximately 9 million inhabitants. According to International Monetary Fund estimates for the year 2006, Bolivia's GDP was approximately US\$10.8 billion and its GDP per capita was approximately US\$1,125.

In the year 2006, its economic conditions were stable primarily as a result of a favorable external environment. According to data compiled by the International Monetary Fund, Bolivia's GDP grew for the years 2003, 2004, 2005 and 2006 at 2.9%, 3.9%, 4.1% and 4.5%, respectively.

The agriculture sector and its impact on the economy. Bolivia's agricultural and livestock sector plays a leading role in Bolivia's national economy and is the second most important component of GDP having an annual average estimated growth rate of approximately 3.2% for the period 1980 to 2005 according to the *Instituto Nacional de Estadística* (INE). In 2006, agriculture and livestock experienced growth of approximately 4.2% according to INE.

Land market. The trend shown in land distribution in recent years has been, on one hand, extreme parceling at the rural level in the Altiplano and valley regions, resulting from difficult access and demographical pressures and on the other hand increasing intensive livestock farming in the lowlands, as well as an expansionary process consisting in the occupation of land allotted to crops with higher relative advantages in the markets in the lowlands, particularly in Santa Cruz. The latter process has contributed to concentrations of ownership in that area.

In Bolivia, land usage must comply with the so-called Social Economic Function (FES, in Spanish) which consists in the sustainable use of the soil for the performance of production activities such as agriculture and livestock, forestry, preservation and protection of biodiversity, ecotourism and research. This applies both to areas currently being utilized (surfaces that are currently being farmed and exploited) and areas that are currently in the resting stage (surface areas covered by rotation cycles that have already been used and are now waiting to be tilled in subsequent periods).

The productive areas of the country are clearly distinct above all because of the rainfall in the various regions, with the areas that present the lowest rainfalls or higher risk being applied to livestock whereas the regions with more abundant rainfalls being used for agriculture. There are multiple factors that have an impact on productivity, both in agriculture and in livestock and that exert influence on the value of the land, such as erosion (which affects approximately 25% of the national territory), low fertility, climatic phenomena, the small size of farms in some areas, highly concentrated land ownership and the resulting inadequate access to the land. The highest prices are in the Santa Cruz area, Bolivia's most developed agricultural region. Lands that are more remote and have no infrastructure have lower values.

Crops. The Economic Plan of the Bolivian Government of 1952 provided for the diversification of Bolivian production, which as of that time had been focused primarily on mining activities, and encouraged the construction of roads as well as internal and external migrations. Thus, the agricultural frontier expanded to include mainly sugar cane, rice and corn as well as traditional products of small farmers located in what is currently known as the integrated region, to the North of the city of Santa Cruz and introducing soybean in the department.

Additionally, the influence of the Lowland Development Project (Lowlands Project) funded by the World Bank in the mid-1980s and implemented in the period 1990 to 1996 was a determining factor in the expansion of the crop because it allocated resources to create a new agricultural region located to the east of Río Grande, in the eastern lowlands of the Santa Cruz department, an area called "Expansion Zone" where extensive agricultural and livestock activities started to be carried out, primarily soybeans. In the period 1990 to 2000, Bolivia's agricultural surface area grew significantly and experienced the highest rate of growth in the Eastern Lowlands.

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Bolivia's main crops are soybean, sunflower, corn and sorghum. The following table shows data on the behavior of outputs and yields for the latest five seasons in the Santa Cruz area, which produces 99% of Bolivia's crops.

| Crop | Season | | | | |
|------------------|-----------|-----------|-----------|--------------------------|--------------------------|
| | 2001-2002 | 2002-2003 | 2003-2004 | 2004-2005 ⁽¹⁾ | 2005-2006 ⁽¹⁾ |
| Soybean | | | | | |
| Hectares | 639,200 | 715,100 | 862,600 | 930,500 | 928,000 |
| Tons | 1,201,500 | 1,704,147 | 1,573,180 | 1,622,300 | 1,676,360 |
| Yield (tn/ha) | 1.88 | 2.38 | 1.82 | 1.74 | 1.81 |
| Sunflower | | | | | |
| Hectares | 133,500 | 83,000 | 89,000 | 99,350 | 162,000 |
| Tons | 78,000 | 92,000 | 72,980 | 120,214 | 187,920 |
| Yield (tn/ha) | 0.58 | 1.11 | 0.82 | 1.21 | 1.16 |
| Corn | | | | | |
| Hectares | 126,500 | 111,500 | 128,000 | 152,000 | 158,500 |
| Tons | 412,980 | 400,220 | 351,400 | 588,500 | 687,385 |
| Yield (tn/ha) | 3.26 | 3.59 | 2.75 | 3.87 | 4.34 |
| Sorghum | | | | | |
| Hectares | 52,500 | 67,500 | 60,000 | 91,000 | 104,000 |
| Tons | 105,845 | 162,540 | 173,050 | 276,580 | 351,500 |
| Yield (tn/ha) | 2.02 | 2.41 | 2.88 | 3.04 | 3.38 |

Source: ANAPO Technical Department Prepared by CAO-SIPREM

(1) Preliminary figures

Livestock. Livestock is also a significant sector in Bolivia. According to INE, the industry currently represents approximately 6% of the country's GDP. Livestock production systems are highly correlated to the physiographic, climatic, social and cultural conditions and to the population's purchasing power. As a result, the production systems, located in four macro-regions are highly variable and each has specific characteristics. The most prevalent are the pastoral farming systems.

The Potential of the Agricultural and Livestock industries in Bolivia. We see an investment opportunity in Bolivia for several reasons. Firstly, we believe that Bolivia enjoys preferential access to certain markets. For example, the EU's Generalised System of Preferences (GSP), the Andean Trade Preference and Drug Enforcement Act (ATPDEA) of the US, and agreements with Japan and with certain other countries afford Bolivia preferential tariff treatment in these markets.

Additionally, we believe that land values are competitive when compared to those in the neighboring countries with similar productive features and they offer attractive appreciation potential with the introduction of technology. In terms of productivity, given the climatic conditions, there is the possibility of double crops, which in our opinion is a comparative advantage.

We are currently interested in possibly entering Bolivia's agricultural and livestock market to take advantage of the potential shown by certain areas that are still being developed and the potential of other areas that, although more developed and subject to the introduction of technology, we believe would permit an increase in productivity. We intend to focus primarily on evaluating agricultural production taking advantage of double crops and the potential for development shown by crops such as soybean both in the nucleus areas and in those being developed. We also intend to evaluate opportunities to carry out livestock activities. Nevertheless, we may invest in other activities that we consider consistent with our business.

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Brazil

The largest country in South America, Brazil stretches over almost half of its surface area and ranks fifth amongst the largest countries in the world. This republic shares frontiers with all the South American countries except only for Chile and Ecuador.

Brazil is one of the members of the so-called BRIC group, together with Russia, India and China. It has been forecasted that China and India may become the largest suppliers of manufactured goods and services whereas Brazil and Russia may become the largest producers of raw materials.

In terms of GDP and according to the estimates prepared by the International Monetary Fund for the year 2006, Brazil ranks tenth at the global level and first at the Latin American level, with US\$1,068 billion. In turn, the Brazilian economy closed the year 2006 with an expansion rate of 3.7%. As regards GDP per capita, it stands at US\$ 5,717, which marks a 9.4% increase compared to 2005.

In May 2007, Fitch Ratings upgraded Brazil's sovereign rating from BB to BB+ as a result of an improvement in the country's external balance supported by the macroeconomic policies and the rise in savings. Whilst the accumulation of international reserves in part reflects potentially volatile revenues attracted by the high interest rates offered, it is underpinned by continuous trade and direct foreign investments. Additionally, it provides security against the possibility of less favorable economic and financial contexts, though at a cost as there are significant differences in the interest rates for assets denominated in Reais and those denominated in US Dollars.

The agriculture and livestock sector and its impact on the economy. According to the Ministério da Agricultura, Pecuária e Abastecimento (MAPA), Brazil's agribusiness, taken as a whole, (i.e., considering the whole chain of supply of agricultural and livestock products) represented in 2006 approximately 27% of GDP and was a source of jobs for approximately 18 million workers. Additionally, in the period 1996 – 2006, the Brazilian agribusiness exports grew by approximately 134%, evidencing the success of the diversification strategy applied to markets and products as the main growth driver in Brazil's agribusiness sector which ships more than 50% of its exports to emerging countries.

Furthermore, we believe that the long-standing barrier represented by infrastructure limitations is likely to be improved over time upon completion of the major works outlined by the Plan for the Acceleration of Growth (PAC). The PAC currently contemplates investments of approximately US\$234,400 million for the period 2007-2010 and is designed to stimulate the meager growth posted by the country.

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The following chart shows the estimated share of Brazil's agribusiness in the general GDP.

Land market. Land prices are not the same throughout the country, with the differences being due to the degree of development of the land based on the level of investments made in the land and the number of years during which the land has been applied to production. Additionally, soil in Brazil has fertility issues which requires fertilizers and liming and this impacts the value of land, particularly when compared to the value of land in other countries with similar production characteristics.

We believe that prices per hectare in the South and South East regions are the highest, whereas prices in the North and North East regions are the lowest. This is due to the characteristics inherent in each region, such as the degree of urbanization, closeness to consumer markets, available infrastructure, level of economic development and availability of land. Given that, as mentioned above, the value of land is highly influenced by the level of infrastructure in the area in which the land is located, it is our understanding that land prices in the areas that are farther away from the centers of consumption and export ports are likely to show an upward trend as the projects for improvement in the infrastructure systems as announced are consummated.

Crops. Brazil is the largest producer of coffee and sugar in the world, with approximately 32% and 19% of the world's output as reported by USDA for the season 2005/06. According to USDA, Brazil is also the second largest world producer of soybean in the world, with approximately 25% of the world's output, after the US. In addition, we believe that Brazil has the potential to become a leading world producer of soybean, cattle beef, poultry meat and tobacco.

In the 1970s, the excess capacity available in the sugar industry propelled the creation of the National Alcohol Program in Brazil. Brazilian sugar cane is being applied to the extraction of ethanol, as a ton of sugar has an energy potential equal to 1.2 oil barrels. At present, Brazil is the largest biofuel market in the world, as it produces ethanol based on sugar cane. The second largest ethanol market in the world is the USA where the largest part of ethanol production is based on corn. The size of both markets (Brazilian and American) is almost the same, however, whereas in the US ethanol represents only 3% of the gasoline-ethanol market, in Brazil it represents approximately 40%.

Presently the sales of flex fuel automobiles, which use gasoline and ethanol indistinctly, are growing fast. In fact, most of the new cars being sold in Brazil are flex fuel. Given that alcohol is a renewable fuel and less polluting, it is an interesting product to reduce the emissions that contribute to the greenhouse effect.

The following tables show relevant information on the main agricultural and livestock products produced in Brazil,

| | Planted area (1,000 ha) | | Production (1,000 tons) | |
|--------------|-------------------------|----------------|-------------------------|----------------|
| | 05/06 | 06/07 h/Apr-07 | 05/06 | 06/07 h/Apr-07 |
| Soybean | 22,229 | 20,686 | 53,414 | 57,960 |
| Corn | 12,964 | 13,606 | 42,515 | 51,051 |
| Beans | 4,224 | 4,276 | 3,471 | 3,588 |
| Rice | 2,996 | 2,977 | 11,579 | 11,203 |
| Wheat | 2,362 | 1,758 | 4,873 | 2,234 |
| Cotton | 856 | 1,065 | 1,686 | 2,240 |
| Sorghum | 732 | 693 | 1,543 | 1,540 |
| Others | 963 | 914 | 1,694 | 1,287 |
| Total | 47,326 | 45,976 | 120,775 | 131,103 |

Source: USDA

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| Product | Exports (%) | | | | Product | Production (%) | | | |
|--------------|-------------|------|------|---------|--------------|----------------|------|------|---------|
| | 2004 | 2005 | 2006 | Ranking | | 2004 | 2005 | 2006 | Ranking |
| Crops | | | | | Crops | | | | |
| Sugar | 32.5 | 37.7 | 34.7 | 1° | Sugar | 18.5 | 20.0 | 18.7 | 1° |
| Coffee | 27.4 | 30.6 | 28.1 | 1° | Coffee | 30.5 | 36.1 | 32.0 | 1° |
| Orange Juice | 83.7 | 80.4 | 81.9 | 2° | Orange Juice | 54.6 | 57.5 | 59.7 | 1° |
| Soybean | 35.5 | 31.2 | 40.2 | 2° | Soybean | 27.3 | 24.5 | 25.2 | 2° |
| Soy flour | 32.7 | 30.6 | 25.2 | 2° | Soy flour | 17.4 | 16.3 | 15.1 | 4° |
| Soybean Oil | 31.5 | 26.2 | 22.0 | 2° | Soybean Oil | 18.7 | 17.4 | 15.7 | 4° |
| Cotton | 2.9 | 4.5 | 4.4 | 5° | Cotton | 6.7 | 4.9 | 5.9 | 4° |
| Corn | 7.3 | 1.9 | 3.0 | 5° | Corn | 6.3 | 4.9 | 4.1 | 5° |
| Rice | 0.1 | 0.9 | 0.9 | 17° | Rice | 2.2 | 2.3 | 1.9 | 9° |

Source: USDA

Livestock. The production and exports of cattle, pork and poultry have significantly risen in recent years. According to the Confederação da Agricultura e Pecuária do Brasil (CNA), in 2006 the country's beef production amounted to approximately 8.9 million tons, with approximately 44 million of head being slaughtered. According to USDA, at present Brazil currently leads the ranking of the world's beef exporters.

The potential of the Agricultural and Livestock industries in Brazil. We believe that Brazil is one of the most competitive countries in terms of crop production, forestry products, sugar and cattle. In our opinion, this is a reflection of the availability of major surfaces of land at attractive prices when compared to other countries, and of weather conditions favorable for agriculture and livestock activities. Besides, there is an Infrastructure Plan currently underway, with a track record of attainment of the plan goals which we believe is likely to improve logistics to the ports.

As regards production, we believe that the introduction of new technologies is likely to result in an improvement in Brazil's competitiveness in the medium term. Also, Brazil is currently a leading country in the production of biofuel and it is important to consider Brazil to be a country fit for meeting the world's biofuel needs as it has the know-how and natural resources required.

We believe Brazil is a country with substantial growth potential. We currently intend to evaluate further investments focusing primarily on activities involving soybeans, corn, cotton and sugar cane, and perhaps forestry activities. We also intend to continue seeking to acquire land with appreciation potential. Nevertheless, we may invest in other activities that we consider consistent with our business.

Paraguay

The Republic of Paraguay is situated at the heart of the South American continent. As of July 2006, its population was estimated at approximately 6.5 million inhabitants. To the south it borders with Argentina, to the east, with Brazil and to the north with Bolivia.

According to IMF estimates, for 2006, Paraguay's GDP was approximately US\$8.8 billion and its GDP per capita was approximately US\$ 1,483.

Production activities in Paraguay in the year 2006, measured by GDP at constant prices, exceeded by 4% the activities for 2005. According to data compiled by the International Monetary Fund, Paraguay's economy grew at the rate of 3.8% in 2003; 4.1% in 2004; 2.9% in 2005 and 4.0% in 2006.

The agriculture and livestock sector and its impact on the economy. According to Ministerio de Agricultura y Ganadería (MAG), Paraguay's agricultural, livestock and forestry sectors have a 25.7% share in the

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country's total GDP (2005), broken down by sectors as follows: Agriculture 17.2%; Livestock 6.5%; Forestry activities 1.9%; Hunting and fishing 0.1%. In addition, it generates approximately 90% of exports, with 57.6% of said volumes made up by the main agricultural and livestock commodities (33.5% is soybean). Jobs in the agricultural and livestock sector represent approximately 35% of total employment.

