CRESUD INC
Form 20-F
December 30, 2003
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

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

OR

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

For the fiscal year ended: June 30, 2003

OR

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

For the transition period from ______ to ______

Commission file number: 0-29190

CRESUD SOCIEDAD ANONIMA COMERCIAL INMOBILIARIA FINANCIERA Y AGROPECUARIA

(Exact name of Registrant as specified in its charter)

CRESUD INC.

(Translation of Registrant s name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Av. Hipólito Yrigoyen 440, 3rd Floor,

(C1086AAF) Buenos Aires, Argentina

(Address of principal executive offices)

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

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

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

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

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

The number of outstanding shares of Common Stock of Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria as of June 30, 2003 was:

Shares of Common Stock	**124,098,095**

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

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

Table of Contents

TABLE OF CONTENTS

CRESUD SOCIEDAD ANÓNIMA

COMERCIAL INMOBILIARIA FINANCIERA Y AGROPECUARIA

Table of Contents

Table of Contents

4

Table of Contents

DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

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

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

changes in general economic, business or political or other conditions in Argentina or changes in general economic or business conditions in Latin America;

changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies;

changes in exchange rates or regulations applicable to currency exchanges or transfers;

unexpected developments in certain existing litigation;

increased costs;

unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and

the factors discussed under Risk Factors . Beginning on page 12.

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

CERTAIN MEASUREMENTS AND TERMS

As used throughout this Form 20-F, the terms Cresud , Company , we , us , and our refer to Cresud Sociedad Anónima Comercial, Inmobiliaria Financiera y Agropecuaria, together with our consolidated subsidiaries, except where we make clear that such terms refer only to the parent company.

In this Form 20-F, references to Tons , tons or Tns. are to metric tons, to kgs are to kilograms, to ltrs are to liters and Hct are to hectares. A ton is equal to 1,000 kilograms. A kilogram is equal to approximately 2.2 pounds. A metric ton of wheat is equal to approximately 36.74 bushels. A metric ton of corn is equal to approximately 39.37 bushels. A metric ton of soybean is equal to approximately 36.74 bushels. One gallon is equal to 3.7854 liter. One hectare is equal to approximately 2.47 acres. One kilogram of live weight beef cattle is equal to approximately 0.5 to 0.6 kilogram of carcass (meat and bones).

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

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

This annual report contains our audited consolidated financial statements as of June 30, 2003 and 2002 and for the years ended June 30, 2003, 2002 and 2001. Our consolidated financial statements have been audited by Price Waterhouse & Co., member firm of PricewaterhouseCoopers, independent auditors, whose report is included herein. Except as discussed in the following paragraph, we prepare our consolidated financial statements in Pesos and in conformity with Argentine GAAP and the regulations of the Comisión Nacional de Valores (CNV), which differ in certain significant respects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in our financial statements, as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC. See Note 16 to our consolidated financial statements contained elsewhere in this annual report for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of net (loss) income and shareholders equity.

Also contained elsewhere in this annual report are the consolidated financial statements of IRSA Inversiones y Representaciones Sociedad Anónima (IRSA), an unconsolidated equity investee, as of June 30, 2003 and 2002 and for the years ended June 30, 2003, 2002 and 2001, which have been audited by Price Waterhouse & Co, member firm of PricewaterhouseCoopers, independent auditors, whose report is included elsewhere herein. As mentioned in Note 5.b) to our consolidated financial statements, we own a 22.65% equity interest in IRSA.

IRSA prepares its financial statements in Pesos and in conformity with Argentine GAAP and the regulation of the Comisión Nacional de Valores, which differ in certain significant respects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC. See Note 21 to IRSA s consolidated financial statements contained elsewhere in this annual report for a description of the principal differences between Argentine GAAP and U.S. GAAP as they relate to IRSA, and a reconciliation to U.S. GAAP of net income (loss) and shareholders´ equity.

As discussed in Note 4.k) to our financial statements, contained elsewhere in this annual report, in order to comply with regulations of the Comisión Nacional de Valores, we recognized deferred income tax assets and liabilities on a non-discounted basis. This accounting practice represents a departure from generally accepted accounting principles in Argentina. However we believe that, such departure has not had a material effect on our financial statements.

Additionally, as discussed in Note 3.c) to our consolidated financial statements, contained elsewhere in this annual report, after considering inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government repealed the provisions of the previous decree related to the inflation adjustment and instructed the *Comisión Nacional de Valores* to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the *Comisión Nacional de Valores* issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. The Company complied with the *Comisión Nacional de Valores* resolution and the accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were also restated until that date, using a conversion factor of 1.1232.

Since Argentine GAAP still required companies to prepare price-level restated financial statements, the application of the *Comisión Nacional de Valores* resolution represents a departure from generally accepted accounting principles. However, such a departure has not have a material effect on the accompanying financial statements.

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

- we have adjusted non-monetary items and consolidated statements of income amounts to reflect the then current general purchasing power;
- we have not adjusted monetary items as such items were, by their nature, stated in terms of current general purchasing power in our consolidated financial statements; and
- we have recognized monetary gains or losses in our consolidated statements of income, reflecting the effect of holding monetary items, and
- we have included the gain or loss on exposure to inflation (monetary gain or loss) in our consolidated statements of income within total financing results.

As required by Argentine GAAP we have restated the prior year financial statements to give retroactive effect to the recently adopted accounting standard, except for certain valuation and disclosure criteria that in accordance with the transition provisions have been applied prospectively.

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

References to fiscal years 1999, 2000, 2001, 2002 and 2003 are to the fiscal years ended June 30 of each such year.

MARKET DATA

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

This item is not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

This item is not applicable.

Table of Contents

ITEM 3. KEY INFORMATION

A. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data has been derived from our consolidated financial statements as of the dates and for each of the periods indicated below. This information should be read in conjunction with and is qualified in its entirety by reference to our consolidated financial statements and the discussion in Operating and Financial Review and Prospects included elsewhere in this annual report. The selected consolidated statement of income data for the years ended June 30, 2003, 2002 and 2001 and the selected consolidated balance sheet data as of June 30, 2003 and 2002 have been derived from our consolidated financial statements included in this annual report which have been audited by Price Waterhouse & Co, member firm of PricewaterhouseCoopers, Buenos Aires, Argentina, independent auditors. The consolidated statements of income data for the years ended June 30, 2000 and 1999 and the selected consolidated balance sheet data as of June 30, 2001, 2000 and 1999 have been derived from our audited consolidated financial statements that are not included herein.

Our financial statements are presented in Pesos. Our financial statements are prepared in accordance with Argentine GAAP, which differs in certain significant respects from U.S. GAAP. Note 16 to our consolidated financial statements provides a description of the principal differences between Argentine GAAP and U.S. GAAP affecting our net (loss) income and shareholders equity and a reconciliation to U.S. GAAP of net (loss) income reported under Argentine GAAP for the years ended June 30, 2003, 2002 and 2001, and of shareholders equity reported under Argentine GAAP as of June 30, 2003 and 2002. The differences involve methods of measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC.

As discussed in Note 4.k) to our financial statements, contained elsewhere in this annual report, in order to comply with regulations of the Comisión Nacional de Valores, we recognized deferred income tax assets and liabilities on a non-discounted basis. This accounting practice represents a departure from generally accepted accounting principles in Argentina. However we believe that, such departure has not had a material effect on our financial statements.

Additionally, as discussed in Note 3.c) to our consolidated financial statements, contained elsewhere in this annual report, after considering inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government repealed the provisions of the previous decree related to the inflation adjustment and instructed the *Comisión Nacional de Valores* to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the *Comisión Nacional de Valores* issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. The Company complied with the *Comisión Nacional de Valores* resolution and the accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were also restated until that date, using a conversion factor of 1.1232.

Since Argentine GAAP still required companies to prepare price-level restated financial statements, the application of the *Comisión Nacional de Valores* resolution represents a departure from generally accepted accounting principles. However, such a departure has not had a material effect on the accompanying financial statements.