Land market. The value of land in Paraguay shows major variations throughout the territory basically due to climatic factors, such as temperature and rainfall, as well as to the development status of the land determined by the technologies used in production and the number of years under cultivation with good techniques. There are areas affected by acidity problems that have to be corrected through the use of fertilizers and liming, which circumstance has an impact on the value of the land.

Crops. We believe that Paraguay is a country with a potential for agricultural production that exceeds current outputs. We believe it has potential to produce up to 5.5 million tons of soybean, 1 million tons of corn, 150,000 tons of sunflower, 100,000 tons of canola and from 800,000 to 1 million tons of wheat and in each case a substantial portion of such production could be exported.

According to the Paraguayan Chamber of Exporters of Grains and Oilseed (CAPECO), based on data compiled by the USDA, during the 2004-2005 season Paraguay was the sixth largest producer of soybeans in terms of global production with an output of 3.80 million tons, equivalent to approximately 2% of the world output of soybean. Also in that season, it was the fourth exporter of soybean, with approximately 2.10 million tons.

The following chart shows the behavior throughout the last 5 seasons of the areas assigned to production, the output in tons and the yields of the main crops:

| Crop | | Season | | | | |
|---------|---------------|-----------|-----------|-----------|-----------|-----------|
| | | 2001-2002 | 2002-2003 | 2003-2004 | 2004-2005 | 2005-2006 |
| Soybean | Hectares | 1,282,855 | 1,474,148 | 1,550,000 | 1,936,600 | 2,000,000 |
| | Tons | 3,554,128 | 4,204,866 | 3,167,193 | 3,911,415 | 4,040,828 |
| | Yield (kg/ha) | 2,770 | 2,852 | 2,043 | 2,020 | 2,020 |
| Wheat | Hectares | 245,410 | 310,931 | 325,000 | 365,000 | 395,000 |
| | Tons | 359,236 | 362,824 | 715,000 | 630,000 | 634,000 |
| | Yield (kg/ha) | 1,464 | 1,167 | 2,200 | 1,726 | 1,605 |
| Corn | Hectares | 369,960 | 442,600 | 440,000 | 400,000 | 410,000 |
| | Tons | 867,270 | 881,848 | 1,120,000 | 830,000 | 1,100,000 |
| | Yield (kg/ha) | 2,344 | 1,992 | 2,545 | 2,075 | 2,683 |

Source: Ministerio de Agricultura y Ganadería; Oficina Consultativa y de Investigación Técnica (OCIT)/P,T & Asoc

Soybean is traded on the basis of the Chicago Stock Exchange; for corn, the benchmark market is Paranagua (Brazil), for wheat, it is Santa Catarina (Brazil), and for sunflower, the market is Rosario (Argentina).

The following chart shows the historical level of soybean exports, Paraguay's main exportable commodity, as well as the FOB price per ton exported.

| SOYBEAN EXPORTS | Gross | | |
|-----------------|---------------|----------------|-------------|
| | Kilogram | US\$/FOB | US\$/FOB/tn |
| 1996 | 1,505,219,678 | 336,812,356.26 | 224 |
| 1997 | 1,748,444,646 | 447,948,060.24 | 256 |
| 1998 | 1,997,652,933 | 403,276,891.97 | 202 |
| 1999 | 2,316,376,300 | 341,425,442.95 | 147 |

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| | | | |
|--------------------------|----------------|------------------|-----|
| 2000 | 1,976,334,375 | 320,142,031,58 | 162 |
| 2001 | 2,464,071,098 | 375,692,742,96 | 152 |
| 2002 | 2,319,150,805 | 367,457,628,97 | 158 |
| 2003 | 3,093,560,681 | 574,892,707,80 | 186 |
| 2004 | 2,664,415,685 | 599,493,529,25 | 225 |
| 2005 | 2,882,182,000 | 518,792,760,0 | 180 |
| Total Soybean 1995-2005: | 23,291,096,201 | 4,337,327,524,83 | 187 |

Source: Consultora Passerieu, Tallone & Asociados for Datos Agropecuarios and the Cámara de Exportadores de Cereales y Oleaginosas

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Livestock. Paraguay's main cattle activities focus on the production of cattle beef, traditionally engaged in by the small and medium sized farmers and requiring large areas of grazing pastures.

It is also worth noting that the World Organisation for Animal Health considers now Paraguay to be free of foot and mouth disease after having eradicated the outbreaks that occurred in October 2002 and in July 2003. According to the *Ministerio de Agricultura y Ganadería* estimations Paraguayan exports increased approximately 164%, 70% and 60% during the years 2004, 2005 and 2006, respectively because of this.

The potential of the Agricultural and Livestock industries in Paraguay. We believe that agricultural and ecological conditions in Paraguay are favorable to livestock activities, and there is also the possibility of acquiring extensive parcels of land suitable for agricultural and/or livestock projects at attractive prices compared to certain other countries with similar production levels. Paraguay affords the possibility of dual crops, which we consider an interesting comparative advantage.

We are currently considering investing in the Paraguayan agricultural and livestock market mainly because of the appreciation potential of its land. We are interested in carrying out agricultural and livestock activities in some of the areas currently in production, such as the nucleus area as well as in the developing areas which afford the possibility of transforming livestock land into agricultural land. Nevertheless, we may invest in other activities that we consider consistent with our business strategy.

Uruguay

Uruguay is one of the countries located in the temperate areas of Southeastern South America with a population of approximately 3.2 million inhabitants. According to IMF estimates, in 2006, Uruguay's GDP was approximately US\$19.2 billion, and its GDP per capita was approximately US\$6,007.

According to data compiled by Uruguay's National Statistics Institute, Uruguay's GDP grew at the rate of 2.2%, 11.8%, 6.6% and 7.0% in 2003, 2004, 2005 and 2006, respectively. In July 2006, Fitch Ratings upgraded Uruguay's long-term rating from B+ to BB (-) which reflected reduced need for financing and an improvement in the dynamics of the country's sovereign debt caused by economic growth and conservative fiscal policies.

The agriculture and livestock sector and its impact on the economy. Agriculture has been a principal source of growth for Uruguay. The agricultural and industrial agriculture sectors represent approximately 23% of the Uruguayan GDP, and more than half of the agricultural output is exported. The devaluation of the Uruguayan Peso in 2002 contributed to an increase in the country's competitiveness in the world markets.

The Uruguayan Government currently encourages foreign investment through a legal framework with the following salient features: absence of restrictions upon incoming and/or outgoing capitals, freedom in the monetary market (deals may be closed in any currency), equal treatment to national and foreign investors and freedom of access to the capital markets. Exchange rates are determined on the basis of supply and demand, ultimately following the trends in institutional markets.

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Land market. Over the past three decades, real estate prices in current US Dollars in Uruguay have shown an upwards trend though subject to major variations in certain periods.

We believe that the prices of land in Uruguay have generally matched those prevailing in countries with similar characteristics as a result of several factors, amongst which the increase in the price of commodities is to be emphasized but including also the major technological breakthroughs applied to production which led to a dramatic productivity increase and improved land usage. The main reasons for this structural change have been the increase in direct foreign investment, an abundant supply of capitals and the good momentum in general shown by the world economy. Furthermore, a change has been perceived in the equation underlying the formation of land prices: the incidence of agricultural and forest production has now risen to the detriment of cattle beef production basically because outputs have grown more in the agricultural and forestry sectors than in cattle beef. The factors determining the value of land are location and adequacy for the agricultural and livestock operations intended.

Crops. Uruguayan agriculture is fit for both winter crops (such as wheat and barley) and summer crops (such as soybean, corn, sunflower, rice and sugar cane).

Wheat is one of the crops that best adapts to Uruguayan weather. It is mostly applied to domestic use and it is processed by the local milling industry based in the areas close to the city of Montevideo.

Soybean, in turn, has been the crop with the highest growth rate, both as regards planted surface area and as regards output levels as soybean's great adaptability has allowed this crop to penetrate different regions. Starting in 2001 soybean crops widespread and as of the date of this report, this process has not stopped and it is today the summer crop with the most extensive planted area and soybean outputs are second only to rice.

It is to be noted that the gap between the yields obtained from the first planting season and those obtained from the second planting season is relatively low and therefore, double crops (winter + summer) delivers better yields when compared to those obtained from the first planting season.

The following chart contains information about the main crops:

| Crop | Season | | | | |
|-------------------|-----------|-----------|-----------|-----------|-----------|
| | 2001-2002 | 2002-2003 | 2003-2004 | 2004-2005 | 2005-2006 |
| Soybean | | | | | |
| Thousand hectares | 28.9 | 78.9 | 247.1 | 278.0 | 309.1 |
| Thousand tons | 66.7 | 183.0 | 377.0 | 478.0 | 631.9 |
| Yield (kg/ha) | 2,305 | 2,318 | 1,526 | 1,720 | 2,044 |
| Rice | | | | | |
| Thousand hectares | 160.2 | 153.4 | 186.5 | 184.0 | 177.3 |
| Thousand tons | 939.0 | 906.0 | 1,262.6 | 1,214.5 | 1,292.0 |
| Yield (kg/ha) | 5,863 | 5,905 | 6,771 | 6,600 | 7,290 |
| Wheat | | | | | |
| Thousand hectares | 125.0 | 137.1 | 117.7 | 179.3 | 153.5 |
| Thousand tons | 143.6 | 205.8 | 326.0 | 532.6 | 454.1 |
| Yield (kg/ha) | 1,149 | 1,501 | 2,769 | 2,970 | 2,958 |
| Barley | | | | | |
| Thousand hectares | 129.0 | 102.8 | 117.7 | 136.6 | 78.1 |
| Thousand tons | 117.7 | 176.9 | 323.7 | 406.5 | 242.3 |
| Yield (kg/ha) | 913 | 1,721 | 2,750 | 2,976 | 3,103 |
| Sunflower | | | | | |
| Thousand hectares | 108.5 | 176.0 | 110.6 | 118.0 | 58.8 |
| Thousand tons | 150.3 | 234.0 | 177.0 | 150.5 | 80.6 |
| Yield (kg/ha) | 1,385 | 1,329 | 1,600 | 1,276 | 1,371 |

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Corn

| | | | | | |
|-------------------|-------|-------|-------|-------|-------|
| Thousand hectares | 48.7 | 38.9 | 44.9 | 60.6 | 49.0 |
| Thousand tons | 163.4 | 178.5 | 223.0 | 251.0 | 205.0 |
| Yield (kg/ha) | 3,355 | 4,585 | 4,966 | 4,141 | 4,184 |

Source: *Ministerio de Ganadería, Agricultura y Pesca* DIEA estadísticas agropecuarias and *Oficina de Programación y Política Agropecuaria*

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Livestock. Cattle is a major sector in Uruguay's agricultural and livestock industries. Approximately 90% of the country's surface area (14.5 million hectares) is used for livestock purposes, and cattle-related activities are believed to represent more than half of the gross product of Uruguay's agricultural and livestock sector.

For purposes of analyzing the cattle sector, the country may be subdivided into two major regions: on one hand, there is a cattle area that spans approximately 12 million hectares of natural grazing prairies, and on the other hand there is another area, spanning approximately 3.4 million hectares much of which is dedicated to both agricultural and livestock activities.

It is also worth noting that Uruguay gained the status of a country free of foot and mouth disease according to the OIE, the World Organisation for Animal Health after having eradicated the outbreak that occurred in early 2001. Having gained such status, Uruguay may now export to a number of countries to which it was previously unable to export. According to the *Instituto Nacional de Carnes*, the main destinations during the 2006/7 season were the NAFTA countries which acquired 64.5% of Uruguay's exports and then the EU which acquired approximately 12.6% of the country's exports.

Milk. Starting in the mid-1970s, in the context of an economic policy geared to promote exports, the milk industry experienced a series of changes. As a measure of the size of these changes, the annual output of milk saw a twofold increase from 723 million liters in 1975 to 1,440 million in 2006, and we are optimistic that the outlook for milk output for 2007 is positive.

The increase in the output of milk has entailed increased availability of raw materials in the domestic market for the agribusiness which not only contributed to the enhancement of the domestic market but also gave a boost to exports, whose values climbed from US\$ 2.7 million in 1975 to US\$ 265 million as estimated for 2006. It is to be noted that according to the *Dirección General de Servicios Ganaderos*, Uruguay exports approximately 60% of its milk output and ranks first in terms of annual milk production per inhabitant in the Americas, with more than 400 liters per year.

In turn, the price of milk for producers shows an upward trend in the face of the expectations of high prices in the international markets and the interest shown by the industry in encouraging primary production given a scenario of firm external demand.

The chart below shows that, following a 30% drop in the price of milk to producers in 2002 compared to 2001, there was an average 59% increase in the period 2002-2006.

Average values (US\$ cents/liter)

Source: Ministerio de Ganadería, Agricultura y Pesca - Oficina de Programación y Política Agropecuaria

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The potential of the Agricultural and Livestock industries in Uruguay. Although the value of land in the areas that are traditionally agricultural is generally comparable to the market prices prevailing in other countries with similar characteristics, we believe that opportunities to capture value in the less developed areas through the introduction of technological breakthroughs can still be found.

Another advantage that we perceive in Uruguay is that its export market is still being consolidated, and the marketing alternatives are improving because certain international players are investing in the country which we believe may ultimately enhance product prices and profitability in the future.

We are interested in possible future activities in Uruguay mainly in the milk sector seeking to reach higher productivity levels and further cost reductions through the introduction of new technologies. Nevertheless, we may invest in other activities that we consider consistent with our business strategy.

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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, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2007 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 17 to the consolidated financial statements.

PRICE WATERHOUSE & Co. S.R.L.

By (Partner)
Andrés Suarez
Buenos Aires, Argentina

August 31, 2007

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,
Financiera y Agropecuaria and Subsidiaries**

Consolidated Balance Sheets

as of June 30, 2007 and 2006

(In Argentine Pesos, except as otherwise indicated)

| | 2007 | 2006 |
|--|-------------------|-----------------|
| ASSETS | | |
| Current Assets | | |
| Cash and banks (Notes 4.a) and 18.g)) | Ps. 46,930,644 | Ps. 25,997,361 |
| Investments (Notes 4.b), 7, 18.c) and 18.g)) | 39,841,438 | 6,223,788 |
| Trade accounts receivable, net (Notes 4.c), 7 and 18.g)) | 37,930,596 | 11,084,617 |
| Other receivables (Notes 4.d), 7 and 18.g)) | 39,611,870 | 22,744,963 |
| Inventories (Note 4.e)) | 52,460,289 | 28,932,135 |
| | 216,774,837 | 94,982,864 |
| Non-Current Assets | | |
| Other receivables (Notes 4.d) 7 and 18.g)) | 43,236,560 | 36,005,292 |
| Inventories (Note 4.e)) | 68,345,438 | 62,712,423 |
| Investments (Notes 4.b), 7 and 18.g)) | 541,328,760 | 505,423,985 |
| Property and equipment, net (Note 18.a)) | 245,919,561 | 224,775,512 |
| Intangible assets, net (Note 18.b)) | 23,581,646 | 23,581,646 |
| Subtotal | 922,411,965 | 852,498,858 |
| Negative goodwill, net | (67,306,386) | (76,825,838) |
| Total Assets | Ps. 1,071,880,416 | Ps. 870,655,884 |
| LIABILITIES | | |
| Current Liabilities | | |
| Trade accounts payable (Notes 4.f), 7 and 18.g)) | Ps. 30,935,851 | Ps. 26,438,528 |
| Short-term debt (Notes 4.g), 7 and 18.g)) | 122,749,734 | 66,421,573 |
| Salaries and social security payable (Notes 4.h) and 7) | 4,219,120 | 2,293,130 |
| Taxes payable (Notes 4.i) and 7) | 6,699,044 | 3,313,836 |
| Other liabilities (Notes 4.j) and 7) | 3,087,957 | 3,442,024 |
| | 167,691,706 | 101,909,091 |
| Non-Current Liabilities | | |
| Trade accounts payable (Notes 4.f), 7 and 18.g)) | 246,231 | 835,292 |
| Long-term debt (Notes 4.g), 7 and 18.g)) | 24,744,000 | 98,096,955 |
| Taxes payable (Notes 4.i) and 7) | 51,312,237 | 42,770,882 |
| Other liabilities (Note 4.j) and 7) | 347,549 | 434,309 |
| Provision for lawsuits and contingencies (Notes 7 and 18.d)) | 1,747,606 | 183,893 |
| | 78,397,623 | 142,321,331 |

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| | | |
|---|-------------------|-----------------|
| Total Liabilities | 246,089,329 | 244,230,422 |
| Minority interest | 836,872 | 559,871 |
| SHAREHOLDERS EQUITY | 824,954,215 | 625,865,591 |
| Total Liabilities and Shareholders Equity | Ps. 1,071,880,416 | Ps. 870,655,884 |

The accompanying notes are an integral part of these consolidated financial statements.

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Table of Contents**Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Consolidated Statements of Income****for the years ended June 30, 2007, 2006 and 2005**

(In Argentine Pesos, except as otherwise indicated)

| | 2007 | 2006 | 2005 |
|--|---------------------|---------------------|---------------------|
| Production income (see Note 18. f)) | | | |
| Crops | Ps. 72,426,012 | Ps. 37,005,907 | Ps. 44,052,970 |
| Beef cattle | 19,462,410 | 20,452,655 | 19,993,923 |
| Milk | 10,911,397 | 7,892,462 | 3,463,144 |
| Total production | 102,799,819 | 65,351,024 | 67,510,037 |
| Cost of production | Ps. | Ps. | Ps. |
| Crops | (52,401,684) | (35,799,706) | (34,463,844) |
| Beef cattle | (15,050,438) | (18,780,372) | (17,012,337) |
| Milk | (8,476,391) | (5,845,360) | (2,094,975) |
| Total cost of production (Note 18.f)) | (75,928,513) | (60,425,438) | (53,571,156) |
| Gross income from production | 26,871,306 | 4,925,586 | 13,938,881 |
| Sales | | | |
| Crops | Ps. 53,401,376 | Ps. 61,659,566 | Ps. 30,893,216 |
| Beef cattle | 31,966,582 | 33,713,479 | 36,826,885 |
| Milk | 9,730,929 | 7,892,462 | 3,463,144 |
| Feed lot | 3,102,229 | 2,721,377 | 2,129,838 |
| Others | 12,116,372 | 6,353,777 | 4,859,931 |
| Total sales | 110,317,488 | 112,340,661 | 78,173,014 |
| Cost of sales | Ps. | Ps. | Ps. |
| Crops | (50,434,966) | (53,286,035) | (30,460,110) |
| Beef cattle | (30,272,710) | (32,993,523) | (35,810,780) |
| Milk | (9,730,929) | (7,892,462) | (3,463,144) |
| Feed lot | (2,823,865) | (2,318,102) | (1,855,278) |
| Others | (5,870,058) | (2,093,332) | (1,546,204) |
| Total cost of sales (Note 18.e)) | (99,132,528) | (98,583,454) | (73,135,516) |
| Gross income from sales | 11,184,960 | 13,757,207 | 5,037,498 |
| Gross profit | 38,056,266 | 18,682,793 | 18,976,379 |
| Selling expenses (Note 18.h)) | (9,971,891) | (10,151,452) | (6,599,566) |
| Administrative expenses (Note 18.h)) | (16,628,088) | (11,560,307) | (7,271,279) |
| Net gain on the sale of farms | 22,255,710 | 9,897,186 | 19,987,989 |

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| | | | | |
|--|-------------|-----------------------|-----------------------|-----------------------|
| Unrealized gain on inventories | Beef cattle | 5,102,943 | 2,847,711 | 11,620,779 |
| Unrealized gain on inventories | Crops | (805,910) | 1,391,209 | (456,710) |
| Operating income | | 38,009,030 | 11,107,140 | 36,257,592 |
| Financial results, net: (Note 4.k) | | | | |
| Financial results generated by assets | | 2,882,976 | 33,859,684 | 72,275,349 |
| Financial results generated by liabilities | | (13,340,970) | (21,485,726) | (8,523,963) |
| Total financial results, net | | (10,457,994) | 12,373,958 | 63,751,386 |
| Gain on equity investees | | 40,198,825 | 22,140,997 | 28,087,632 |
| Other expense, net: | | | | |
| Gain on the sale of fixed assets | | 7,542 | 116,650 | 45,398 |
| Donations | | | (1,600,000) | (1,900,000) |
| Shareholders personal assets tax and others | | (4,258,342) | (1,884,244) | (3,210,784) |
| Total other expense, net | | (4,250,800) | (3,367,594) | (5,065,386) |
| Management fee | | (5,484,697) | (3,836,470) | (8,533,213) |
| Income before income tax and minority interest | | 58,014,364 | 38,418,031 | 114,498,011 |
| Income tax expense (Note 12) | | (8,375,095) | (5,431,831) | (37,787,594) |
| Minority interest | | (277,000) | (102,924) | 88,501 |
| Net income for the year | | Ps. 49,362,269 | Ps. 32,883,276 | Ps. 76,798,918 |
| Earnings per share (Notes 3.t) and 13): | | | | |
| Basic net income per common share | | Ps. 0.20 | Ps. 0.19 | Ps. 0.49 |
| Diluted net income per common share | | 0.16 | 0.13 | 0.25 |

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Consolidated Statements of Changes in Shareholders' Equity****for the years ended June 30, 2007, 2006 and 2005**

(In Argentine Pesos, except as otherwise indicated)

| Items | Shareholders' contributions | | | | Total | Reserve | | Retained earnings | Translation differences | Total |
|--|-----------------------------|----------------|---|-----------------|-----------------|---------------|----------------------|-------------------|-------------------------|-----------------|
| | Common stock | Treasury stock | Inflation adjustment of common stock and treasury stock | Paid-in-capital | | Legal reserve | for new developments | | | |
| 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. | Ps. 35,766,713 | Ps. | Ps. 465,168,190 |
| 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 October 22, 2004 | | | | | | | | | | |
| Legal reserve | | | | | | 1,605,151 | | (1,605,151) | | |
| Cash dividends (Ps. 02 per share) | | | | | | | | (3,000,000) | | (3,000,000) |
| Changes of interest in equity investees and subsidiaries resulting from capital nature transactions (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. | Ps. 108,200,480 | Ps. | Ps. 523,070,970 |
| Conversion of notes into common stock | 29,151,389 | | | 15,957,556 | 45,108,945 | | | | | 45,108,945 |
| Exercise of warrants | 28,668,581 | | | 24,918,614 | 53,587,195 | | | | | 53,587,195 |
| Appropriation of profits resolved by | | | | | | | | | | |

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| | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| Shareholders' meeting held | | | | | | | | | |
| November 29, 2005 | | | | | | | | | |
| Legal reserve | | | | 3,839,946 | | | (3,839,946) | | |
| Cash | | | | | | | | | |
| Dividends (Ps. 06 per share) | | | | | | | (10,000,000) | | (10,000,000) |
| Changes of interests in equity | | | | | | | | | |
| Investees and subsidiaries resulting from capital nature transactions (note 5) | | | (12,134,376) | (12,134,376) | | | | | (12,134,376) |
| Translation differences | | | | | | | (6,650,419) | | (6,650,419) |
| Net income for the year | | | | | | | 32,883,276 | | 32,883,276 |
| Balances as of June 30, 2006 | Ps. 220,604,549 | Ps. 166,218,124 | Ps. 106,916,990 | Ps. 493,739,663 | Ps. 11,532,537 | Ps. 127,243,810 | Ps. (6,650,419) | Ps. 625,865,590 | |
| Conversion of notes into common stock | 44,352,015 | | 25,307,891 | 69,659,906 | | | | | 69,659,906 |
| Exercise of warrants | 44,619,656 | | 39,555,902 | 84,175,558 | | | | | 84,175,558 |
| Appropriation of profits resolved by Shareholders' meeting held October 31, 2006 | | | | | | | | | |
| Legal reserve | | | | 1,644,164 | | | (1,644,164) | | |
| Cash | | | | | | | | | |
| Dividends (Ps. 02 per share) | | | | | | | (5,500,000) | | (5,500,000) |
| Reserve for development | | | | | | 120,099,646 | (120,099,646) | | |
| Changes of interests in equity | | | | | | | | | |
| Investees and subsidiaries resulting from capital nature transactions (note 5) | | | (6,857,758) | (6,857,758) | | | | | (6,857,758) |
| Translation differences | | | | | | | 8,248,649 | | 8,248,649 |
| Net income for the year | | | | | | | 49,362,269 | | 49,362,269 |
| Balances as of June 30, 2007 | Ps. 309,576,220 | Ps. 166,218,124 | Ps. 164,923,025 | Ps. 640,717,369 | Ps. 13,176,701 | Ps. 120,099,646 | Ps. 49,362,269 | Ps. 1,598,230 | Ps. 824,954,210 |

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, 2007, 2006 and 2005

(In Argentine Pesos, except as otherwise indicated)

| | 2007 | 2006 | 2005 |
|--|---------------------|----------------------|---------------------|
| Cash flows from operating activities: | | | |
| Net income for the year | Ps. 49,362,269 | Ps. 32,883,276 | Ps. 76,798,918 |
| Adjustments to reconcile net income to net cash flows operating activities: | | | |
| Income tax expense | 8,375,095 | 5,431,831 | 37,787,594 |
| Depreciation | 4,459,067 | 5,112,088 | 4,169,139 |
| Minority interest | 277,000 | 102,924 | (88,501) |
| Gain on equity investees | (40,198,825) | (22,140,997) | (28,087,632) |
| Unrealized gain on inventories | (4,371,596) | (4,238,920) | (11,622,122) |
| Net gain on the sale of farms | (22,255,710) | (9,897,186) | (19,987,989) |
| Gain on the sale of fixed assets | (7,542) | (116,650) | (45,398) |
| Accrued for management fees | 2,817,997 | 3,073,950 | 8,239,263 |
| Accrued expenses and allowance for doubtful accounts | 9,053,039 | 10,940,250 | 14,743,900 |
| Financial results | (2,363,592) | (6,663,008) | (9,594,906) |
| Gain from sale of non-current investments | | (14,872,000) | (68,754,172) |
| Changes in operating assets and liabilities: | | | |
| Decrease in current investments | 6,162,768 | 7,262,688 | 4,101,258 |
| Increase in trade accounts receivable | (28,541,205) | (1,339,921) | (4,452,087) |
| Increase in other receivables | (24,206,407) | (27,029,018) | (2,805,944) |
| (Increase) decrease in inventory | (28,274,045) | 11,331,834 | (8,820,992) |
| (Decrease) increase in trade accounts payable | (2,873,413) | (4,833,940) | 2,537,610 |
| Increase (decrease) in salaries and social security payable and taxes payable | 5,581,373 | (18,293,933) | (6,445,800) |
| Increase in interest payable | 12,699,048 | 10,292,047 | 11,010,444 |
| Dividends collected | 1,352,941 | 1,108,923 | 1,653,096 |
| Increase in non-current investments | (89,987) | | |
| (Decrease) increase in other liabilities | (3,099,069) | 415,721 | (10,436,614) |
| Net cash used in operating activities | (56,140,794) | (21,470,041) | (10,100,935) |
| Cash flows from investing activities: | | | |
| Net proceeds from the sale of farms and other property and equipment | 25,335,741 | 5,634,000 | 28,456,272 |
| Collection of receivables from the sale of farms | 3,850,808 | 5,736,964 | 1,127,138 |
| Acquisition of farms and other property and equipment | (29,326,622) | (55,770,620) | (25,959,614) |
| Decrease in convertible notes | | | 93,528,147 |
| Payment for subsidiary acquired, net of cash acquired | | (1,857,985) | |
| Increase in interest in related companies | (726,804) | (64,608,293) | (34,417,910) |
| Net cash (used in) provided by investing activities | (866,877) | (110,865,934) | 62,734,033 |
| Cash flows from financing activities: | | | |
| Contributions received by subsidiaries from minority shareholders | | 180,000 | 900,000 |
| Exercise of warrants | 84,175,558 | 53,587,195 | 10,919,379 |

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| | | | |
|---|--------------------|-------------------|------------------|
| Cash dividends paid | (5,500,000) | (10,000,000) | (3,000,000) |
| Proceeds from the exercise of stock options and subscription of treasury shares | | | 240,000 |
| Proceeds from short-term and long-term debt | 84,508,257 | 83,957,134 | 44,356,365 |
| Payments of short-term debt | (45,139,498) | (18,959,790) | (51,724,287) |
| Payment of seller financing | (2,230,560) | (16,514,000) | |
| Net cash provided by financing activities | 115,813,757 | 92,250,539 | 1,691,457 |
| Net increase (decrease) in cash and cash equivalents | 58,806,086 | (40,085,436) | 54,324,555 |
| Cash and cash equivalents as of the beginning of the year | 27,377,050 | 67,462,486 | 13,137,931 |
| Cash and cash equivalents as of year-end | Ps. 86,183,136 | Ps. 27,377,050 | Ps. 67,462,486 |

The accompanying notes are an integral part of these consolidated financial statements.

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Table of Contents**Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Consolidated Statements of Cash Flows****for the years ended June 30, 2007, 2006 and 2005 (continued)**

(In Argentine Pesos, except as otherwise indicated)

| | 2007 | 2006 | 2005 |
|--|----------------|-----------------------|---------------|
| Supplemental cash flow information: | | | |
| Cash paid during the year for: | | | |
| Interest | Ps. 9,200,569 | Ps. 10,336,890 | Ps. 4,679,210 |
| Income tax | Ps. 1,738,045 | Ps. 33,317,971 | Ps. 980,679 |
| Non-cash investing and financing activities: | | | |
| Inventory transferred to property and equipment | Ps. 1,460,459 | Ps. 779,347 | Ps. 1,108,210 |
| Conversion of notes into common shares | Ps. 69,659,906 | Ps. 45,108,945 | Ps. 8,857,011 |
| Seller financing for acquisition of farms | Ps. 3,714,000 | Ps. 7,160,617 | Ps. |
| Application of down payments received for the sale of farms | Ps. | Ps. (2,055,200) | Ps. |
| Increase in interest in IRSA by a decrease in non-current investments (conversion of IRSA convertible notes) | Ps. | Ps. 66,338,239 | Ps. |
| Acquisition of subsidiary company through a decrease in non-current investments | Ps. | Ps. 21,723,661 | Ps. |
| Increase in receivables from the sale of farms | Ps. 3,646,002 | Ps. 8,572,080 | Ps. 8,004,677 |
| Acquisition of subsidiary company: | | | |
| Fair value of concession rights | Ps. | Ps. 23,581,646 | Ps. |
| Fair value of other non-cash assets acquired | Ps. | Ps. 5,922,781 | Ps. |
| Fair value of non-cash liabilities assumed | Ps. | Ps. (317,165) | Ps. |
| Net assets acquired | Ps. | Ps. 29,187,262 | Ps. |
| Total purchase price | Ps. | Ps. 29,187,262 | Ps. |
| Surrender of IRSA s convertible notes | Ps. | Ps. 27,329,277 | Ps. |
| Purchase price paid in cash | Ps. | Ps. 1,857,985 | Ps. |

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Notes to the Consolidated Financial Statements**

(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's business operations are comprised of crop production, cattle raising and fattening, milk production, cattle feeding, certain forestry activities and brokerage activities. However, from time to time it sells 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, as set forth by the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) and as implemented, adapted, amended, revised and/or supplemented by the Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (CPCECABA) (collectively Argentine GAAP). In addition, the Company must comply with the regulations of the Comisión Nacional de Valores (CNV), the National Securities Commission in Argentina, which differ in certain significant respects from generally accepted accounting principles in the United States of America (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 Securities and Exchange Commission (SEC). A description of the significant differences between Argentine GAAP and U.S. GAAP as they relate to the Company are set forth in Note 17 to these consolidated financial statements.