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

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

Table of Contents

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

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

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

We have used a conversion factor of 1.1232 to restate our financial statements in constant Pesos as of February 28, 2003.

	As of the year ended June 30 (1)					
	2003 (2)	2003	2002	2001	2000	1999
	(US$)	(Ps.)	(Ps.)	(Ps.)	(Ps.)	(Ps.)
INCOME STATEMENT DATA						
Argentine GAAP						
Sales:						
Crops	18,365,808	51,424,261	48,515,035	42,218,955	40,623,930	40,024,261
Beef cattle	6,182,576	17,311,212	27,609,516	29,332,417	29,378,834	44,982,839
Milk	862,497	2,414,992	2,258,210	2,614,583	3,741,621	8,114,912
Other	285,491	799,374	1,871,419	2,730,359	3,932,311	3,472,106
Net sales	25,696,372	71,949,839	80,254,180	76,896,314	77,676,696	96,594,118
Cost of sales:						
Crops	(14,080,554)	(39,425,551)	(13,817,006)	(32,078,174)	(30,238,138)	(43,268,647)
Beef cattle	(3,123,576)	(8,746,014)	(22,778,110)	(24,389,078)	(26,177,743)	(40,427,595)
Milk	(529,704)	(1,483,172)	(3,561,830)	(2,266,888)	(5,594,519)	(8,056,035)
Other	(495,504)	(1,387,410)	(2,122,473)	(2,380,039)	(2,747,053)	(3,467,299)
Total	(18,229,338)	(51,042,147)	(42,279,419)	(61,114,179)	(64,757,453)	(95,219,576)
Gross profit	7,467,034	20,907,692	37,974,761	15,782,135	12,919,243	1,374,542
Selling expenses	(2,159,039)	(6,045,309)	(10,248,016)	(11,103,948)	(10,509,886)	(10,859,282)
Administrative expenses	(1,538,971)	(4,309,119)	(8,368,493)	(8,436,876)	(8,697,485)	(9,548,045)
Net gain on sale of farms	1,739,101	4,869,484	16,573,853	5,729,612		20,705,474
Inventory holdings gain (loss)	4,366,005	12,224,813	(19,603,010)	(1,489,269)	157,346	(13,429,159)
Operating income (loss)	9,874,130	27,647,561	16,329,095	481,654	(6,130,782)	(11,756,470)
Financial results, net	(3,907,260)	(10,940,327)	1,506,805	12,246,539	9,694,517	12,642,511
Gain on acquisition of minority interest						1,364,803
Net gain (loss) from equity investments	24,288,864	68,008,820	(41,217,930)	(378,329)	(36,428)	229,715
Total other (expense) income, net	(747,103)	(2,091,888)	165,073	(339,917)	(256,692)	99,040
Management fee	(2,580,356)	(7,224,996)		(935,742)	(330,540)	(254,007)
Income (Loss) before income tax and minority interest	26,928,275	75,399,170	(23,216,957)	11,074,205	2,940,075	2,325,592
Income tax	(3,785,091)	(10,598,255)	(18,824,012)	(4,255,985)	(1,125,949)	(1,595,765)
Minority interest	80,016	224,046	348,884	397,526	83,916	
Net income (loss)	23,223,200	65,024,961	(41,692,085)	7,215,746	1,898,042	729,827

Basic earnings per share (3)	0.19	0.54	(0.35)	0.06	0.02	0.006
Diluted earnings per share (3)	0.07	0.19	(0.35)	0.06	0.02	0.006
Basic earnings per ADS (3)	1.93	5.40	(3.50)	0.60	0.16	0.060
Diluted earnings per ADS (3)	0.68	1.90	(3.50)	0.60	0.16	0.060
Weighted - average number of shares outstanding	121,388,429	121,388,429	119,748,872	119,669,749	119,669,749	121,977,212
Weighted - average number of shares outstanding plus assumed conversion	246,526,666	246,526,666	119,748,872	119,669,749	119,669,749	121,977,212
US GAAP						
Net sales	25,696,371	71,949,839	80,254,180	76,896,314	77,676,696	96,594,118
Net income (loss)	13,347,579	37,373,222	(124,646,942)	4,443,316	(3,745,124)	4,712,974
Basic earnings per share (3)	0.11	0.31	(1.04)	0.03	(0.03)	0.04
Diluted earnings per share (3)	0.05	0.14	(1.04)	0.03	(0.03)	0.04
Basic earnings per ADS (3)	1.10	3.08	(10.41)	0.37	(0.31)	0.39
Diluted earnings per ADS (3)	0.52	1.45	(10.41)	0.37	(0.31)	0.39
Weighted - average number of shares outstanding	121,388,429	121,388,429	119,748,872	119,669,749	119,669,749	121,977,212
Weighted - average number of shares outstanding plus assumed conversion	194,235,230	194,235,230	119,748,872	119,669,749	119,669,749	121,977,212

Table of Contents

	As of the year ended June 30 (1)					
	2003 (2)	2003	2002	2001	2000	1999
	(US$)	(Ps.)	(Ps.)	(Ps.)	(Ps.)	(Ps.)
BALANCE SHEET DATA						
Argentine GAAP						
Current assets:						
Cash and banks and Investments	8,019,871	22,455,638	44,430,915	129,491,943	60,372,197	65,257,001
Inventories	8,157,849	22,841,977	38,202,209	29,294,307	36,822,844	50,077,918
Trade and other receivables	4,689,861	13,131,611	27,868,728	38,791,627	29,823,062	42,376,143
Non-current assets:						
Other receivables	193,640	542,193	2,473,397	4,068,438	10,988,916	10,952,698
Inventories	13,498,924	37,796,987	29,414,567	54,741,471	61,081,508	61,555,300
Investments	121,957,785	341,481,798	121,785,625	17,829,518	17,267,244	17,377,537
Negative goodwill, net	(6,909,856)	(19,347,598)	(13,370,988)	2,638,819	3,298,523	
Property and equipment, net	53,039,588	148,510,846	128,232,309	169,493,842	182,772,267	180,415,116
Intangible assets	132,013	369,637	841,653	1,311,662	373,513	
Total assets	202,779,675	567,783,089	379,878,415	447,661,627	402,800,074	428,011,713
Current liabilities:						
Trade accounts payable	2,614,791	7,321,416	19,471,843	20,971,141	10,809,852	13,001,511
Short-term debt	509,107	1,425,499	7,468,233	29,885,919		
Other	2,260,683	6,329,912	8,856,652	3,060,752	2,807,021	4,777,587
Non-current liabilities	57,393,010	160,700,428	21,033,814	21,516,571	21,748,776	20,567,523
Total liabilities	62,777,591	175,777,255	56,830,542	75,434,383	35,365,649	38,346,621
Minority interest	73,825	206,709	430,755	533,696	130,509	7
Shareholders equity	139,928,259	391,799,125	322,617,118	371,693,548	367,303,916	389,665,085
US GAAP						
Total assets	167,944,986	470,245,962	273,710,012	421,097,521	382,820,424	410,052,276
Shareholders equity	105,093,570	294,261,998	216,448,715	345,129,442	347,324,266	371,705,648
CASH FLOW DATA						
Argentine GAAP						
Net cash provided by operating activities	4,081,955	11,429,473	27,857,421	17,311,636	18,848,628	2,678,681
Net cash (used in) provided by investing activities	(71,601,128)	(200,483,159)	33,791,076	(64,245,555)	(8,787,854)	20,596,300
Net cash provided by (used in) financing activities	59,158,706	165,644,376	(21,543,906)	26,595,742	(26,060,179)	(59,127,450)
U.S. GAAP						
Net cash provided by operating activities	4,081,955	11,429,473	27,857,421	17,311,636	18,848,628	2,678,681
Net cash (used in) provided by investing activities	(71,601,128)	(200,483,159)	33,791,076	(64,245,555)	(8,787,854)	20,596,300
Net cash provided by (used in) financing activities	59,158,706	165,644,376	(21,543,906)	26,595,742	(26,060,179)	(59,127,450)
OTHER FINANCIAL DATA						
Argentine GAAP						
Depreciation and amortization	1,269,238	3,553,867	3,971,571	3,706,947	3,711,680	3,385,931
Capital expenditures (4)	11,070,792	30,998,217	933,548	3,154,260	5,874,511	11,534,553

(1)

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

(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, 2003 which was Ps. 2.8 per US$ 1.0. We make no representation that the Argentine Peso or U.S. dollar amounts actually represent, could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all. See Exchange Rates .

(3) Basic net income (loss) per share is computed by dividing the net income (loss) available to common shareholders for the period by the weighted average shares of common stock outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common and dilutive potential common shares then outstanding during the period. See notes 14 and 16.II.f) to our consolidated financial statements for details in the computation of earnings per share under Argentine GAAP and US GAAP, respectively.

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

Table of Contents

EXCHANGE RATES

In April 1991, Convertibility Law No. 23,928 and its regulatory decree No. 529/91 (together the Convertibility Law) established a fixed exchange rate under which the Argentine Central Bank was legally obligated to sell U.S. dollars to any person at a fixed rate of one Peso per U.S. dollar.

On January 6, 2002, Congress enacted the Public Emergency Law pursuant to which the executive branch was granted the power to determine the new exchange rate between the Peso and foreign currencies and to approve the corresponding monetary regulations. Subsequently, the executive branch announced the devaluation of the Peso and established a dual exchange rate system pursuant to which certain limited transactions occurred at a fixed rate of Ps. 1.40 per US$ 1.00 and all other transactions were settled at a floating market rate, depending on supply and demand. See Risk Factors Risks Related to Argentina .

The Public Emergency Law amends several provisions of the 1991 Convertibility Law, the most important of which are:

- the repeal of the Ps. 1.00 to US$ 1.00 fixed exchange rate which was established in 1991;
- the elimination of the obligation of the Argentine Central Bank to sell foreign currency for conversion transactions at the rate Ps. 1.00 = US$ 1.00;
- the elimination of the requirement that the Argentine Central Bank s reserves in gold and foreign currency shall at all times be equivalent to not less than 100% of the monetary base. However, the law only states that the Argentine Central Bank s reserves in gold and foreign currency will need to be at all times sufficient to support the monetary base. Accordingly the monetary base is not necessarily fully backed by foreign currency-denominated reserves, which would potentially have an inflationary effect on prices; and
- the continuing prohibition of escalation clauses and other means of adjustment of monetary obligations in Pesos.

On January 11, 2002, the Argentine Central Bank ended a bank holiday that it had observed since December 21, 2001. The exchange rate began to float freely for the first time in eleven years at Ps. 1.40 per US$ 1.00. The shortage of U.S. dollars and the desperation of the people to convert their Pesos caused the exchange rate to rise 25%, closing at Ps. 1.75 per US$ 1.00. Since then, the exchange rate has continued to grow, forcing the Argentine Central Bank to intervene in the market and sell U.S. dollars in order to prevent a significant depreciation of the Peso.

Since February 11, 2002, there has been a single free exchange market for all exchange transactions, with the following main features:

- the rate of exchange is determined by free supply and demand;
- exchange transactions may only be carried out by entities authorized by the Argentine Central Bank to do so;

transfers abroad by the private non-financial sector, the financial sector and public companies which do not depend on the state for their budget for principal servicing of financial loans or profit or dividend remittances will require prior approval from the Argentine Central Bank, regardless of their method of payment. This requirement will not apply to transfers relating to (i) debt agreements with international agencies, (ii) debt with banks participating in the financing of investment projects jointly financed by international agencies, and (iii) debt agreements with official credit agencies or debt guaranteed by them.

Table of Contents

Before 1991, the Argentine currency had experienced a significant number of large devaluations and Argentina had adopted and operated under various exchange control policies. We cannot assure you that the executive branch will continue its current policies or that further devaluations will not take place.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates for the purchase of U.S. dollars expressed in nominal Pesos per U.S. dollar. On December 16, 2003, the applicable Peso/U.S. dollar exchange rate was Ps. 2.97 = US$ 1.00. The Federal Reserve Bank of New York does not report a noon buying rate for Pesos.

Nominal Exchange Rates

	Exchange Rate (5)			
	High(1)	**Low(2)**	**Average(3)**	**Period End**
Year Ended December 31, 1998	1.0000	0.9990	0.9995	1.0000
Year Ended December 31, 1999	1.0000	0.9990	0.9995	1.0000
Year Ended December 31, 2000	1.0000	0.9990	0.9995	1.0000
Year Ended December 31, 2001(4)	1.0000	0.9990	0.9995	1.0000
Year Ended December 31, 2002	3.8500	1.4750	3.2154	3.3700
Month Ended May 31, 2003	2.8900	2.7120	2.8000	2.8500
Month Ended June 30, 2003	2.8000	2.7200	2.7500	2.8000
Month Ended July 31, 2003	2.8700	2.7100	2.8700	2.9200
Month Ended August 31, 2003	2.9100	2.8350	2.9060	2.9560
Month Ended September 30, 2003	2.9300	2.8400	2.8650	2.9150
Month Ended October 31, 2003	2.8550	2.7870	2.8150	2.8650
Month Ended November 30, 2003	2.9950	2.8475	2.9400	2.9900

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

Source: Argentine Central Bank; Banco de la Nación Argentina, Bloomberg

Fluctuations in the exchange rate between the Peso and the U.S. dollar may affect the U.S. dollar equivalent of the Peso price of our US$ 50.0 million Convertible Notes on the *Bolsa de Comercio de Buenos Aires*. Increases in Argentine inflation or devaluation of the Argentine currency could materially and adversely affect our operating results.

B. CAPITALIZATION AND INDEBTEDNESS

This section is not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

This section is not applicable.

D. RISK FACTORS

You should consider the following risks with respect to an investment in our Company and the countries in which we operate.

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

Risks related to Argentina

Overview of Argentine economic and political risks

All of our operations and properties are located in Argentina. Domestic demand for our agricultural products is affected by prevailing conditions in the Argentine economy. Accordingly, contraction in the domestic economy or other adverse economic conditions may reduce internal demand for agricultural products and their values and may adversely affect our ability to generate revenues and to meet our future obligations. The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth and high and variable levels of inflation. In 1988, 1989 and 1990, the annual inflation rates were approximately 338%, 4,924% and 1,344%, respectively, based on the consumer price index and approximately 432%, 5,386% and 798%, respectively, based on the wholesale price index. As a result of inflationary pressures, the Argentine currency was devalued repeatedly during the 1960s, 1970s and 1980s, and macroeconomic instability led to broad fluctuations in the real exchange rate of the Argentine currency relative to the U.S. dollar. To address these pressures, the Argentine government implemented various plans and utilized a number of exchange rate systems during this period. At various times throughout Argentine history, the foreign exchange market has been subject to exchange controls.

In 1991, the Argentine government launched a plan aimed at controlling inflation and restructuring the economy, by the enactment of the Convertibility Law. The Convertibility Law fixed the exchange rate at one Peso per U.S. dollar and required that the Argentine Central Bank maintain reserves in gold and foreign currency in an amount at least equivalent to the monetary base. Following the enactment of the Convertibility Law, inflation declined steadily and the Argentine economy experienced growth through most of the period from 1991 to 1997. In the fourth quarter of 1998, however, the Argentine economy entered into a recession that caused the gross domestic product to decrease by 3.0% in 1999, 0.5% in 2000 and 4.9% in 2001. During the second half of 2001, Argentina s recession worsened significantly, precipitating the political and economic crisis described in greater detail below.

During 2002, the gross domestic product dramatically decreased by 10.9% as compared to 2001, while prices increased approximately by 41.0% and 118.0%, based on the consumer price index and on the wholesale price index, respectively. During 2003, economic indicators showed some signs of recovery. During the first half of the year, the gross domestic product increased by 6.6% as compared to the same period in 2002, while prices increased by 10.2% and decreased -8.1% based on the consumer price index and on the wholesale price index, respectively.