As discussed in Note 2.d), in order to comply with regulations of the CNV, the Company discontinued inflation accounting as from February 28, 2003. The application of this CNV regulation represented a departure from Argentine GAAP. However, such departure has not had a material effect on the accompanying consolidated financial statements.

In addition, in accordance with the CNV regulations, deferred income taxes have been accounted for on an undiscounted basis. The CNV resolution represented a departure from Argentine GAAP. Such departure did not have a significant impact on these consolidated financial statements. However, as further discussed below, the CPCECABA issued revised accounting standards. One of these standards requires companies to account for deferred income taxes on an undiscounted basis, thus aligning the accounting to that of the CNV. Since the CNV adopted the CPCECABA standards effective July 1, 2006, there is no longer a difference on this subject between Argentine GAAP and the CNV regulations.

Effective July 1, 2006, we adopted Technical Resolution No. 22 Agricultural Activities (RT No. 22). RT No. 22 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activity. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets. RT No. 22 prescribes, among other things, the accounting treatment for biological assets during the period of growth, degeneration, production, and procreation, and for the initial measurement of agricultural produce at the point of harvest. It requires measurement at fair value less estimated point-of-sale costs from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. RT No. 22 requires that a change in fair value less estimated point-of-sale costs of a biological asset be included in profit or loss for the period in which it arises. RT No. 22 also requires that gains or losses arising on initial recognition of agricultural

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produce at fair value less estimated point-of-sale costs to be included in profit or loss for the period in which it arises. In agricultural activity, a change in physical attributes of a living

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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)

animal or plant directly enhances or diminishes economic benefits to the entity. RT No. 22 is applied to agricultural produce, which is the harvested product of the entity's biological assets, only at the point of harvest. Accordingly, RT No. 22 does not deal with the processing of agricultural produce after harvest; for example, the processing of milk into cheese.

Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset. Harvest is the detachment of produce from a biological asset or the cessation of a biological asset's life processes. Biological transformation results in the following types of outcomes: asset changes through (i) growth (an increase in quantity or improvement in quality of an animal or plant), (ii) degeneration (a decrease in the quantity or deterioration in quality of an animal or plant), or (iii) procreation (creation of additional living animals or plants).

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

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

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

The adoption of RT No. 22 did not affect our recognition of revenue which is included in the line item titled "Sales" in our income statement. See Note 3 a) for our revenue recognition policies. As a result of the adoption of RT No. 22, our costs of sales only show certain direct costs related to the sales of agricultural produce other than selling expenses. RT No. 22 intends to purport that costs of sales are not significant in agricultural activities while costs of biological transformation into agricultural produce represent the major costs of these activities.

In addition, under RT No. 22, Exhibits Cost of Sales and Cost of production included in Note 18 e) and f) to our income statement present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. This reconciliation includes (a) the gain or loss arising from changes in fair value less estimated point-of-sale costs; (b) increases due to purchases; (c) decreases attributable to sales and biological assets classified as held for sale; (d) decreases due to harvest; (e) increases resulting from business combinations, if any; (f) other changes.

Adoption by CNV of CPCECABA standards

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

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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)

The most significant changes included in the accounting standards adopted by the CNV relate to (i) changes in the impairment test of long-lived assets and (ii) changes to deferred income tax accounting. The new standards provide for the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes when companies prepare price-level restated financial statements. The new accounting standard mandates companies to treat these differences as temporary. However, the standard allows a one-time accommodation to continue treating these differences as permanent if this policy had been applied by the Company prior to the adoption of the standard. As such, the Company is allowed to continue treating differences as permanent. In addition, deferred income taxes should be accounted on an undiscounted basis.

Also, under the new standards, the carrying value of a long-lived asset is considered impaired by the Company when the expected cash flows from such asset is separately identifiable and less than its carrying value. Expected cash flows are determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

b) Basis of consolidation

The accompanying consolidated financial statements include the accounts of Cresud and its subsidiaries over which Cresud has effective control. Investments in joint ventures in which the Company exercises joint control are accounted for under the proportionate consolidation method (see Note 2 c) for details). 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.

In accordance with Argentine GAAP, the presentation of the parent company's individual financial statements is mandatory. Consolidated financial statements are to be included as supplementary information to the individual financial statements. For the purpose of these financial statements, individual financial statements have been omitted since they are not required for SEC reporting purposes.

A description of the subsidiaries over which Cresud has effective control, with their respective percentage of capital stock owned, is presented as follows:

| Subsidiaries | Percentage of capital stock owned as of June 30, (i) | | |
|-----------------------------|---|--------|--------|
| | 2007 | 2006 | 2005 |
| Inversiones Ganaderas S.A. | 99.99% | 99.99% | 99.99% |
| Futuros y Opciones.Com S.A. | 70.00% | 70.00% | 70.00% |
| Agropecuaria Cervera S.A. | 99.99% | 99.99% | |

(i) Percentage of equity interest owned has been rounded.

c) Proportionate consolidation

Cactus Argentina S.A. (Cactus) is a joint venture operation between the Company and Cactus Feeders Inc. As further discussed in Note 2 g), effective January 1, 2007, the Company's interest in the joint venture decreased from 50.0% to 24.0%. The Company followed Technical Resolution No. 21, Equity Method of Accounting, Consolidation of Financial Statements and Related Party Transactions (RT No. 21) in

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accounting for joint venture operations. RT No. 21 requires proportionate consolidation where effective joint control is exercised. Accordingly, these financial statements reflect the Company's pro-rata equity interest in the joint venture on a line-by-line basis through December 31, 2006. As from January 1, 2007, the investment in Cactus has been accounted for under the equity method of accounting.

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

d) 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 consolidated 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 consolidated 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 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.

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 2003 through September 2003, such a departure has not had a material effect on the accompanying consolidated financial statements.

e) Reclassifications

Certain reclassifications of prior year's information have been made to conform to the current year presentation.

f) Acquisitions

Year ended June 30, 2007

In January 2007, the Company's subsidiary, Cactus acquired 100% of Exportaciones Agroindustriales Argentinas S.A. (EAASA) for an aggregate purchase price of Ps. 16.8 million. EAASA is engaged in cattle slaughtering and meat processing activities.

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Also, in January 2007, the Company acquired an additional 0.1% in BrasilAgro. BrasilAgro acquired, in separate transactions, 4 operating properties. These properties were acquired for an aggregate purchase price of approximately R\$ 94.0 million (Approximately US\$ 46.3 million). The properties acquired were:

Sao Pedro farm, 2,443 hectares and R\$ 9.9 (US\$ 4.7 million)

Cremaq farm, 32,375 hectares and R\$ 42.2 (US\$ 19.7 million)

Engenho farm, 2,022 hectares and R\$ 10.0 (US\$ 4.7 million)

Jatobá farm, 31,603 hectares and R\$ 31.8 (US\$ 17.2 million)

In April 2007, BrasilAgro, together with an unrelated party, Brenco Ltda entered into a purchase agreement for the acquisition of Araucaria farm, a 15,543 hectares property located in Mineiros, State of Goias, Brazil. BrasilAgro's aggregate investment in this property was approximately US\$ 38.9 million. In May 2007, BrasilAgro entered into a purchase agreement for the acquisition of Alto Tacuari farm, a 5,266 hectares property located in Tacuari, Mato Grosso, Brazil, for an aggregate purchase price of US\$ 17.0 million.

On May 15, 2007, the Company entered into a preliminary purchase agreement for the acquisition of 8 de Julio farm, a 90,000 hectares property located in Puerto Deseado, Santa Cruz, Argentina, for an aggregate purchase price of US\$ 2.4 million. The Company made an advance payment of US\$ 1.2 million. As of the date of these financial statements this transaction is still pending.

Year ended June 30, 2006

In September 2005, the Company acquired a farm San Pedro covering 6,022 hectares in Concepción del Uruguay, Province of Entre Ríos, for US\$ 16.0 million. The Company paid US\$ 13.5 million in cash, and the remaining amount of US\$ 2.5 million will be paid within the next 15 months. As of June 30, 2007, the Company mortgaged the property in an amount of US\$ 1.5 million as collateral for the remaining balance.

In December 2005, the Company acquired all the outstanding common stock of Agropecuaria Cervera S.A. (ACER), whose main asset was a 35-year concession right (renewable for an additional 29-year period) granted by the Provincial Government of Salta, Argentina, to exploit 162,000 hectares of undeveloped land and natural forests. The concession entitles ACER to conduct agricultural, cattle breeding and/or forestry activities during the concession period. The acquisition has been accounted for, as an asset acquisition. As a result, the Company allocated the purchase price of US\$ 9.6 million to the individual net assets acquired *i.e.*, forests, concession rights and certain miscellaneous fixed assets, in each case based on their relative fair values. No goodwill was recorded.

The aggregate purchase price for the acquisition was US\$ 9.6 million, of which US\$ 1.1 million was paid in cash and US\$ 8.5 million by surrendering IRSA's Convertible Notes held by the Company (see note 4. b) (ii) for details).

In March 2006, the Company together with other unrelated parties founded BrasilAgro aimed at replicating the Company's business in Brazil. The Company contributed cash for Ps. 63.1 million in exchange for shares and 104,902 warrants to purchase additional shares. The Company's equity interest in BrasilAgro is 7.3%. BrasilAgro's shares went public in the Brazilian Stock Exchange (Bovespa) in May 2006. Warrants vest in

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one-thirds as from May 2, 2007 to May 2, 2009 and are exercisable for a period of up to 15 years at an exercise price equivalent to the initial public offering price adjusted by the Brazilian IPCA inflation index. Should the Company exercise the warrants, the equity interest would be increased to 14.0%.

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Moreover, an additional 104,902 warrants were issued which can only be exercised, at the Company's option, in the event of a tender offer. These warrants are exercisable through the year 2021 at an exercise price equivalent to the purchase price of the tender offer.

Year ended June 30, 2005

On March 9, 2005 the Company signed a preliminary purchase agreement to acquire 72 hectares located in the Province of Buenos Aires, Argentina, for a total consideration of Ps. 0.8 million. The transaction is subject to certain closing conditions.

On June 24, 2005 the Company acquired El Invierno farm covering 1,946 hectares located in the Province of La Pampa, Argentina, for a total purchase price of US\$ 3.0 million.

g) Dispositions

Year ended June 30, 2007

During August 2006, the Company sold 1,800 hectares of El Recreo farm, located in the Province of Catamarca, Argentina, for approximately US\$ 0.1 million. The Company received a down payment of US\$ 0.05 million, and the property has not been transferred yet. In January 2007, the Company sold an additional 50 hectares of this farm for approximately \$ 0.7 million.

On January 10, 2007, the Company entered into a Stock Subscription and Shareholders Agreement with Tyson Foods Inc. (Tyson) pursuant to which the Company's subsidiary, Cactus, issued 9,397,213 newly shares of Ps. 1 each to Tyson for an aggregate price of Ps. 16.7 million. As a result of this transaction, the Company decreased its ownership interest in Cactus to 24.0%. As discussed in Note 2. c), the Company accounted for its investment in Cactus under the proportionate consolidation method through December 31, 2006. As from January 1, 2007, the Company accounts for its investment in Cactus under the equity method of accounting.

Cactus issued the shares to Tyson at a price per share in excess of the Company's average carrying amount per share. Consistently with other transactions, the Company recorded the change of interest as additional paid-in capital.

On June 5, 2007 the Company sold 14,516 hectares of Los Pozos farm, located in the Province of Salta, Argentina, for US\$ 2.2 million, which was fully collected. Therefore, this sale yielded a US\$ 2.0 million profit.

On June 6, 2007 the Company sold Tapenagá farm, covering 20,833 hectares, located in the Province of Formosa, Argentina, for US\$ 7.3 million. The Company received US\$ 3.7 million as down payment and the outstanding balance was financed. Therefore, the transaction yielded a US\$ 5.0 million profit.

Year ended June 30, 2006

On July 25, 2005 the Company sold El Gualicho farm, covering 5,727 hectares, located in the Province of Córdoba, Argentina, for a total sales price of US\$ 5.7 million, resulting in a gain of US\$ 3.4 million. The company collected US\$ 3.4 million and will collect the balance in five equal annual installments through July 2010.

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Year ended June 30, 2005

On February 1, 2005, the Company sold Ñacurutú farm, covering 30,350 hectares, located in the Province of Santa Fe, Argentina, for a total sales price of US\$ 5.6 million, resulting in a gain of Ps. 7.7 million.

On June 8, 2005 the Company sold San Enrique farm, covering 977 hectares, located in the Province of Santa Fe, Argentina, for a total sales price of US\$ 5.0 million, resulting in a gain of Ps. 12.3 million.

h) 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 are 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, donations and income taxes, assets recoverable value, and classification of current and non-current assets. Actual results could differ from those estimates.

3. Significant accounting policies

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 feed lot operation, and services and leasing of our farms to third parties and brokerage activities. As discussed in Note 2 a), effective July 1, 2006, the Company applied RT No. 22 which modified the presentation of the statement of income above gross profit. RT No. 22 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activities. Agricultural activity is the management by an enterprise of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets.

RT No. 22 requires that a change in fair value less estimated point-of-sale costs of a biological asset be included in net profit or loss for the period in which it arises. In agricultural activity, a change in physical attributes of a living animal or plant directly enhances or diminishes economic benefits to the enterprise. The adoption of this standard did not have an impact on the Company's financial position and results of operations. There was no change in the determination of total gross profit and operating income of the Company.

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

The Company from time to time sell properties to profit from real estate appreciation opportunities. 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

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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.

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b) Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with original maturities of three months or less, to be cash equivalents. Mutual funds are considered to be cash equivalents since original maturity is determined by reference to the frequency with which liquidity is available according to current Argentine GAAP guidance and practice.

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 time deposits. Mutual funds, mortgage bonds and government bonds are carried at market value as of year-end, with unrealized gains and losses reported in earnings. Time deposits are valued at cost plus accrued interest at year-end. Current investments also include accrued interest 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. However, the Company has a 7.4% interest in BrasilAgro Companhia Brasileira de Propiedades Agricolas (BrasilAgro). Since the Company exercises significant influence over BrasilAgro, the Company accounted for this investment under the equity method of accounting. The Company considered it has significant influence due to its ability to affect the financial and operating decisions of BrasilAgro under the shareholders agreement. 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.

Investments in which the Company does not have significant influence have been accounted for under the cost plus dividend method.

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The Company records gain or losses due to changes of interests in equity investees and/or subsidiaries, resulting from capital nature transactions between the equity investees and/or subsidiaries and other shareholders, in additional paid-in capital within shareholders' equity.

The Company account for its investment in other affiliates under the cost method of accounting.

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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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.d)) 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 Argentine GAAP, goodwill and negative goodwill are shown in a separate caption in the accompanying consolidated balance sheets as a net amount. Goodwill was fully amortized as of June 30, 2005.

g) Inventories

The following is a description of each group of biological assets, categorized by stage of biological transformation:

Biological assets in the initial development of stage are those assets that have not attained the required level of biological development and/or transformation to be considered as consumable assets including unharvested crops and calves, breeding and cattle. These assets are valued at replacement cost of goods and services needed to obtain similar assets, which does not exceed the net realizable value as of year-end.

Bearer biological assets are those assets other than consumable biological assets that due to their stage of transformation and/or development are capable of producing specified output, for example livestock from which milk is produced. These assets are not agricultural produce, rather they are self-regenerating: i.e. cattle (including dairy and breeding cows). These assets are valued at replacement cost of a similar asset, acquired from third parties in the markets in which the Company regularly operates, which does not exceed the net realizable value as of year-end.