Political and economic instability has affected and could affect in the future commercial and financial activities

Following his election in October 1999, President Fernando De la Rúa was confronted with the challenges of dealing with Argentina s enduring economic recession and obtaining political consensus on critical issues related to the economy, public sector spending, legal reforms and social programs This government took certain measures that caused social discontent and the resignation of Minister of Economy, Domingo Cavallo, the following day. On December 21, 2001, after declaring a state of siege, President De la Rúa resigned in the midst of an escalating political, social and economic crisis.

Following the resignation of an interim President, on January 1, 2002, the Legislative Assembly elected *Peronista* senator Eduardo Duhalde as President to serve for the remaining term of former

13

President De la Rúa. During the government of President Duhalde a number of far-reaching initiatives were undertaken, including:

- ratifying the suspension of payment of almost all of Argentina s sovereign debt declared by the interim President;
- ending the Peso-U.S. dollar parity set forth in the Convertibility Law and the resulting devaluation of the Peso;
- converting certain U.S. dollar-denominated debts ruled by argentine law into Peso-denominated debts at a one-to-one exchange rate, plus an index known as CER:
- converting, with limited exceptions (financial and commercial), U.S. dollar-denominated bank deposits into Peso-denominated bank deposits on an exchange rate of Ps. 1.4 per U.S. dollar; and
- restructuring bank deposits and continuing restrictions on bank withdrawals and transfers abroad;
- enacting an amendment to the Argentine Central Bank s charter to allow it to print currency in excess of the amount of the foreign reserves it holds.

On April 27, 2003, the presidential elections took place, in which Carlos Menem and Néstor Kirchner obtained the first and second place, respectively, in terms of votes. On May 14, 2003, Carlos Menem decided not to participate in the run-off. Based on Menem s decision, Kirchner was elected President of Argentina on May 25, 2003 for a four-year term ending December 10, 2007.

The Kirchner administration has continued the economic policies of his predecessor, and the official candidates have succeeded in the subsequent elections, providing a higher political support to the elected president, who obtained the lower number of votes all over the Argentine history.

However, and despite the apparent disappearance of the signs of economic and political crisis, the structural problems of the Argentine economy, which have recurrently caused or contributed to political crisis in the past, have not been resolved, and it cannot be assured whether the policies of the elected president will be finally successful.

Although the agribusiness sector has been less affected than other business sectors by the current crisis, because many of its commodities are exported and have internationally fixed prices, these conditions have had and could have a material adverse effect on our cattle and milk operations, since all of our production is sold in the Argentine market. In addition, these conditions have had and could have a material adverse effect on our financial condition and results of operation as they have paralyzed, and could paralyze in the future, investment and consumption decisions, thus causing a reduction in retail sales, sales of real estate and demand for office and commercial space.

Argentina s insolvency and default on its public debt had deepened the financial crisis

As of December 2001, Argentina s total gross public debt was approximately US$ 137.0 billion. On December 23, 2001, former interim President Rodríguez Saá declared the suspension of payments on certain of Argentina s sovereign debt, and President Duhalde ratified this measure on January 2, 2002. In addition, in 2002, the principal international rating agencies have downgraded the rating of Argentina s sovereign debt.

Table of Contents

On November 14, 2002, the Argentine government defaulted on all but a fraction of an US$ 805 million payment due on that date to the World Bank, deepening the country s rift with the international financial establishment and damaging relations between the United States and Latin America. Countries that fail to pay official multilateral institutions such as the World Bank are likely to become international financial pariahs and, though Argentina fully intends to meet its obligations once an IMF agreement is reached, the country could fall further into economic isolation. Eventually, the World Bank is considering the suspension of disbursements on projects that aid the country s poor, consequently, Argentine exports and imports which are being finance by international loans will probably be badly affected by this measures hardening this transactions.

Although the Argentine Government reached an initial agreement with the IMF on September 20, 2003 at the annual meeting of the International Monetary Fund (IMF) and the World Bank in Dubai, which will allow Argentina to refinance its debts with the international financial institutions in the amount of US$ 21,500 million, the renegotiation with private creditors looks difficult.

The agreement signed with the IMF set forth that the Government surplus before paying the debt should be 3% for the first year, which is equivalent to US$ 4,200 million. Targets for years 2005 and 2006 will be set once an agreement between the country and the private creditors is reached.

The Argentine Capital Market Institute stated in a report that is part of a document about the external debt rescheduling that a 3% surplus of GDP and a growth rate in actual terms of 3% up to 2007 would not allow Argentina to meet its obligations in years 2005, 2006 and, especially 2009. During those years, principal and interest installments related to BODEN and secured loans would become due, which were not included in the debt rescheduling, amounting to US$ 354 million, US$ 272 million and US$ 1,154 million, respectively.

At the annual meeting of the IMF and the World Bank in Dubai, the Argentine economy officers made an exchange offer to private creditors. They proposed that creditors exchange their debt instruments for any of the new government securities that are to be issued. Holders might opt for bonds in dollars, euros or pesos adjusted for inflation. Interest rates, payment terms and the percentage of loss of nominal value would be defined in subsequent negotiations. To date, no agreement has been reached. The government´s offer that involved writing down 75% of the value of the defaulted debt, the refuse to pay interest arrears and the issuance of new long interest bonds, which would have amounted to a cut of up to 90% in the present value of the original bonds has been widely rejected by most creditors.

On December 3, 2003, the Argentine bondholder´s committee, a New York based group, made a counter offer which would accept a write off of 35% in the nominal value of the defaulted debt, but Argentina would have to honour overdue interests.

As of November 13, 2002, Standard & Poor s maintained Argentina s long-term local and foreign currency sovereign credit ratings at SD (selective default), indicating that Argentina is defaulting on some of its obligations. Fitch IBCA and Duff & Phelps maintained the DDD ratings for the long term debt (with a negative rating watch) and the ratings for the short term debt at C . Moody s Investors Service qualified Argentina s foreign currency country ceiling for long-term bonds at Caa1 with a stable rating outlook.

As of November 30, 2003 Argentina´s public debt totaled US$ 185.2 billion, or 143% of its GDP, where US$ 106.8 billion had to be restructured.

If the external debt is not rescheduled, the Argentine companies will find it difficult to access international financial assistance, and foreign investments either directly or through a portfolio would be restricted. These circumstances might deteriorate the slight and initial recovery of the Argentine economy and the recession as well as political crisis may reappear.

Table of Contents

As a result, our business, financial condition and result of operations will likely be materially and adversely affected, as paralysis of the economy and inflation negatively affect consumers purchasing power, which in term, affects our beef cattle and milk business.

The Argentine Peso has been subject, and may continue to be subject to substantial depreciation and volatility

The Argentine government s economic policies and any future changes in the value of the Peso against the U.S. dollar could adversely affect our financial condition and results of operations. The Peso has been subject to large devaluations in the past and may be subject to significant fluctuations in the future.

As a result of inflationary pressures, the Argentine currency was devalued repeatedly during the 1960s, 1970s and 1980s, and macroeconomic instability led to broad fluctuations in the real exchange rate of the Argentine currency relative to the U.S. dollar. To address these pressures, the Argentine government implemented various plans and utilized a number of exchange rates, and prior to December 1989, the Argentine foreign exchange market was subject to exchange controls. During the 1990s the devaluation and fluctuation of the Peso against the U.S. dollar was controlled by the Convertibility Law, which fixed the exchange rate at one Peso per U.S. dollar. However, the Public Emergency and Foreign Exchange System Reform Law No. 25,561 (the Public Emergency Law) puts an end to ten years of U.S. dollar-Peso parity, and the Argentine government has authorized a free floating exchange rate for all transactions. This has resulted in a significant devaluation of the Peso. Since the devaluation of the Peso, the Peso has fluctuated significantly, causing the Argentine Central Bank to intervene in the market to support the value of the Peso by selling U.S. dollars.

At present, the country has a floating exchange rate, which as of December 16, 2003 is Ps. 2.97 = US$ 1.00, according to Banco de la Nación Argentina data.

No assurance can be given that future policies to be adopted by the Argentine government will be able to control the value of the Peso or that the Argentine government will not enforce a differentiated exchange rate regime for foreign trade, establishing regulated rates for exports and imports which could differ from rates set in the non-regulated market. These policies could materially and adversely affect our financial condition and results of operations.

The devaluation of the Peso has adversely affected Argentine economic conditions and our financial position

On January 6, 2002, Congress enacted the Public Emergency Law, putting an end to ten years of U.S. dollar-Peso parity under the Convertibility Law and eliminating the requirement that the Argentine Central Bank s reserves in gold, foreign currency and foreign currency denominated bonds be at all times equivalent to the sum of the Pesos in circulation and the Peso deposits of the financial sector with the Argentine Central Bank. The Public Emergency Law grants the executive branch the power to set the exchange rate between the Peso and foreign currencies and to issue regulations related to the foreign exchange market. On the same day, the executive branch established a temporary dual exchange rate system, a fixed rate for transactions subject to Argentine Central Bank approval, and import and export transactions at an exchange rate of Ps. 1.4 per U.S. dollar and a floating rate to be freely determined by the market for all other transactions.

The Argentine government is facing severe fiscal problems due to the recent devaluation. Peso-denominated tax revenues constitute the primary source of its earnings, but most of its financial liabilities are U.S. dollar-denominated. Therefore, the Argentine government s ability to honor its foreign debt obligations has been materially and adversely affected by the devaluation of the Peso.

Past 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. In the past, inflation materially undermined the Argentine economy and the Argentine government s ability to create conditions that would permit growth.

Table of Contents

Since the end of the Convertibility Law, according to numbers released by the *Instituto Nacional de Estadística y Censos* (INDEC) the consumer price index increased 41% during 2002 and 3.9% during the first eleven months of 2003, as compared to the same period of the previous year respectively. In addition the wholesale price index grew 118% during 2002 and -2.9% during the first ten month of 2003 as compared to the same period of the previous year respectively.

The Argentine economic and political situation continues to evolve and the Argentine government may enact future regulations or policies that, when finalized and adopted, may materially and adversely impact, among other items: (i) the revenues produced by the beef cattle and milk sectors; (ii) the realized revenues that IRSA received for services offered in Argentina, such as rental contracts; (iii) our asset valuations; and (v) our Peso-denominated monetary assets and liabilities which could be affected by the introduction of different inflation adjustment indexes.

The Peso devaluation has had several effects on us. Our agricultural products are quoted in U.S. dollars, and as a result, the devaluation has had a positive effect on their prices. Nevertheless, this positive short-term effect has been largely offset by the imposition of new export taxes and increases in our U.S. dollar-denominated costs. Our cattle and milk products are quoted in Pesos and the effect of the devaluation on their prices in U.S. dollar terms has been negative.

There is risk that the Argentine financial system may collapse

Although the amount of deposits in the Argentine banking system has been decreasing during the last few years, during the last quarter of 2001, a significant amount of deposits were withdrawn from Argentine financial entities as a consequence of the increasing political instability and uncertainty. This run off of deposits had a material adverse effect on the Argentine financial system as a whole. For the most part, banks suspended the disbursement of new loans and focused on collection activities in an attempt to pay back depositors. However, the general unavailability of external or local credit created a liquidity crisis, which triggered numerous payment defaults which in turn undermined the ability of many Argentine banks to pay back depositors.

To prevent a run on the U.S. dollar reserves of local banks, on December 1, 2001, the De la Rúa administration restricted the amount of cash that account holders could withdraw from banks. Subsequently, the Duhalde administration in an attempt to stop the continuing drain on bank reserves enforced a mandatory rescheduling of maturities and released a schedule stating how and when money in savings and checking accounts and maturing time deposits would become available. These restrictions, known as the *corralito*, are no longer in effect, although exchange control restrictions remain in effect. Despite the *corralito*, between January 1 and July 1, 2002, approximately Ps. 20.0 billion were withdrawn from banks due to court rulings that enabled certain depositors to withdraw their money. This resulted in a further weakening of the banking system. Consequently, on April 25, 2002, the Argentine government enacted Law No. 25,587 in an attempt to stop the outflow of funds caused by several judicial measures which forced financial institutions to return deposited funds to their owners as a precautionary measure, pending the resolution of claims. This new law prevents judges from adopting said provisional measures in all proceedings against the Argentine government or any financial institution which involve funds frozen in the financial system.

The *corralito* led to the paralysis of virtually all commercial and financial activities and significantly diminished consumer retail spending as a result of increased uncertainty, the inability for depositors to access their savings and a general shortage of cash. Additionally, social unrest and protests directed against financial institutions and the Argentine government became widespread.

Table of Contents

The strength of the financial system is relevant to our business projects and operations. Although the corralito is no longer in effect and confidence in banks is slowly returning, we can not assure you that Argentine financial system will not collapse or that it will recover its pre crisis strength.

The paralysis of Argentine payment system is adversely impacting economic activity and our ability to operate

Over long periods, Argentina has had access to external financing. The default on its external debt and the characteristics of the rescheduling proposed by the country would hamper the obtainment of financial resources from abroad.

Argentina has incurred the highest default of its history in nominal terms, and the fact that this situation has not been resolved prevents the country from obtaining further foreign financing. Although the Argentine Government reached an initial agreement with the IMF on September 20, 2003 at the annual meeting of the IMF and the World Bank in Dubai, which will allow Argentina to refinance its debts with the international financial institutions in the amount of US$ 21,500 million, the renegotiation with private creditors looks difficult.

If the external debt is not rescheduled, the Argentine companies will find it difficult to access international financial assistance, and foreign investments either directly or through a portfolio would be restricted. These circumstances might deteriorate the slight and initial recovery of the Argentine economy and the recession as well as political crisis may reappear.

Moreover, the solvency of the Argentine financial system is still in jeopardy, and the system s failure would have a material and adverse effect on the prospects for economic recovery and political stability, thus materially and adversely affecting our financial condition and results of operations, especially due to the rise in our defaulting obligors and our diminished possibility of obtaining new loans.

Inflation may escalate and further undermine the economy

On January 24, 2002, the Argentine government amended the Argentine Central Bank s charter to allow it to print currency (without having to maintain a fixed and direct ratio with the foreign currency and gold reserves), to make advances to the federal government to cover its anticipated budget deficit and to provide financial assistance to financial institutions with liquidity problems. Furthermore, the devaluation of the peso created pressures on the domestic price system that generated inflation in 2002, after several years of price stability, and, in recent years, price deflation. Through December 31, 2002, the consumer price index and the wholesale price index exhibited cumulative increases of 41.0% and 118.0%, respectively. During 2003, inflation has been relatively stable. In October 2003, the wholesale price index decreased 2.9% as compared to 2002. Although there is a considerable concern that significant inflation will continue if the Argentine Central Bank prints currency to finance public-sector spending or financial institutions in distress, such inflation has previously materially undermined the Argentine economy and the government s ability to create conditions that would engender growth.

The devaluation of the peso and accompanying economic policy measures implemented by the Argentine government were intended primarily to remedy the effects of unemployment and to stimulate economic growth. To date, it is not apparent that the objectives pursued have been achieved. The sustainable success of such measures in the future will depend on the ability of the Argentine government to generate confidence among the local and international financial and business communities. Without such confidence, it is likely that inflation rates will increase significantly, investment and economic activity will contract further, unemployment will increase beyond current levels, tax revenue (excluding inflationary effects) will drop and the fiscal deficit will widen.

Table of Contents

High unemployment and other labor difficulties have contributed to the social unrest in Argentina and may affect our operations

In May 2002, the official unemployment rate in Argentina was 21.5%. Even though in May 2003 the unemployment decreased to 15.6%, showing a recovery in this field, unemployment and underemployment continue to create serious social problems in Argentina. In order to moderate the social instability arising from the labor situation, the Duhalde´s administration included in its 2003 budget, social aid programs aimed at improving health and food provision, employment generation and a subsidy for the unemployed. Nevertheless, such programs have not yet mitigated the current social unrest, and if unemployment rates do not decrease substantially, consumption of retail goods will be detrimentally affected which in turn will adversely affect our results of operations.