Consumable biological assets are those assets that may be harvested as agriculture produce or sold as biological assets, for example livestock intended for the production of meat and/or livestock held for sale: (including cattle, steers and heifers, cattle round-up mores and sheep). These assets are valued at their net realizable value represented by year-end quoted prices in the markets in which the Company regularly operates, net of additional selling costs.

Farming products: crops (including harvested crops): valued at net realizable value, represented by year-end quoted prices in the markets in which the Company regularly operates, net of additional selling costs.

Non-biological assets raw materials (including seeds, agrochemicals, semen cattle raising and dairy, food and by-products, packs and bundles, poles, bags and blankets, silos raw materials). These assets are valued at reproduction or replacement cost as of year-end, which does not exceed the net realizable value.

All other inventories are valued at replacement cost.

Cattle holding results have been calculated as the price difference of the steer kilogram between the stock at the beginning of the year and of these financial statements.

The adjustment for valuation of crops at net realizable value has been calculated as the difference between the crops valued at net realizable value at the time of harvesting and the value of these crops valued at net realizable value at year-end.

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The carrying values of inventories do not exceed their estimated recoverable values at the date of these financial statements.

h) Property and equipment

Property and equipment are stated at cost (adjusted for the inflation as described in Note 2.d)), 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.

i) Intangible assets

Concession rights

Relate to the concession rights acquired as part of the ACER acquisition. Concession rights acquired were valued at fair value. As of the date of these financial statements, the Company has not initiated substantial activities in the property. Accordingly, concession rights have not been amortized for GAAP purposes. Concession rights will be amortized as from the beginning of operations.

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 35.0% for all years presented.

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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.

l) Minimum presumed income tax (MPIT)

The Company is subject to the MPIT. Pursuant to this tax regime, the Company is required to pay the greater of the income tax or the MPIT. Any excess of the MPIT 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 MPIT 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) Compensation plan for executive management

During fiscal year 2007, the Company has developed a special compensation plan for its key managers (the Plan) by means of contributions to be made by the employees and by the Company.

Such Plan is directed to key managers and aims to retain them by increasing their total compensation package, granted to those who have met certain conditions. Participation and contributions under the Plan are voluntary. Once the invitation to participate has been accepted by the employee (the Participant), he/she is required to make two kinds of contributions: monthly contributions (salary based) and extraordinary contribution (annual bonus based). The suggested contribution to be made by Participants is: up to 2.5% of their monthly salary and up to 15% of their annual bonus.

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This Plan is intended to improve the compensation benefits of the key management employees who are encouraged to increase his/her compensation package by getting an extraordinary reward at the end of the Plan for those who have met certain conditions mentioned below.

The Company's contribution will be 200% of the employees' monthly contributions and 300% of the extraordinary employees' contributions.

The funds arising out of the Participants' contributions are transferred to a special independent vehicle created and located in Argentina as a Investment Fund approved by the National Securities Commission (CNV). Such funds (including the rents derived thereof) are freely redeemable upon request of the participants.

Funds arising out of contributions made by the Company under the Plan are transferred to another separate and independent vehicle (e.g., a trust fund).

Participants or their assigns, as the case may be, will have access to 100% of the benefits of the Plan (that is, the Company's contributions made on their behalf to the specially created vehicle) under the following circumstances:

(i) ordinary retirement in accordance with applicable labor regulations;

(ii) total or permanent incapacity or disability;

(iii) death.

In case of resignation or termination without good cause, the manager will get the amounts arising out of the Company's contribution only if he or she has participated in the Plan for at least 5 years.

As of June 30, 2007 the Company's contributions amounted to Ps. 0.14 million.

o) Impairment of long-lived assets

We periodically evaluate the carrying value of our long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We consider the carrying value of a long-lived asset to be impaired when the expected cash flows, from 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.

RT No. 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) Foreign currency translation

The financial statements of the Company's foreign operations are translated in accordance with Technical Resolution No. 18, Specific Considerations for the Preparation of Financial Statements (RT No. 18). RT No. 18 establishes guidelines to classify foreign investments either as foreign operations or foreign entities . A company is to be regarded as a foreign entity if it is financially, economically and organizationally autonomous. Otherwise, a company is to be regarded as a foreign operation if its operations are integral to those of the Company. The Company's operations in Brazil have been classified as foreign entities since they are

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financially, economically and organizationally autonomous. Accordingly, and pursuant to RT No. 18, financial statements of foreign entities are translated using period-end exchange rates for assets, liabilities and weighted average exchange rates during the period for the results of operations. Adjustments resulting from these translations are accumulated and reported as a separate component in the shareholders equity section.

q) *Vacation expenses*

Vacation expenses are fully accrued in the year the employee renders services to earn such vacation.

r) *Derivative financial instruments*

The Company uses a variety of commodity-based derivative instruments, 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 fair market value.

The Company also engages in trading of certain financial instruments. These instruments consist mainly of future contracts to purchase US dollars and 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 derivative financial instruments activity, see Note 6.

s) *Advertising expenses*

The Company expenses advertising costs as incurred. Advertising expenses for the years ended June 30, 2007, 2006 and 2005 were Ps. 0.07 million, Ps. 0.08 million and Ps. 0.07 million, respectively.

t) *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

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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.

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4. Details of balance sheet and income statement accounts:

a) Cash and banks

| | As of June 30, | |
|-----------------------------|----------------|----------------|
| | 2007 | 2006 |
| Cash in banks | Ps. 46,501,946 | Ps. 25,572,846 |
| Collections to be deposited | 349,476 | 276,276 |
| Cash on hand | 79,222 | 148,239 |
| | Ps. 46,930,644 | Ps. 25,997,361 |

b) Investments

| | As of June 30, | |
|------------------------------------|----------------|---------------|
| | 2007 | 2006 |
| Current | | |
| Mutual funds | Ps. 38,313,217 | Ps. 1,199,391 |
| Government bonds and notes | 121,529 | 3,123,140 |
| Mortgage bonds | 1,027,284 | 1,334,180 |
| Interest on IRSA Convertible Notes | 379,408 | 386,779 |
| Time deposits | | 180,298 |
| | Ps. 39,841,438 | Ps. 6,223,788 |

| | As of June 30, | |
|-----------------------------|-----------------|-----------------|
| | 2007 | 2006 |
| Non-Current | | |
| Equity investments (i) | Ps. 503,860,500 | Ps. 468,371,269 |
| IRSA Convertible Notes (ii) | 37,116,000 | 37,031,999 |
| Others | 352,260 | 20,717 |
| | Ps. 541,328,760 | Ps. 505,423,985 |

(i) As of June 30, 2007, the Company has a 35.7%, 25.01%, 7.40% and 24.0% equity interests in Agro-Uranga S.A., IRSA Inversiones y Representaciones Sociedad Anónima (IRSA), BrasilAgro and Cactus Argentina S.A. amounting to Ps. 18.1 million, Ps. 411.9 million, Ps.

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- 68.1 million and Ps. 5.8 million, respectively. During the year ended June 30, 2007 the Company has not converted any of the Convertible Notes (see Note 4.b (ii)). Additionally, during the year ended June 30, 2006, the Company acquired additional shares of IRSA through the conversion of US\$ 21.1 million of IRSA Convertible Notes into 38,455,065 common shares for Ps. 66.3 million (as described in Note 4 b) (ii)). The Company applied the purchase method in accounting for this acquisition of additional ownership, resulting in the recognition of negative goodwill of Ps. 46.4 million net of amortization. Negative goodwill associated with the Company's investment in IRSA amounted to Ps. 67.3 million (including Ps. 4.9 million of amortization) as of June 30, 2007. As a result of the dilutive effect of warrants and conversion rights exercised by other shareholders during fiscal year 2007, the Company recorded a loss effect associated with the decrease in the carrying value of the investment in IRSA (including associated negative goodwill) amounting to Ps. 8.5 million as paid-in capital within shareholders' equity.
- (ii) In November 2002, IRSA issued US\$ 100.0 million of 8% Convertible Notes due 2007 with non-detachable warrants to acquire additional shares of common stock (the IRSA Convertible Notes). In accordance with the terms and conditions of the agreement, the 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. In November and December 2002, the Company

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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)

purchased US\$ 49.7 million of IRSA Convertible Notes. In addition, during fiscal years 2004 and 2005, the Company purchased from third parties US\$ 250.5 million and US\$ 350.0 million of IRSA Convertible Notes, respectively. During fiscal year 2004 the Company exercised its conversion rights of US\$ 5.0 million of IRSA Convertible Notes. During fiscal year 2005, the Company sold 8,754,271 IRSA Convertible Notes (par value US\$ 1) for a total consideration of US\$ 32.5 million (Ps. 93.5 million), resulting in a gain of Ps. 68.8 million. As mentioned in Note 2.f), during fiscal year 2006, the Company surrendered 3,580,886 of IRSA Convertible Notes (par value US\$ 1) as part of consideration resulting in a gain of Ps. 14.9 million (see Note 2.f)). This gain has been included within Financial results, net in the accompanying consolidated statement of income. Additionally, during fiscal year 2006 the Company exercised its conversion rights of US\$ 21.1 million of IRSA Convertible Notes. As of June 30, 2007, the Company has US\$ 12.0 million of IRSA s Convertible Notes and 32,958,011 of warrants related to IRSA s Convertible Notes. Finally, as of June 30, 2007 the Company does not exercised any Convertible Notes.

c) Trade accounts receivable, net

| | As of June 30, | |
|---|----------------|----------------|
| | 2007 | 2006 |
| Trade accounts receivable | Ps. 37,232,245 | Ps. 11,446,932 |
| Related parties (Note 8) | 1,070,710 | 12,515 |
| Less: | | |
| Allowance for doubtful accounts (Note 18.d) | (372,359) | (374,830) |
| | Ps. 37,930,596 | Ps. 11,084,617 |

d) Other receivables

| | As of June 30, | |
|---|----------------|----------------|
| | 2007 | 2006 |
| Current | | |
| Receivables from the sale of farms (i) | Ps. 6,995,220 | Ps.3,497,490 |
| Prepaid leases | 6,434,233 | 8,836,242 |
| Guarantee deposits | 877,790 | 880,824 |
| Prepaid expenses, excluding leases | 193,568 | 338,368 |
| VAT receivable, net | 7,083,007 | 3,545,790 |
| Margin deposits receivable from brokers | 2,898,730 | 568,960 |
| Premiums collected / paid in connection with derivative instruments | (971,105) | (2,013) |
| Related parties (Note 8) | 5,142,161 | 876,712 |
| Income tax advances and MPIT credit (ii) | 10,276,688 | 3,880,156 |
| Other tax credits | 249,905 | |
| Others | 431,673 | 322,434 |
| | Ps. 39,611,870 | Ps. 22,744,963 |

Non-Current

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| | | |
|--|----------------|----------------|
| VAT credit and prepaid income tax | Ps. 21,603,289 | Ps. 24,351,881 |
| Prepaid leases | 179 | 13,924 |
| Receivables from the sale of farms (i) | 13,097,871 | 8,265,284 |
| Related parties (Note 8) | 223,558 | 743,410 |
| MPIT (ii) | 7,750,517 | 2,422,271 |
| Deferred income tax (Note 12) | 538,473 | 93,791 |
| Others | 22,673 | 114,731 |
| | Ps. 43,236,560 | Ps. 36,005,292 |

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Table of Contents**Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Notes to the Consolidated Financial Statements (continued)**

(In Argentine Pesos, except as otherwise indicated)

- (i) As of June 30, 2007, represents the (a) current and non-current portion of the receivable from the sale of Tapenagá farm totaling US\$ 1.2 million and US\$ 2.4 million, respectively; (b) current and non-current portion of the receivable from the sale of El Gualicho farm totaling US\$ 0.8 million and US\$ 1.7 million, respectively and (c) the current and non-current portion of the receivable from the sale of Ñacurutu farm totaling US\$ 0.3 million and US\$ 0.1 million, respectively. As of June 30, 2006, represents the (a) current and non-current portion of the receivable from the sale of El Gualicho farm totaling US\$ 0.8 million and US\$ 2.3 million, respectively and (b) the current and non-current portion of the receivable from the sale of Ñacurutu farm totaling US\$ 0.3 million and US\$ 0.4 million, respectively. The receivable from El Gualicho farm accrues interest at 360-day LIBOR plus 3.84% and the property sold is mortgaged in favor of the Company as collateral for the receivable.

The receivable from Ñacurutu farm also accrues interest at 360-day LIBOR plus 6% and the property sold is also mortgaged in favor of the Company as collateral for the receivable. The receivable from Tapenagá farm also accrues interest at 360-day LIBOR plus 8% and the property sold is also mortgaged in favor of the Company as collateral for the receivable.

- (ii) The Company recorded the MPIT 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.

e) Inventories

| | As of June 30, | |
|-----------------------|----------------|----------------|
| | 2007 | 2006 |
| Current | | |
| Crops | Ps. 30,866,271 | Ps. 10,550,495 |
| Livestock | 11,130,777 | 10,957,079 |
| Materials and others | 5,538,713 | 4,642,675 |
| Unharvested crops | 2,673,752 | 1,662,592 |
| Advances to suppliers | | 348,647 |
| Seeds and fodder | 2,250,776 | 770,647 |
| | Ps. 52,460,289 | Ps. 28,932,135 |
| Non-Current | | |
| Livestock | Ps. 68,345,438 | Ps. 62,712,423 |
| | Ps. 68,345,438 | Ps. 62,712,423 |

f) Trade accounts payable

| | As of June 30, | |
|--|----------------|------|
| | 2007 | 2006 |

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| Current | | |
|-----------------------------|----------------|----------------|
| Suppliers | Ps. 14,255,092 | Ps. 18,213,921 |
| Accruals | 12,641,959 | 5,357,266 |
| Related parties (Note 8) | 4,038,800 | 2,867,341 |
| | Ps. 30,935,851 | Ps. 26,438,528 |
| Non-Current | | |
| Accruals for other expenses | Ps. 246,231 | Ps. 835,292 |
| | Ps. 246,231 | Ps. 835,292 |

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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)

g) Short-term and long-term debt

| | As of June 30, | |
|--|-----------------|----------------|
| | 2007 | 2006 |
| Short-term debt: | | |
| Loans (i) | Ps. 114,005,729 | Ps. 65,605,326 |
| Accrued interest on Convertible Notes (ii) | 88,608 | 816,247 |
| Convertible Notes expenses | (12,742) | |
| Convertible Notes (ii) | 8,668,139 | |
| | Ps. 122,749,734 | Ps. 66,421,573 |

| | As of June 30, | |
|--------------------------|----------------|----------------|
| | 2007 | 2006 |
| Long-term debt: | | |
| Loans (iii) | Ps. 24,744,000 | Ps. 20,367,600 |
| Convertible Notes (ii) | Ps. | Ps. 78,151,284 |
| Deferred financing costs | | (421,929) |
| | Ps. 24,744,000 | Ps. 98,096,955 |