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

In February 2002, the Argentine government amended Argentina s bankruptcy law, suspending bankruptcies and foreclosures on real estate that constitutes the debtor s primary dwelling, initially for a six-month period and subsequently extended until November 14, 2002.

On June 2, 2003, the Congress passed a law formally suspending the ability to foreclose on mortgaged properties for a term of ninety days, reinstating the earlier formal suspension on foreclosures that ended on November 14, 2002. This suspension was extended until September 2, 2003. However, the creditors voluntarily agreed, together with banks and other financial institutions, to extend such suspension until a new law gave solution to this situation. On November 6, 2003 the Congress enacted Law No. 25,798 in order to grant certain facilities to the debtors and discharge the payment of their due and payable debts.

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

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

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

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

Despite the apparent disappearance of the signs of economic and political crisis, the structural problems of the Argentine economy, which have recurrently caused or contributed to political crisis in the past, have not been resolved, and it cannot be assured whether the policies of the elected president will be finally successful.

Table of Contents

Risks Related 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 from time to time depend on many factors beyond our control including:

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

During fiscal year 2003, prices for cereals, oilseeds and by products, increased. From June 2002, to June 2003, prices in U.S. dollar for soybean, corn and wheat increased 7.9%, 5.6% and 4.9% respectively, showing a highly positive trend towards December 2003, specially in the case of soybean.

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

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

As with any agribusiness enterprise, our business operations are predominantly seasonal in nature. The harvest and sale of crops (corn, soybean and sunflower) generally occurs from February to June. Wheat is harvested from December to January. Our operations and sales are affected by the growing cycle of the crops we process and by decreases during the summer in the price of the cattle we fatten. 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.

Unpredictable weather conditions may adversely impact crop and beef-cattle production

The occurrence of severe adverse weather conditions, especially droughts or floods, is unpredictable and may have a potentially devastating impact upon crop production and, to a lesser extent, beef-cattle production. The effect of severe adverse weather conditions may reduce yields in our farms or require higher levels of investment to maintain yields. As a result, we cannot assure you that severe future adverse weather conditions will not adversely affect our operating results and financial condition.

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

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

Table of Contents

Our cattle are subject to diseases

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

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

We experience substantial worldwide competition in each of our markets and in many of our product lines. The market for cereals, oil seeds and by-products is highly competitive and also sensitive to changes in industry capacity, producer inventories and cyclical changes in the world s economies, any of which may significantly affect the selling prices of our products and thereby our profitability. Argentina is more competitive in the oil seed than in the cereal market and is also benefited from the increase in the Asian demand for the former product. 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 we are and have greater financial and other resources. Moreover, many other producers receive subsidies from their respective countries that do not exist in Argentina. These subsidies may allow them to produce at lower costs than we do 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 monthly our entire raw milk production, our business may be adversely affected

Though our cattle sales are diversified, we are and will continue to be significantly dependent on a number of third party relationships, mainly with our customers for crop and milk sales.

We currently sell our entire raw milk production to one customer in Argentina. For fiscal year 2003, these sales represented 3.4% of our total revenues. There can be no assurance that this customer will continue to purchase our entire raw milk production or that, if it fails to do so, we could enter into satisfactory sale arrangements with new purchasers in the future.

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

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

Table of Contents

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 20,577 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 would affect all of our silos simultaneously, a fire or other natural disaster which damages the stored grain, particularly if such an event occurs shortly after harvesting, could have an adverse effect on 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

Generally, we may have uncovered futures and options positions for up to 50% of our current inventory and minimum projected production in a given crop as part of the crop price risk management strategy. However, we have had, and we cannot assure that we will not have in the future, uncovered futures and options positions substantially in excess of such amount for a limited period of time.

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

We may not be able to sell our land at its appraised value in U.S. dollars and this may adversely affect our ability to pay our U.S. dollar-denominated debt

As a result of devaluation, and the consequent increase in agricultural exports, the price of our properties increased its dollar-value to the record levels of 1998, being 40% above of the last decade values. However, we cannot assure you that these values could be maintained. Therefore, if we are forced to sell one or more of our properties to satisfy U.S. dollar-denominated debt service obligations, the proceeds from such sales may decrease in the future, due to devaluations, and this could have an adverse effect on our ability to satisfy such debt obligations.

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

As of November 30, 2003 our largest shareholder, Mr. Eduardo S. Elsztain, currently is the beneficial owner of approximately 34.0% of our common shares. As of November 30, 2003, this consists of 44,410,596 of our common shares owned by 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 Inversiones Financieras del Sur S.A..

Pursuant to a consulting agreement with Dolphin Fund Management S.A, we pay a management fee equal to 10% of our annual net income for certain agricultural advice and other administrative services.

As of November 25, 2003 Dolphin Fund Management S.A has spun off in two companies. One of them is Consultores Asset Management S.A. and the other remains as of Dolphin Fund Management S.A. In respect of Consultores Asset Management S.A., Eduardo Elsztain is the owner of 100% of its capital stock.

As a consequence of the spin off, the consulting agreement has been assigned to Consultores Asset Management S.A.

Eduardo Elsztain (formerly the Chairman of Dolphin Fund Management) is currently the Chairman of Consultores Asset Management S.A.

Conflicts of interest between our management, ourselves and our affiliates may arise in the performance of our respective business activities. Mr. Eduardo S. Elsztain is also the beneficial owner of approximately 25.1% of the common shares of IRSA, an Argentine company that currently owns approximately 54.2% of the common shares of its subsidiary Alto Palermo S.A. (APSA) (APSA) whose CEO is Mr. Alejandro G. Elsztain, the CEO of Cresud. In some circumstances, our interests may not be the most important consideration to our principal shareholders or to their affiliates with influence over our actions. We cannot assure you that our principal shareholders will not limit or cause us to forego business opportunities that their affiliates may pursue or that the pursuit of other opportunities will be in our interest.

We depend on our 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.

We hold positions in Argentine securities, which are more volatile than United States securities, and carry a greater risk of default

We currently have and in the past have had certain investments in Argentine government debt, corporate debt, and equity securities. In particular, we hold a significant interest in IRSA, an Argentine company that has suffered material losses during the last years. 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

From December 2000 to July 2002, we acquired approximately 20.29% of IRSA for a total consideration of Ps. 127.26 million. Initially, we classified this investment as a current investment and carried it at market value. Effective March 31, 2002, as a result of a change in our strategy to hold such shares as a permanent investment, we began valuing our investment in IRSA using the equity method of accounting.

Table of Contents

As of June 30, 2003, we owned a 22.65% equity interest in IRSA representing an investment value of Ps. 133.6 million. In addition, as of such date, we owned IRSA´s Convertible Notes for a total amount of US$. 49.7 million. Consequently, as of June 30, 2003, our investment in IRSA amounted to Ps. 303.2 million representing 53.40% of our consolidated assets.

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

It is possible that these or other factors or events will impair IRSA s ability to respond to adverse changes in the performance of its investments, causing a material decline in IRSA s financial condition or results of operations. During fiscal year ended in June 30, 2003 the price of IRSA share increase by 67% from Ps. 1.5, on June 30, 2002 to Ps. 2.5 on June 30, 2003. Whilst, from fiscal year 2001 to fiscal year 2002 the price decreased 52% from Ps. 3.17 to Ps. 1.5. Given the relative size of our investment in IRSA, any decline could continue to give us a material adverse effect on our financial condition and results of operations.

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

In order to prevent inflation and variations in the exchange rate from adversely affecting prices of primary and manufactured products (including agricultural products), and to increase tax collections and reduce Argentina s fiscal deficit, the Argentine government has recently imposed new taxes on exports. Pursuant to Resolution No. 11/02 of the Ministry of Economy, 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. Export taxes might have a material and adverse effect on our sales. We produce exportable goods, and, therefore, an increase in export taxes is likely to result in a decrease in our products price, and, therefore, may result in a decrease to our sales. We cannot guarantee what the impact of these measures will be, or any other future measures that might be adopted by the Argentine government, on our financial condition and result of operations.

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

The Argentine government has set certain industry market conditions and prices in the past. In order to prevent a substantial increase in the price of basic products as a result of inflation, the Argentine government is adopting an interventionist policy. In March 2002, the Argentine government fixed the price for milk after a conflict among producers and the government. There can be no assurance that the Argentine government will not interfere in other areas by setting prices or regulating other market conditions. Accordingly, we cannot assure you that we will be able to freely negotiate all our products prices in the future or that the prices or other market conditions that the Argentine government might impose will allow us to freely negotiate the price of our products.

24

Table of Contents

The Investment Company Act may limit our future activities

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

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

In recent years we have made a significant minority investment in the capital stock of IRSA, an Argentina company engaged in a range of real estate activities. At June 30, 2003, we owned approximately 22.6% of its outstanding shares, and our total investment in IRSA represented approximately 53.4% of our total assets.

Although we believe that we should not be 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.

Although the matter is not free from doubt, we believe that we may be exempt from registration as an investment company under the Investment Company Act so long as we do not offer or sell securities in the United States or to U.S. persons while our status under the Investment Company Act remains uncertain. Accordingly, due to the uncertainty regarding our status under the Investment Company Act, we may not be able to offer and sell securities in the United States or to U.S. persons. The United States capital markets have historically been an important source of funding for us, and our future financing ability may be adversely affected by a lack of access to the United States capital markets. If an exception under the Investment Company Act is unavailable to us in the future and we desire to access the U.S. capital markets, our only recourse would be to file an application to the SEC for an exemption from the provisions of the Investment Company Act, which is a lengthy and highly uncertain process.

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

If we are considered to be a Passive Foreign Investment Company for United States federal income tax purposes, United States Holders of our securities would suffer negative consequences

Based on the current and projected composition of our income and valuation of our assets we do not believe we were a Passive Foreign Investment Company (PFIC) for United States federal income tax purposes for the tax year ending June 30, 2003, 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, United States Holders of our shares or GDSs will be subject to certain United States federal income tax rules that have negative consequences for United States Holders such as additional tax and an interest charge upon certain distributions by us or upon a sale or other disposition of our shares or GDSs at a gain, as well as reporting requirements. Please see Taxation-United States Taxation 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.

Different Corporate Disclosure and Accounting Standards

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

We are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt 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 stock corporation (sociedad anónima) organized under the laws of Argentina. Most of our directors and our senior manager, and all or a substantial portion of our assets and of these persons are located in Argentina. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or us or to enforce against them in United States courts judgments obtained in such courts predicated upon the civil liability provisions of the United States federal securities laws. We have been advised by our Argentine counsel, Zang, Bergel & Viñes, that there is doubt whether the Argentine courts will enforce in all respects, to the same extent and in as timely a manner as a U.S. or foreign court, an action predicated solely upon the civil liability provisions of the United States federal securities laws or other foreign regulations brought against such persons or against us.

Risks Related to IRSA s Business

The Argentine Central Bank imposed restrictions on the transfer of funds outside of Argentina which could prevent IRSA from servicing certain of its external debt as it comes due, and could therefore result in the acceleration of all of its indebtedness and its inability to remain a going concern.

Since early December 2001, the Argentine government has imposed a number of monetary and currency exchange control measures that include significant restrictions on the free disposition of funds deposited with banks and on the transfer of funds abroad. The prior approval of the Argentine Central Bank was required for all transfers of funds related to debt principal or interest payments outside of Argentina up to February 8, 2003.

Effective May 6, 2003, the prior authorization by the Argentine Central Bank to remit funds abroad in order to pay principal and/or interest is no longer required, provided certain conditions are met (such as a certificate evidencing compliance with the Argentine Central Bank regulations in connection with application of funds to repay debts).

Table of Contents

The Argentine Central Bank issued Communication A 3944 and other similar measures for the purpose of managing the value of the Argentine peso in relation to the U.S. dollar. It cannot be anticipated whether the Argentine Central Bank will be able to achieve the referred purpose in the short term. In addition, it cannot be foreseen whether the Argentine Central Bank will introduce new amendments to exchange control regulations in order to control the quotation of the Argentine peso. Therefore, it cannot be ensured whether Communication A 3944 will be in force until maturity of IRSA´s existing debt. Any amendment to the referred Communication restricting payments in foreign currency abroad will prevent IRSA from meeting its liabilities abroad in foreign currency.

IRSA cannot assure you that the Argentine Central Bank will not amend the current regulations and require again its authorization for payments abroad. In this case, IRSA cannot assure you that the Argentine Central Bank will authorize principal payments to its foreign creditors pursuant to the terms of its existing financial agreements. Even if IRSA obtained such authorization, IRSA cannot assure you that a scarcity of U.S. dollars would not become in an important obstacle to convert a large amount of Pesos into U.S. dollars complicating its U.S. dollar-denominated debt payments. If, in the future, the authorization of the Argentine Central Bank is reinstalled and does not authorize IRSA to remit funds abroad, current and noncurrent debt obligations may become immediately due and payable, unless new financing is available to IRSA from outside Argentina or IRSA is able to renegotiate the indebtedness that is subject to such restrictions. Although IRSA may in the future undertake to obtain such financing or renegotiate its indebtedness, IRSA cannot assure you that such efforts would succeed and enable IRSA to remain a going concern.

IRSA is highly leveraged and may be unable to pay its debt

IRSA have, and expect to have, substantial liquidity and capital resource requirements to finance its business. As of June 30, 2003, IRSA had approximately Ps. 679.5 million of financial debt.

The amount of leverage that IRSA has and may incur in the future could have important consequences which include limiting its ability to refinance existing debt or to borrow money to finance working capital, acquisitions and capital expenditures and requiring IRSA to dedicate a substantial portion of cash flow to repay principal and interest, thereby reducing the amount of money available to invest in operations, including making acquisitions and capital expenditures. IRSA´s high leverage placed them at a disadvantage position against its competitors who were not as leveraged as IRSA was, limited its ability to react to changes in market conditions, the real estate industry and economic downturns. Nowadays, IRSA is recovering from its debt crisis but IRSA cannot assure you that IRSA will not relapse and become unable to pay its debt.

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

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

IRSA´s largest shareholder, Mr. Eduardo S. Elsztain, currently is the beneficial owner of approximately 25.1% of its common shares. As of November, 2003, this consists of:

3,531,539 of its common shares owned by Dolphin Fund, plc, an investment fund in which the principal investment manager is Consultores Asset Management S.A. (formerly Dolphin Fund Management), a company where Mr. Eduardo S. Elsztain has a controlling interest;

Table of Contents

49,912,350 of its common shares owned by Cresud, for which Mr. Eduardo S. Elsztain by reason of his position with Cresud, may be deemed to own all of its common shares held for the account of Cresud; and

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 benefitially own (i) approximately 34.0% of our common shares. Additionally we own approximately 40.3% on a fully diluted basis of IRSA´s common shares and (ii) IRSA owns approximately 56.0% of the common shares of its subsidiary APSA. In some circumstances, IRSA´s interests may not be the most important consideration to its principal shareholders or to their affiliates with influence over IRSA´s actions. IRSA cannot assure you that its principal shareholders and their affiliates will not limit or cause IRSA to forego business opportunities that their affiliates may pursue or that the pursuit of other opportunities will be in its interest.

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

For so long as the Convertibility Law remained in effect, IRSA had no exchange rate risk relating to its Peso-denominated revenues and its U.S. dollar-denominated liabilities. However, with the repeal of the Convertibility Law on February 4, 2002, all U.S. dollar-denominated obligations, which were within the Argentine banking sector and subject to Argentine Law, were mandatorily converted into Peso-denominated liabilities at an exchange rate one Peso to one U.S. dollar. Nevertheless, the majority of its liabilities was subject to New York law and thus has not been converted into Pesos. As of June 30, 2003 IRSA´s dollar denominated debt amounted to US$ 220.2 million.