- (i) At June 30, 2007 the balance relates to several short-term loans granted by domestic financial institutions such as Citibank, Banco Ciudad de Buenos Aires, Banco Itau, Banco Patagonia, Banco Santander Río de la Plata S.A. and Banco Supervielle for aggregate amounts of Ps. 30.0 million, Ps. 10.0 million, Ps. 44.9 million, Ps. 6.0 million, Ps. 17.4 million, and 4.5 million, respectively. These loans accrue interest at fixed interest rates of 9.25%, 9.45%, from 5.60% to 9.40%, 9.50%, from 5.75% to 9.60% and 6.0%, respectively. At June 30, 2006 the balance relates to several short-term loans granted by domestic financial institutions such as Banco Ciudad de Buenos Aires, BankBoston NA and Banco Río de la Plata S.A. for aggregate amounts of Ps. 10.0 million, Ps. 41.7 million and US\$ 4.5 million, respectively. These loans accrue interest at fixed interest rates of 9.00%, from 9.50% to 11.35% and from 4.65% to 4.90%, respectively.
- (ii) See Note 10 for details.
- (iii) At June 30, 2007 and 2006 the balance relates to a loan granted by Credit Suisse for US\$ 8.0 million which was used to finance the Company's investment in BrasilAgro. This loan accrues interest at a variable rate per annum equal to the LIBOR plus 375 basic points and matures in November 2008. As of June 30, 2007, an amount of 1,834,860 ADRs of IRSA are restricted as collateral for the financing. The collateral is based on a fixed ratio of debt coverage, accordingly, such amounts may be released and/or increased depending on the market value of the shares underlying the ADRs and subsequent payments. Additionally, the Company can only appropriate and pay, direct or indirectly either cash nor in kind dividends up to the amount of US\$ 5.0 million in accordance with Credit Suisse agreement.

h) Salaries and social security payable

| As of June 30, | |
|----------------|------|
| 2007 | 2006 |

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| | | |
|------------------------------------|---------------|---------------|
| Provision for vacation and bonuses | Ps. 3,775,108 | Ps. 1,905,899 |
| Social security payable | 121,341 | 305,688 |
| Salaries payable | 277 | 64,237 |
| Others | 322,394 | 17,306 |
| | Ps. 4,219,120 | Ps. 2,293,130 |

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Table of Contents**Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Notes to the Consolidated Financial Statements (continued)**

(In Argentine Pesos, except as otherwise indicated)

i) Taxes payable

| | As of June 30, | |
|-------------------------------|----------------|----------------|
| | 2007 | 2006 |
| Current | | |
| Income tax payable, net | Ps. 193,103 | Ps. 126,641 |
| Gross sales tax payable | 518,641 | 274,592 |
| Income tax withholdings | 230,361 | 232,192 |
| Property tax payable | 5,503,470 | 2,377,347 |
| MPIT payable, net | 937 | 2,215 |
| Gross sales tax withholdings | 20,270 | 247,925 |
| VAT withholdings | 232,262 | 17,602 |
| Others | | |
| | Ps. 6,699,044 | Ps. 3,313,836 |
| Non-Current | | |
| Deferred income tax (Note 12) | 51,312,237 | 42,770,882 |
| | Ps. 51,312,237 | Ps. 42,770,882 |

j) Other liabilities

| | As of June 30, | |
|---------------------------------|----------------|---------------|
| | 2007 | 2006 |
| Current | | |
| Management fee payable (Note 8) | Ps. 2,817,997 | Ps. 3,073,950 |
| Related parties (Note 8) | 215,796 | 181,268 |
| Others | 54,164 | 186,806 |
| | Ps. 3,087,957 | Ps. 3,442,024 |
| Non-Current | | |
| Others | 347,549 | 434,309 |
| | Ps. 347,549 | Ps. 434,309 |

k) Financial results, net

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| | 2007 | As of June 30, 2006 | 2005 |
|---|-----------------|------------------------|-----------------|
| Generated by assets: | | | |
| Exchange (loss) gain | Ps. (1,151,529) | Ps. 11,510,779 | Ps. (6,165,232) |
| Interest income | 1,833,687 | 490,288 | 551,398 |
| Allowance for doubtful accounts | | (43,616) | (12,809) |
| Tax on bank account operations | (1,901,855) | (2,177,198) | (1,592,008) |
| Gain from sale of IRSA Convertible Notes | | 14,872,000 | 68,754,172 |
| Interest income on IRSA Convertible Notes | 2,959,795 | 7,123,844 | 9,965,370 |
| Others | 1,142,878 | 2,083,587 | 774,458 |
| | Ps. 2,882,976 | Ps. 33,859,684 | Ps. 72,275,349 |

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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)

| Generated by liabilities: | | | |
|---------------------------------------|------------------|------------------|-----------------|
| Interest expense on Convertible Notes | Ps. (2,718,240) | Ps. (8,330,855) | (9,609,672) |
| CER index on liabilities | 1,551 | (22,776) | (7,875) |
| Interest loss | (9,832,569) | (1,978,392) | |
| Exchange gain (loss) | 204,448 | (9,302,801) | 3,137,609 |
| Others | (996,160) | (1,850,902) | (2,044,025) |
| | Ps. (13,340,970) | Ps. (21,485,726) | Ps. (8,523,963) |

5. Shareholders equity

a) Common stock

As of June 30, 2007, the Company had 309,576,220 outstanding shares of common stock, having a par value of Ps. 1 per share. Holders of the common stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Following is a summary of the activity in the Company's shares during the years presented:

| | Shares issued | Common stock Par value | Paid-in-capital |
|---|-----------------|---------------------------|-----------------|
| Balances as of June 30, 2004 | Ps. 150,532,819 | Ps. 150,532,819 | Ps. 106,323,100 |
| Exercise of stock options | 240,000 | 240,000 | |
| Exercise of warrants | 6,092,889 | 6,092,889 | 4,826,490 |
| Conversion of Convertible Notes into common shares | 5,918,871 | 5,918,871 | 2,938,140 |
| Changes of interests in equity investees and subsidiaries resulting from capital nature transactions between equity investees and subsidiaries and other shareholders | | | (35,912,534) |
| Balances as of June 30, 2005 | Ps. 162,784,579 | Ps. 162,784,579 | Ps. 78,175,196 |
| Exercise of warrants | Ps. 28,668,581 | Ps. 28,668,581 | Ps. 24,918,614 |
| Conversion of Convertible Notes into common shares | 29,151,389 | 29,151,389 | 15,957,556 |
| Changes of interests in equity investees and subsidiaries resulting from capital nature transactions between equity investees and subsidiaries and other shareholders | | | (12,134,376) |
| Balances as of June 30, 2006 | Ps. 220,604,549 | Ps. 220,604,549 | Ps. 106,916,990 |
| Exercise of warrants | Ps. 44,619,656 | Ps. 44,619,656 | Ps. 39,555,902 |
| Conversion of Convertible Notes into common shares | 44,352,015 | 44,352,015 | 25,307,891 |
| | | | (6,857,758) |

Changes of interests in equity investees and subsidiaries resulting from capital nature transactions between equity investees and subsidiaries and other shareholders

| | | | |
|-------------------------------------|-----------------|-----------------|-----------------|
| Balances as of June 30, 2007 | Ps. 309,576,220 | Ps. 309,576,220 | Ps. 164,923,025 |
|-------------------------------------|-----------------|-----------------|-----------------|

b) Treasury stock

The Company repurchases outstanding shares of common stock when it believes that its stock is undervalued in the marketplace. The Company recorded the acquisitions of treasury shares as a reduction in retained earnings. As discussed in Note 9, the shareholders approved a stock option plan relating to the outstanding treasury stock. As of June 30, 2006, all of the treasury shares have been purchased by the stock option plan beneficiaries. Accordingly, there is no treasury stock outstanding as of June 30, 2007.

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(In Argentine Pesos, except as otherwise indicated)

c) Inflation adjustment of common stock

As discussed in Note 2.d), the Company's financial statements were prepared on the basis of general price-level accounting which reflects changes in the purchasing power of the Argentine peso in the historical financial statements until February 28, 2003. Accordingly, the inflation adjustment related to common stock was appropriated to an inflation adjustment reserve, which forms part of shareholders' equity. According to Argentine rules and regulations, the balance of the inflation adjustment reserves may be applied only towards the issuance of common stock to shareholders of the Company.

d) Paid-in capital

As described in Note 3.e), 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. During fiscal year 2005, the Company's interest in IRSA decreased by 3.6% as a result of the dilutive effect of warrants and conversion rights exercised by other shareholders, resulting in a loss of Ps. 36.5 million recorded as paid-in capital. In addition, during fiscal year 2005, the minority shareholders of Futuros y Opciones.Com S.A. (FYO) made contributions in excess of their ownership interests, resulting in a gain effect of Ps. 0.6 million to the Company, which has also been recorded as paid-in capital. Additionally, during the year ended June 30, 2006 as a result of the dilutive effect of warrants and conversion rights exercised by other shareholders, the Company recorded a loss effect of Ps. 12.1 million, recorded as paid in capital. Finally, during the year ended June 30, 2007 as a result of the dilutive effect of warrants and conversion rights exercised by other shareholders, the Company recorded a loss effect of Ps. 8.5 million, recorded as paid in capital; and the inclusion of a new shareholder in Cactus Argentina S.A. made contributions in excess of their ownership interest, resulting in a gain effect of Ps. 1.7 million to the Company which has also been recorded as paid-in capital.

e) Restrictions on distribution of profits

In accordance with the Argentine Corporations Law and the Company's by-laws, 5% of the net and realized profit for the year calculated in accordance with Argentine GAAP plus (less) prior year adjustments must be appropriated by resolution of shareholders to a legal reserve until such reserve equals 20% of the Company's outstanding capital. This legal reserve may be used only to absorb losses. The Company can only appropriate and pay, direct or indirectly, either cash nor in kind dividends up to the amount of US\$ 5.0 million, in accordance with Credit Suisse agreement.

f) Reserve for new developments

Pursuant to a resolution of the Inspeccion General de Justicia, the accumulated retained earnings balance of the period before computation of the net income/loss of the period and after computation of equity transactions (i.e. payment of dividends) must be allocated to a special reserve labeled as "Reserve for new developments". This allocation has no impact on the total shareholders equity of the Company.

6. Derivative financial instruments

The Company uses a variety of commodity-based derivative instruments to manage its exposure to price volatility stemming from its integrated crop production activities. These instruments consist mainly of crop future contracts and put and call option contracts. Contract positions are designed to ensure that the Company will receive a defined minimum price for certain quantities of its production. The counterparties to these instruments generally are major financial institutions. In entering into these contracts, the Company has assumed the risk that might arise from

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the possible inability of counterparties to meet the terms of their contracts. The Company does not expect any losses as a result of counterparty defaults. As described in Note 3.r), derivative financial instruments are recognized at fair value as either assets or liabilities in the consolidated balance sheet. Changes in the fair market value of the derivative instruments are reported in earnings. Margin deposits and premiums paid related to outstanding future and option contracts are recorded as other receivables on the consolidated balance sheet.

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As of June 30, 2007 and 2006, the Company had open commodity crop future contracts amounting to US\$ 12.1 million and US\$ (4.5) million, respectively. At June 30, 2007 and 2006, these contracts covered a notional amount of 62,245 and 33,500 tons, respectively, of various crops, including soybean, wheat and corn. Futures contracts are used in combination with put and call option contracts principally to take advantage of market fluctuations, which provide more favorable pricing opportunities. At June 30, 2007 and 2006, the Company opened call and put options that strike at weighted average prices per ton of US\$ 208.6 and US\$ 158.6 covering notional amounts of 202,514 and 125,615 tons of various crops, including soybean, wheat and corn, respectively. The open options at June 30, 2007 mature at various dates through May 2008. The Company recognized a loss from commodity-crop-based contract activity of Ps. (3.1) million, Ps. (0.3) million and Ps. (4.2) million for the years ended June 30, 2007, 2006 and 2005, respectively. The Company recognizes gains and losses associated with these contracts as part of cost of sales.

The Company engages in trading for certain financial instruments. During fiscal year 2007, the Company had future contracts outstanding to purchase US\$ 4.0 million and to sell US\$ 10.5 million at an average price of Ps. 3.15 per US\$ maturing through May 2007. As of June 30, 2007 the Company had no future contracts outstanding. As of June 30, 2006 the Company had future contracts outstanding to purchase US\$ 8.1 million at an average price of Ps. 3.13 per US\$ maturing through December 2006. The Company recognized a gain of Ps. 0.8 million and a gain of Ps. 0.1 million during the year ended June 30, 2007 and June 30, 2006 respectively, in connection with these contracts.

Derivative financial instruments involve, to a varying degree, elements of market and credit risk. 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 the Company's futures and options contracts consist of a number of major institutions with high credit ratings. The Company does not believe that there is a significant risk of nonperformance by these counterparties because the Company continually monitors the credit rating of such counterparties, and limits 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 the Company's exposure to credit risk. The amounts potentially subject to credit risk are generally limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed the obligations of the Company to the counterparties.

7. Additional information on assets and liabilities

The breakdown of main assets and liabilities as of June 30, 2007 is as follows:

| | To mature in 1 st Quarter | To mature in 2 nd Quarter | To mature in 3 rd Quarter | To mature in 4 th Quarter | To mature in greater than 1 year | No fixed term | Total |
|------------------------------------|---|---|---|---|--|-----------------|-----------------|
| Assets | | | | | | | |
| Investments | Ps. | Ps. 379,408 | Ps. | Ps. | Ps. | Ps. 76,930,290 | Ps. 77,309,698 |
| Trade accounts receivables, net | 37,930,596 | | | | | | 37,930,596 |
| Other receivables | 17,675,316 | 3,822,775 | 1,422,981 | 4,703,416 | 13,097,871 | 42,126,071 | 82,848,430 |
| | Ps. 55,605,912 | Ps. 4,202,183 | Ps. 1,422,981 | Ps. 4,703,416 | Ps. 13,097,871 | Ps. 119,056,361 | Ps. 198,088,724 |

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Liabilities

| | | | | | | | | |
|--------------------------------------|----------------|----------------|------------|------------|----------------|-----|-----------------|-----------------|
| Trade accounts payable | Ps. 30,935,851 | Ps. | Ps. | Ps. | Ps. | Ps. | 246,231 | Ps. 31,182,082 |
| Short-term and long-term debt | 15,298,547 | 10,618,597 | | | 24,744,000 | | 96,832,590 | 147,493,734 |
| Salaries and social security payable | 3,502,650 | 716,470 | | | | | | 4,219,120 |
| Taxes payable | 6,590,222 | 108,822 | | | | | 51,312,237 | 58,011,281 |
| Other liabilities | 2,913,138 | 13,541 | 13,541 | 13,541 | | | 481,745 | 3,435,506 |
| Provisions | | | | | | | 1,747,606 | 1,747,606 |
| | Ps. 59,240,408 | Ps. 11,457,430 | Ps. 13,541 | Ps. 13,541 | Ps. 24,744,000 | | Ps. 150,620,409 | Ps. 246,089,329 |

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

| | Accruing interest at a fixed rate | | Accruing interest at a variable rate | | Not accruing interest | | Total |
|--------------------------------------|-----------------------------------|----------------|--------------------------------------|-------------|-----------------------|----------------|-----------------|
| | Current | Non-Current | Current | Non-Current | Current | Non-Current | |
| Assets | | | | | | | |
| Investments | Ps. | Ps. 37,116,000 | Ps. 39,462,030 | Ps. | Ps. 379,408 | Ps. 352,260 | Ps. 77,309,698 |
| Trade accounts receivable, net | | | | | 37,930,596 | | 37,930,596 |
| Other receivables | 10,897,263 | 13,097,871 | | | 28,714,607 | 30,138,689 | 82,848,430 |
| | Ps. 10,897,263 | Ps. 50,213,871 | Ps. 39,462,030 | Ps. | Ps. 67,024,611 | Ps. 30,490,949 | Ps. 198,088,724 |
| Liabilities | | | | | | | |
| Trade accounts payable | Ps. 4,484,003 | Ps. | Ps. | Ps. | Ps. 26,451,848 | Ps. 246,231 | Ps. 31,182,082 |
| Short-term and long-term debt | 122,661,126 | 24,744,000 | | | 88,608 | | 147,493,734 |
| Salaries and social security payable | | | | | 4,219,120 | | 4,219,120 |
| Taxes payable | | | | | 6,699,044 | 51,312,237 | 58,011,281 |
| Other liabilities | | | | | 3,087,957 | 347,549 | 3,435,506 |
| Provisions | | | | | | 1,747,606 | 1,747,606 |
| | Ps. 127,145,129 | Ps. 24,744,000 | Ps. | Ps. | Ps. 40,546,577 | Ps. 53,653,623 | Ps. 246,089,329 |

8. Balances and transactions with related parties

The balances with related parties as of June 30, 2007 and 2006 is as follows:

| Related Parties | Trade accounts receivable, net | | Other receivables | | | | Trade accounts payable | | Other liabilities | |
|--|--------------------------------|--------|-------------------|---------|-------------|-------------|------------------------|------------|-------------------|------|
| | Current | | Current | | Non-Current | | Current | | Current | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Alto Palermo S.A. | Ps. | Ps. | Ps. | Ps. | Ps. 178,341 | Ps. 584,704 | Ps. 1,075,643 | Ps. 35,620 | Ps. | Ps. |
| IRSA Inversiones y Representaciones S.A. | | | 106,903 | | 41,117 | 150,353 | 124,752 | 34,127 | | |
| Cactus Argentina S.A. | 1,069,777 | 12,515 | 4,266,771 | 191,651 | 4,100 | 8,353 | 669,346 | 481,353 | | |
| Agro-Uranga S.A. | | | 511,221 | 39,993 | | | | | | |
| BrasilAgro Companhia Brasileira de Propiedades Agrícolas | | | 30,537 | 559,088 | | | | | | |

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| | | | | | | | | | | | |
|-----------------------------------|-----|----------------------|-------------------|----------------------|--------------------|--------------------|--------------------|----------------------|----------------------|----------------------|----------------------|
| Advances to employees | | 225,994 | 85,980 | | | | | | | | |
| Directors | | 735 | | | | | | 81,600 | 46,800 | | |
| Alto City.Com S.A. | 933 | | | | | | | 298 | | | |
| Inversora Bolivar S.A. | | | | 40,508 | 42,092 | | | | | | |
| Estudio Zang, Bergel & Viñes | | | | 328,551 | 73,851 | | | | | | |
| Fundación IRSA | | | | 1,800,000 | 2,200,000 | | | | | | |
| Consultores Asset Management S.A. | | | | | | | | 2,817,997 | 3,073,950 | | |
| Cactus Feeders Inc. | | | | | | | | | | 272 | |
| FYO minority shareholders | | | | | | | | 134,196 | 134,196 | | |
| Total | | Ps. 1,070,710 | Ps. 12,515 | Ps. 5,142,161 | Ps. 876,712 | Ps. 223,558 | Ps. 743,410 | Ps. 4,038,800 | Ps. 2,867,341 | Ps. 3,033,793 | Ps. 3,255,218 |

The transactions with related parties as of June 30, 2007, 2006 and 2005 is as follows:

| Related Parties | Fees for shared services and expenses | | | Income for shared services and expenses | | | Fees | | |
|--|---------------------------------------|------------------------|----------------------|---|--------------------|--------------------|------------------------|------------------------|------------------------|
| | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 |
| Alto Palermo S.A. | Ps. (3,276,365) | Ps. (1,782,707) | Ps. (519,555) | Ps. 1,096,466 | Ps. 497,716 | Ps. 294,905 | Ps. | Ps. | Ps. |
| IRSA Inversiones y Representaciones S.A. | (863,329) | (407,388) | (352,070) | 318,063 | 182,948 | 94,847 | | | |
| Tarjeta Shopping S.A. | | | | 32,009 | 3,104 | 9,024 | | | |
| Alto City.Com S.A. | | | | 5,713 | | | | | |
| Inversora Bolivar S.A. | | | | | | | | | |
| Estudio Zang, Bergel & Viñes | | | | | | | | | |
| Fundación IRSA | | | | | | | | | |
| Consultores Asset Management S.A. | | | | 46,281 | | | (5,484,697) | (3,836,470) | (8,523,213) |
| Total | Ps. (4,139,694) | Ps. (2,190,095) | Ps. (871,625) | Ps. 1,498,532 | Ps. 683,768 | Ps. 398,776 | Ps. (5,484,697) | Ps. (3,836,470) | Ps. (8,523,213) |

| Related Parties | Rent Expenses | | | Donations | | | Legal services | | |
|--|---------------|-----------|-----------|-----------|------|------|----------------|------|------|
| | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 | 2007 | 2006 | 2005 |
| Alto Palermo S.A. | Ps. | Ps. | Ps. | Ps. | Ps. | Ps. | Ps. | Ps. | Ps. |
| IRSA Inversiones y Representaciones S.A. | | | | | | | | | |
| Tarjeta Shopping S.A. | | | | | | | | | |
| Alto City.Com S.A. | (229,455) | (115,198) | (105,358) | | | | | | |

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| | | | | | | | | | |
|--------------------------------------|----------------------|----------------------|----------------------|------------------------|------------------------|----------------------|----------------------|----------------------|--|
| Inversora Bolivar S.A. | | | | | | | | | |
| Estudio Zang, Bergel & Viñes | | | | | | (353,614) | (248,668) | (163,925) | |
| Fundación IRSA | | | | (1,600,000) | (1,900,000) | | | | |
| Consultores Asset Management S.A. | | | | | | | | | |
| Total | Ps. (229,455) | Ps. (115,198) | Ps. (105,358) | Ps. (1,600,000) | Ps. (1,900,000) | Ps. (353,614) | Ps. (248,668) | Ps. (163,925) | |

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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)

Pursuant to the terms of a consulting agreement with Consultores Asset Management S.A. (CAM) CAM provides the Company advisory services on matters related to capital investments in all aspects of the agriculture business. A shareholder and director of the Company is the owner of 85% of the capital stock of CAM, while Cresud's first vice Chairman of the Board holds the other 15% of its capital stock. The Company pays CAM an annual fee equivalent to 10% of the after-tax net income for these services. Fees totaled Ps. 5.5 million and Ps. 3.8 million for the years ended June 30, 2007 and 2006, respectively.

During the years ended June 30, 2006, 2005 and 2004 the Company invested in shares and Convertible Notes of IRSA. IRSA is a real estate company engaged directly or indirectly through subsidiaries and joint ventures in real estate activities in Argentina. Certain shareholders and/or directors of the Company are also shareholders and/or directors of IRSA.

In order to achieve a more efficient allocation of corporate resources, during the years ended June 30, 2007, 2006 and 2005, IRSA and its subsidiaries provided the Company corporate services in the areas of institutional relations, finance and human resources, amounting to Ps. 3.3 million, Ps. 0.9 million and Ps. 0.5 million, respectively. In the same way, the Company provided corporate services to IRSA and its subsidiaries for Ps. 0.7 million and Ps. 0.3 million during the fiscal years ended June 30, 2007 and 2006, respectively.

Since November 2001, the Company leased office space under a cancelable operating lease from IRSA and its subsidiaries. Rent expense was recognized ratably over the lease term. Rent expense for the years ended June 30, 2007, 2006 and 2005 amounted to Ps. 0.2 million, Ps. 0.12 million and Ps. 0.12 million, respectively.

From time to time, the Company donates money to Fundación IRSA, a charitable, not-for-profit organization, the director of which is Eduardo S. Elsztain, a significant shareholder and the Chairman of the Board of Directors of the Company, and Mr. Elsztain's wife serves as the President of Fundación IRSA. The Company made no donations to Fundación IRSA during fiscal year ended June 30, 2007, however during the years ended June 30, 2006 and 2005 donations amounted to Ps. 1.6 million and Ps. 1.2 million, respectively. In addition, at June 30, 2007 the Company has recognized a liability for the unconditional promise to give cash to Fundación IRSA for Ps. 1.8 million which is included within trade accounts payable .

During the years ended June 30, 2007, 2006 and 2005, the law firm Zang, Bergel & Viñes provided the Company legal services amounting Ps. 0.3 million, Ps. 0.2 million and Ps. 0.2 million, respectively. Certain directors of the Company are partners of the law firm.

During October and November 2002, Inversiones Financieras del Sur S.A. (IFISA) subscribed US\$ 22.6 million of the Company's Convertible Notes. IFISA is a Uruguayan holding company, which holds approximately 32.8% of the Company's common stock at June 30, 2007, and for which a shareholder and director of the Company may be deemed beneficial owner by virtue of his voting power.

In the case all bondholders exercise their conversion right, IFISA would own 31.6% of the common stock of the Company.

At June 30, 2007 and 2006 certain directors and other shareholders were also holders of Convertible Notes, totaling US\$ 0.04 million and US\$ 15.2 million, respectively.

9. Stock option plan

As discussed in Note 5.b), an amount of 4,612,290 shares of treasury stock had been reserved under a stock option plan (the Plan) approved by the shareholders in November 2001. Pursuant to the terms of the Plan, two thirds of the shares underlying the options were to be allocated to certain executive members of the Company's management as initial beneficiaries of the Plan and the remaining one third was to be allocated to certain other executive officers. In February 2002, the Board of Directors approved a stock option agreement

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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)

(the February 2002 Plan) pursuant to which the Company granted stock options to purchase 3,073,437 shares at an exercise price of Ps. 1 plus accrued interest at a rate of 180-days LIBO. Options vested immediately. Options were exercisable at any time through January 2005. In addition, dividends distributed on the underlying shares, if any, were to be accumulated and paid to the beneficiaries upon exercise. Options were to be paid in cash and no financing and/or other form of settlement was provided by the Company. In December 2002, the Board of Directors approved a second stock option agreement (the December 2002 Plan) pursuant to which the Company granted to certain executive officers other than the initial beneficiaries stock options to purchase 1,538,853 shares with the exact terms and conditions as the options granted in the February 2002 Plan. For the years ended June 30, 2005, stock options were exercised for total consideration of Ps. 0.2 million. All stock options were exercised as of June 30, 2005.

10. Issuance of Convertible Notes

In October 2002, the Company issued US\$ 50.0 million of 8% Convertible Notes due 2007 (the Convertible Notes) with non-detachable warrants to acquire additional shares of common stock (the Warrants). The issuance of convertible note was approved by the shareholders on March 8, 2002 and by the CNV and the Buenos Aires Stock Exchange on October 1, 2002. The Convertible Notes are convertible, at any time, at the option of the holder, into a fixed number of common shares at an original conversion price of US\$ 0.5078, which can only 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\$ 0.6093 per share. The exercise price of the Warrants is also adjusted as a result of anti-dilution provisions. No proceeds were allocated to the conversion feature and warrants. Proceeds from the issuance of the Convertible Notes were partially used to purchase IRSA Convertible Notes (See Note 4.b) (ii)).

During fiscal years 2007, 2006 and 2005, holders of approximately US\$ 22.5 million, US\$ 14.8 million and US\$ 3.0 million, of the Convertible Notes exercised their conversion rights and, as a result, the Company issued 44,352,015; 29,151,389 and 5,918,871 shares of common stock, respectively. As a result, at June 30, 2007 the outstanding balance of the Convertible Notes amounts to US\$ 2.8 million. In addition, during fiscal years 2007, 2006 and 2005, the Company issued 44,619,656; 28,668,581 and 6,092,889 shares of common stock as a result of the exercise of 22,657,876; 14,557,910 and 3,093,975 warrants for total consideration of Ps. 84.2 million, Ps. 53.6 million and Ps. 10.9 million, respectively. At June 30, 2007 there were 3,106,252 outstanding warrants.

11. Segment information

The Company is required to disclose segment information in accordance with RT 18. RT 18 establishes standards for reporting information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial reports issued to shareholders. Operating segments are components of a company about which separate financial information is available that is regularly evaluated by the chief operating decision maker(s) in deciding how to allocate resources and assess performance. The statement also establishes standards for related disclosures about a company's products and services, geographical areas and major customers.

The Company is primarily engaged in agricultural operations, which are subject to risk, including market prices, weather conditions and environmental concerns. However, 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. Gain on the sale of properties is presented in a separate line within operating income in the consolidated statement of income.

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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)

For the years ended June 30, 2007, 2006 and 2005, the Company's principal operations were located in Argentina, the country of domicile. As discussed in Note 2.f), in March 2006, the Company formed BrasilAgro to replicate the Company's business in Brazil. As of June 30, 2007, BrasilAgro has acquired its first 4 properties and it has entered into agreements for the acquisition of two additional properties in the first fiscal period of 2007. During this fiscal year the Company has started the operations in the domestic market in Brazil. The result of this equity investee is included in the Non Operating Segment.

The Company conducts business in five business segments, organized primarily on a product-line basis, with each segment offering a variety of different but interrelated products:

The Crops segment includes the planting and harvesting and sale of fine and coarse grains and oilseeds, including wheat, corn, soybeans and sunflowers.

The Beef Cattle segment consists of the raising and fattening of beef cattle from the Company's own cattle stock and the purchase and fattening of beef cattle for sale to meat processors.

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

The Feed lot segment includes the cattle feeding operation.

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

The Non-Operating segment includes gains or losses from equity investees and depreciation for corporate assets. Accordingly, segment information for the years ended June 30, 2006 and 2005, includes the pro-rata equity interest in Cactus on a line-by-line basis. As from January 1, 2007, the Company accounts for its investment in Cactus under the equity method of accounting. Accordingly, the segment information for the year ended June 30, 2007 includes the gain on this equity investee under the Non-Operating segment.

The Company evaluates the performance of its business segments based on gross profit less selling expenses plus unrealized gains or losses on inventories. In the column titled "Total", total segment gain (the addition of the five operating business segments) do not include the gain or loss on equity investees which is included in the Non-Operating Segment but it is not added for performance evaluation purposes. Accounting policies of the five reportable segments are the same as those described in the summary of significant accounting policies. Intercompany transactions between segments, if any, are eliminated. See Note 17.II.d), for a discussion of significant customers.

Financial information for each segment follows:

Year ended June 30, 2007:

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| | Crops | | Beef Cattle | | Milk | | Feed lot | | Others | | Non Operating | | Total | |
|---|-------|--------------|-------------|--------------|------|-------------|----------|-------------|--------|-------------|---------------|-------------|-------|---------------|
| Production income | Ps. | 72,426,012 | Ps. | 19,462,410 | Ps. | 10,911,397 | Ps. | | Ps. | | Ps. | | Ps. | 102,799,819 |
| Cost of production | | (52,401,684) | | (15,050,438) | | (8,476,391) | | | | | | | | (75,928,513) |
| Sales. | | 53,401,376 | | 31,966,582 | | 9,730,929 | | 3,102,229 | | 12,116,372 | | | | 110,317,488 |
| Cost of sales | | (50,434,966) | | (30,272,710) | | (9,730,929) | | (2,823,865) | | (5,870,058) | | | | (99,132,528) |
| Unrealized (loss) / gain on inventories | | (805,910) | | 4,195,377 | | 845,483 | | 62,083 | | | | | | 4,297,033 |
| Selling expenses | | (7,779,324) | | (1,155,190) | | (78,466) | | | | (958,911) | | | | (9,971,891) |
| Gain on equity investees | | | | | | | | | | | | 40,198,825 | | |
| Segment gain | | 14,405,504 | | 9,146,031 | | 3,202,023 | | 340,447 | | 5,287,403 | | | | 32,381,408 |
| Depreciation | | (2,032,714) | | (1,198,203) | | (431,035) | | | | (164,730) | | (506,440) | | (4,333,122) |
| Assets (i) | Ps. | 207,607,195 | Ps. | 165,295,847 | Ps. | 28,954,741 | Ps. | 11,166,028 | Ps. | 1,736,875 | Ps. | 657,119,730 | Ps. | 1,071,880,416 |

- (i) Includes Ps. 436,554,114 related to the equity interests in IRSA, BrasilAgro, Cactus and Agro Uranga. Remaining assets primarily comprise cash and banks, current investments, trade accounts receivable, other receivables and intangible assets.

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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)

Year ended June 30, 2006:

| | Crops | Beef Cattle | Milk | Feed lot | Others (i) | Non Operating | Total |
|---|-----------------|--------------------|----------------|-----------------|-------------------|----------------------|-----------------|
| Production income | Ps. 37,005,907 | Ps. 20,452,655 | Ps. 7,892,462 | Ps. | Ps. | Ps. | Ps. 65,351,024 |
| Cost of production | (35,799,706) | (18,780,372) | (5,845,360) | | | | (60,425,438) |
| Sales. | 61,659,566 | 33,713,479 | 7,892,462 | 2,721,377 | 6,353,777 | | 112,340,661 |
| Cost of sales | (53,286,035) | (32,993,523) | (7,892,462) | (2,318,102) | (2,093,332) | | (98,583,454) |
| Unrealized gain / (loss) on inventories | 1,391,209 | 2,979,122 | (144,941) | 13,530 | | | 4,238,920 |
| Selling expenses | (8,657,797) | (1,026,535) | (51,782) | (53,852) | (361,486) | | (10,151,452) |
| Gain on equity investees | | | | | | 22,140,997 | |
| Segment gain | 2,313,144 | 4,344,826 | 1,850,379 | 362,953 | 3,898,959 | | 12,770,261 |
| Depreciation | (2,071,636) | (1,385,720) | (540,989) | (304,637) | (78,714) | (730,392) | (5,112,088) |
| Assets (i) | Ps. 133,840,099 | Ps. 147,615,752 | Ps. 20,382,880 | Ps. 3,641,461 | Ps. 3,903,962 | Ps. 561,271,730 | Ps. 870,655,884 |

(i) Includes Ps. 391,545,431 related to the equity interests in IRSA, BrasilAgro and Agro Uranga. Remaining assets primarily comprise cash and banks, current investments, trade accounts receivable, other receivables and intangible assets.

Year ended June 30, 2005:

| | Crops | Beef Cattle | Milk | Feed lot | Others | Non Operating | Total |
|---|-----------------|--------------------|----------------|-----------------|---------------|----------------------|-----------------|
| Production income | Ps. 44,052,970 | Ps. 19,993,923 | Ps. 3,463,144 | Ps. | Ps. | Ps. | Ps. 67,510,037 |
| Cost of production | (34,463,844) | (17,012,337) | (2,094,975) | | | | (53,571,156) |
| Sales. | 30,893,216 | 36,826,885 | 3,463,144 | 2,129,838 | 4,859,931 | | 78,173,014 |
| Cost of sales | (30,460,110) | (35,810,780) | (3,463,144) | (1,855,278) | (1,546,204) | | (73,135,516) |
| Unrealized (loss) / gain on inventories | (456,710) | 10,160,759 | 1,460,020 | | | | 11,164,069 |
| Selling expenses | (4,789,970) | (1,542,432) | (33,263) | (3,925) | (229,976) | | (6,599,566) |
| Gain on equity investees | | | | | | 28,087,632 | |
| Segment gain | 4,775,552 | 12,616,018 | 2,794,926 | 270,635 | 3,083,751 | | 23,540,882 |
| Depreciation | (1,874,960) | (1,223,081) | (375,340) | (296,316) | (84,364) | (315,078) | (4,169,139) |
| Assets (i) | Ps. 133,819,848 | Ps. 140,555,289 | Ps. 18,289,060 | Ps. 4,198,895 | Ps. 1,798,025 | Ps. 444,751,076 | Ps. 743,412,193 |

(i)

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Includes Ps. 258,960,447 related to the equity interests in IRSA and Agro Uranga. Remaining assets primarily comprise cash and banks, current investments, trade accounts receivable and other receivables.

12. Income tax

As described in Note 3.k) the Company accounts for income tax using the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax based assets and liabilities and are measured using the enacted tax rates.

Income tax expense for the years ended June 30, 2007, 2006 and 2005 consists of the following:

| | 2007 | 2006 | 2005 |
|-----------------------------|----------------------|----------------------|-----------------------|
| Current income tax expense | Ps. 537,680 | Ps. 2,025,251 | Ps. 24,690,107 |
| Deferred income tax expense | 7,837,415 | 3,406,580 | 13,097,487 |
| Income tax expense | Ps. 8,375,095 | Ps. 5,431,831 | Ps. 37,787,594 |

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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)

Income tax expense for the years ended June 30, 2007, 2006 and 2005 differed from the amounts computed by applying the Company's statutory income tax rate to pre-tax income as a result of the following:

| | 2007 | 2006 | 2005 |
|---|----------------------|----------------------|-----------------------|
| Income tax expense at statutory tax rate on pretax income | Ps. 20,305,028 | Ps. 13,446,311 | Ps. 40,074,304 |
| Donations | 5,428 | 415,208 | 260,224 |
| Inflation adjustment | 1,455,265 | 1,477,786 | 2,042,579 |
| Gain on equity investees | (14,069,588) | (7,749,349) | (9,830,671) |
| Loss on the sale of shares | | | 2,398,665 |
| Others | 678,962 | (2,158,125) | 2,842,493 |
| Income tax expense | Ps. 8,375,095 | Ps. 5,431,831 | Ps. 37,787,594 |

The tax effects of temporary differences that give rise to the Company's deferred tax assets and liabilities at June 30, 2007 and 2006 are presented below:

| | 2007 | 2006 |
|---|-------------------------|-------------------------|
| Other | Ps. 538,473 | Ps. 93,791 |
| Net deferred tax assets | Ps. 538,473 | Ps. 93,791 |
| Other receivables | Ps. (335,936) | Ps. 190,988 |
| Property and equipment | (36,037,650) | (27,100,029) |
| Inventories | (18,602,711) | (17,130,619) |
| Tax loss carryforwards | 3,395,688 | 1,893,068 |
| Unrealized/realized holding gain on non-current investments | (2,768) | (2,201) |
| Provisions and others | 271,140 | (622,089) |
| Net deferred tax liability | Ps. (51,312,237) | Ps. (42,770,882) |

In assessing the recoverability of deferred income tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Based on the current expiration period of tax loss carryforwards (5 years), the ultimate realization of the deferred income tax assets for income tax purposes is considered more likely than not.

As of June 30, 2007 the Company and its subsidiaries had accumulated income tax loss carryforwards of approximately Ps. 9.7 million, which, on an individual entity basis, may be offset against future years' taxable income in accordance with income tax law. Such tax loss carryforwards expire at various dates through 2010.

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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)

13. Earnings per share

The following tables set forth the computation of basic and diluted net income per common share under Argentine GAAP for all periods presented:

| | Year ended June 30, | | |
|--|---------------------|---------------------|---------------------|
| | 2007 | 2006 | 2005 |
| Numerator: | | | |
| Net income available to common shareholders | Ps. 49,362,269 | Ps. 32,883,276 | Ps. 76,798,918 |
| Plus (less): income (loss) impact of assumed conversions: | | | |
| Interest expense on Convertible Notes | 2,718,240 | 8,276,255 | 9,609,672 |
| Foreign currency exchange (loss) gain on Convertible Notes | 158,117 | 7,412,011 | (2,882,637) |
| Income tax effects | (938,914) | (5,121,040) | (2,195,872) |
| Management fee | (193,744) | (1,056,723) | (453,116) |
| Net income available to common shareholders plus assumed conversions | Ps. 51,105,968 | Ps. 42,393,779 | Ps. 80,876,965 |
| Denominator: | | | |
| Weighted-average number of shares outstanding | 247,149,373 | 170,681,455 | 155,343,629 |
| Plus: incremental shares of assumed conversions: | | | |
| Stock options | | | 115,856 |
| Warrants | 35,501,861 | 78,126,966 | 83,352,331 |
| Convertible Notes | 38,563,158 | 72,405,971 | 82,402,576 |
| Adjusted weighted-average number of shares | Ps. 321,214,392 | Ps. 321,214,392 | Ps. 321,214,392 |
| Basic and diluted EPS: | | | |
| Basic net income per common share | Ps. 0.20 | Ps. 0.19 | Ps. 0.49 |
| Diluted net income per common share | 0.16 | 0.13 | 0.25 |

14. Supplementary cash flow information

The following table reconciles the balances included as cash and banks and current investments in the consolidated balance sheet to the total amounts of cash and cash equivalents at the beginning and end of the period shown in the consolidated statements of cash flows:

| | As of June 30, | | |
|-----------------------------------|----------------|----------------|----------------|
| | 2007 | 2006 | 2005 |
| Cash and banks | Ps. 46,930,644 | Ps. 25,997,361 | Ps. 14,468,151 |
| Current investments | 39,841,438 | 6,223,788 | 59,978,002 |
| Effect of Cactus desconsolidation | 939,275 | | |

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| | | | |
|--|-----------------------|-----------------------|-----------------------|
| Total cash and banks and current investments as per balance sheet | 87,711,357 | 32,221,149 | 74,446,153 |
| Less: Items not considered cash and cash equivalents | | | |
| - Government bonds and notes | (121,529) | (3,123,140) | (4,198,685) |
| - Mortgage bonds | (1,027,284) | (1,334,180) | (1,706,662) |
| - Interest of IRSA Convertible Notes | (379,408) | (386,779) | (1,078,320) |
| Cash and cash equivalents as shown in the statement of cash flows | Ps. 86,183,136 | Ps. 27,377,050 | Ps. 67,462,486 |

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Notes to the Consolidated Financial Statements (continued)

(In Argentine Pesos, except as otherwise indicated)

15. Exagrind S.A. San Rafael farm against Tali Sumaj and other damages and losses

Exagrind S.A. has filed a lawsuit against Inversiones Ganaderas S.A. (IGSA) on claims for damages and losses produced by a fire in San Rafael farm, which is close to Tali Sumaj, Province of Catamarca. The fire took place on September 6, 2000.

The estimated amount of the legal action is Ps. 2.9 million at the date the claim was filed.

In turn, IGSA filed an extraordinary appeal with the High Court of the Province of Catamarca, requesting to be given the remainder term to answer the lawsuit as, at the time of revoking the first instance judge decision that postponed the terms to answer until a new notice was dispatched, such period had not yet expired. The management of IGSA is awaiting the decision of the High Court of the Province of Catamarca.

Additionally, in March 2007 -under the request of Exagrind S.A.- the court in charge of the case seized an inhibition of assets. This measure was lifted in June 2007 and a real estate on attachment has been accepted in replacement.

16. Subsequent events

The Company has not recorded any significant subsequent events that should be disclosed there financial statements.

17. Differences between Argentine GAAP and U.S. GAAP

The consolidated financial statements of the Company have been prepared in accordance with Argentine GAAP and the regulations of the CNV, 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.

As discussed in Notes 2.d) and 3.k), in order to comply with regulations of the CNV, the Company (i) discontinued inflation accounting as from February 28, 2003 and (ii) recognized deferred income tax assets and liabilities on an undiscounted basis. The application of these CNV regulations represents a departure from Argentina GAAP. However, such departures have not had a material effect on the accompanying consolidated financial statements.

I. Differences in measurement methods

The following reconciliation to U.S. GAAP does not include the reversal of the adjustments to the consolidated financial statements for the effects of inflation through February 28, 2003, because the application of this standard represents a comprehensive measure of the effects of price level changes in the Argentine economy.

The principal differences, other than inflation accounting, between Argentine GAAP and U.S. GAAP are described below, together with an explanation, where appropriate, of the method used in the determination of the necessary adjustments.

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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)

| | Year ended June 30, | | |
|---|-----------------------|------------------------|------------------------|
| | 2007 | 2006 | 2005 |
| Reconciliation of net income: | | | |
| Net income under Argentine GAAP | Ps. 49,362,269 | Ps. 32,883,276 | Ps. 76,798,918 |
| U.S. GAAP adjustments: | | | |
| Effect of U.S. GAAP adjustments on IRSA investment (Note 17.I.a)) | 177,792 | (596,626) | 18,990,428 |
| Valuation of inventories (Note 17.I.b)) | 315,291 | (91,202) | (5,844,660) |
| Deferred income tax (Note 17.I.c)) | 7,042,021 | 5,100,278 | 6,716,470 |
| Elimination of gain on acquisition of minority interest (Note 17.I.e)) | 32,369 | 32,369 | 32,369 |
| Available-for-sale securities (Note 17.I.f)) | (192,693) | 227,349 | (306,190) |
| Effect of U.S. GAAP adjustments on equity investees, excluding IRSA (Note 17.I.g)) | 68,645 | 87,760 | 74,046 |
| Accounting for stock options (Note 17.I.h)) | | | (181,516) |
| Accounting for convertible notes (Note 17.I.i)) | (7,584,803) | (10,753,817) | (8,485,907) |
| Effect of U.S. GAAP adjustments on management fee (Note 17.I.j)) | 114,421 | 599,389 | (1,099,504) |
| Net income under U.S. GAAP | Ps. 49,335,312 | Ps. 27,488,776 | Ps. 86,694,454 |
| Earnings per share under U.S. GAAP (Note 17.II.f): | | | |
| Basic net income per common share | Ps. 0.20 | Ps. 0.16 | Ps. 0.56 |
| Diluted net income per common share | Ps. 0.18 | Ps. 0.15 | Ps. 0.34 |
| | | As of June 30, | |
| | | 2007 | 2006 |
| Reconciliation of shareholders' equity: | | | |
| Total shareholders' equity under Argentine GAAP (*) | | Ps. 824,954,215 | Ps. 625,865,591 |
| U.S. GAAP adjustments: | | | |
| Cumulative effect of initial application of SAB 108 on IRSA investment (Note 17.I.a)) | | (1,002,835) | |
| Effect of U.S. GAAP adjustments on IRSA investment (Note 17.I.a)) | | (44,479,327) | (58,210,322) |
| Valuation of inventories (Note 17.I.b)) | | (36,048,263) | (36,363,554) |
| Deferred income tax (Note 17.I.c)) | | (9,274,658) | (16,249,236) |
| Elimination of gain on acquisition of minority interest (Note 17.I.e)) | | (1,105,792) | (1,138,161) |
| Effect of U.S. GAAP adjustments on equity investees, excluding IRSA (Note 17.I.g)) | | (316,473) | (385,118) |
| Effect of changes in the classification of securities | | 169,983,032 | 70,714,662 |
| Accounting for convertible notes (Note 17.I.i)) | | 253,410 | 7,838,213 |
| Effect of U.S. GAAP adjustments on management fee (Note 17.I.j)) | | 22,109,119 | 21,994,698 |
| Shareholders' equity under U.S. GAAP | | Ps. 925,072,428 | Ps. 614,066,773 |

(*) Last year, the Ps. 6,650,419 effect of currency translation for Brasilagro was classified in a mezzanine caption between total liabilities and shareholders' equity in the Company's balance sheet for Argentine GAAP purposes. This item represented a reconciling item to the U.S. GAAP shareholders' equity because, for U.S. GAAP purposes, currency translation differences are classified as a component of shareholders' equity. As of June 30, 2007, the Company classified the foreign currency translation differences as part of shareholders' equity, and reclassified the balance sheet as of June 30, 2006 to include the Ps. 6,650,419 effect of currency translation for Brasilagro also in shareholders' equity for Argentine GAAP purposes. Therefore, this item does not represent a GAAP difference anymore, and the reconciling item to shareholders' equity as of June 30, 2006 was eliminated.

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(In Argentine Pesos, except as otherwise indicated)

| Description of changes in shareholders' equity under U.S. GAAP: | Year ended June 30, | |
|--|------------------------|------------------------|
| | 2007 | 2006 |
| Shareholders' equity at the beginning of the year | Ps. 614,066,773 | Ps. 425,859,920 |
| Cumulative effect of initial application of SAB 108 on IRSA investment (Note 17.I.a) | (1,002,835) | |
| Distribution of cash dividends | (5,500,000) | (10,000,000) |
| Exercise of warrants - par value | 44,619,656 | 28,668,581 |
| Conversion of notes into common shares - par value | 44,352,015 | 29,151,389 |
| Additional paid-in-capital-c | | |