IRSA realizes a substantial portion of its revenues in Pesos (such as rental contracts and seller financing) and, as a result, the devaluation of the Peso has adversely affected the U.S. dollar value of its earnings and, thus, impaired IRSA´s financial condition. Moreover, its Peso-denominated assets (which represent 90% of its total assets as of June 30, 2003) have depreciated against its indebtedness denominated in foreign currency. As of June 30, 2003, IRSA had outstanding debt amounting to Ps. 679.5 million, of which, 87% was denominated in U.S. dollars. Any further depreciation of the Peso against the U.S. dollar will correspondingly increase the amount of its debt in Pesos, with further adverse effects on its results of operation and financial condition, and may increase the collection risk of its leases and other receivables from its tenants and mortgage debtors, most of whom have Peso-denominated revenues.

Since its significant exposure to U.S. dollar-denominated liabilities, its results are very sensitive to fluctuations in the nominal exchange rates. In this way, strong depreciation in the Peso will affect negatively IRSA´s results while strong appreciations will influence positively.

The mandatory pesification of contracts originally denominated in U.S. dollars will adversely affect IRSA´s profitability

Although IRSA´s lease agreements and seller financing loans were denominated in U.S. dollars, the Argentine government mandatorily converted all U.S. dollar monetary obligations entered into between private parties prior to January 7, 2002 that are not related to the financial system into Peso-denominated obligations at a rate of Ps. 1.00 = US$ 1.00. Although the Argentine government sought to mitigate the adverse effects of this mandatory pesification by permitting the Peso-denominated obligations to be adjusted for inflation pursuant to an index known as the CER, IRSA cannot assure you that an adequate adjustment will apply to amounts payable to IRSA under its lease and loan agreements. If, as a consequence of this adjustment, the agreement is unfair to any of the parties, either may ask the other for a fairness adjustment. If they do not reach an agreement, a court will make the decision. New lease agreements may be freely entered into between parties and may not contain inflation adjustment clauses based on consumer price indexes or whole price indexes. Although part of IRSA´s new lease agreements are dollar denominated, the mandatory pesification of contracts originally denominated in U.S. dollars is likely to materially and adversely affect its financial condition and its ability to pay its liabilities denominated in U.S. dollars (mostly banking and financial loans), because its cash flows will be mostly denominated in devalued Pesos.

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

In the past, in response to housing shortages, high rates of inflation and difficult access to credit, the Argentine government has imposed strict and burdensome regulations regarding leases. Such regulations limited or prohibited rental increases and prohibited eviction of tenants, even for failure to pay rent. IRSA cannot assure you that the Argentine government will not impose similar or other regulations in the future. Changes in existing laws or the enactment of new laws governing the ownership or operation or leasing of properties in Argentina could materially and adversely affect its operations and profitability.

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

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

IRSA currently has and in the past has had certain investments in Argentine government debt, corporate debt and equity securities. In particular, IRSA holds a significant interest in Banco Hipotecario S.A. (Banco Hipotecario), an Argentine bank that has recently suffered material losses. Although the holding of these investments, with the exception of Banco Hipotecario, tends to be short term, investments in such securities involve certain risks, including:

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

- loss of principal.

Some of the issuers in which IRSA has invested and may invest, including the Argentine government, have in the past experienced substantial difficulties in servicing their debt obligations, which have led to the restructuring of certain indebtedness. IRSA cannot assure that the issuers in which IRSA has invested or may invest will not be subject to similar or other difficulties in the future which may adversely affect the value of its 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, and may have little if any value.

Table of Contents

Real estate investments are subject to many risks

IRSA´s real estate investments are subject to risks common to commercial and residential properties in general, many of which are not within its control. Any one or more of these risks might materially and adversely affect its business, financial condition or results of operations. The yields available from equity investments in real estate depend on the level of sales or rental income generated and expenses incurred.

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

- oversupply of retail space or a reduction in demand for retail space, which could result in lower rent prices and lower revenues for IRSA;
- increased competition from other real estate operators which might drive down its prices and profits;
- changes in IRSA´s ability or its tenants ability to provide for adequate maintenance and insurance, possibly decreasing the life of and revenue from a property;
- increases in operating expenses which could lower IRSA´s profitability;
- the inability to collect rents due to bankruptcy or insolvency of tenants or otherwise;
- the need to periodically renovate, repair and release space, the higher costs thereof and the ability of IRSA´s tenants to provide adequate maintenance and insurance, possibly decreasing the life of and revenue from a property; and
- the exercise by IRSA´s tenants of their legal right to early termination of their leases.

In addition, other factors may adversely affect the performance and value of its properties, including 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. Increases in operating costs due to inflation and other factors may result in some tenants being unable or unwilling to pay rent or expense increases. Certain significant expenditures, such as debt service, real estate taxes, and operating and maintenance costs, are generally not reduced, in circumstances resulting in a reduction in income from the investment. The foregoing and any other factor or event that would impede its ability to respond to adverse changes in the performance of its investments could have a material adverse effect on its financial condition and results of operations.

Real estate market illiquidity and declining property values in U.S. dollars may adversely affect IRSA´s financial condition

The Argentine crisis, including the devaluation of the Peso, deteriorated the value in a U.S. dollar basis and increased the illiquidity of real estate investments. In spite of the fact that during the last months, the value in U.S. dollars of the real state investments has begun to recover, it may be more difficult for IRSA to adjust its property portfolio promptly in response to changes in economic or business conditions or to the factors described above. The economic recession and the devaluation of the Peso have significantly reduced consumer spending power, and the social unrest and ensuing political instability together with the succession of governmental measures have adversely affected the normal operations of banks and have heightened uncertainty and eroded confidence in the possibility of recovery. If IRSA is forced to sell one or more of its properties in order to cover operating expenses or to satisfy debt service obligations, or if IRSA was liquidated, the proceeds from such sales might be less than its total investment in the properties sold.

IRSA´s business is subject to extensive regulation

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

Argentine lease law imposes lease 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 a lot of its lease agreements contain readjustment clauses, these are not based on an official index nor do they reflect the inflation index. In the event of litigation it may be impossible for IRSA to increase the amounts owed under its lease agreements;
- lease agreements must be for a minimum term of two years for residential properties and three years for retail property, except in the case of stands and/or spaces for special exhibitions;
- lease terms may not exceed ten years, except for the 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 months. The exercise of such rescission rights by IRSA´s tenants could materially and adversely affect its business and IRSA cannot assure you that its 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

Despite the enactment of a law amending the Argentine civil procedures that by which the lessor may, by posting a bond, obtain the immediate eviction of the tenant, historically, the heavy workload on the courts that hear these matters and the numerous procedural steps required have generally delayed efforts of landlords to evict tenants. Before the enactment of the above mentioned law, eviction proceedings generally lasted from six months to two years from the date of filing of the suit to the time of actual eviction. Historically, delinquency regarding office rental space has been very low, approximately 2%, and IRSA has usually attempted to negotiate the termination of lease agreements with defaulting tenants after the first few months of non-payment in order to avoid legal proceedings.

Table of Contents

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 its financial condition and results of operation.

IRSA´s assets are concentrated in the Buenos Aires area

Its principal properties are located in the city of Buenos Aires and the greater Buenos Aires area and a substantial portion of its revenues are derived from such properties.

For the fiscal year ended June 30, 2003, 100% of its sales were derived from properties in the city of Buenos Aires and greater Buenos Aires. Although IRSA owns properties and may acquire or develop additional properties outside of the city of Buenos Aires and the greater Buenos Aires area, IRSA expects to continue to depend to a very large extent on economic conditions in those areas, and therefore, an economic downturn in those areas could have a material adverse effect on its financial condition.

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

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

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

Development and construction activities are inherently risky

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

- IRSA may abandon development opportunities and renovation proposals;

construction costs of a project may exceed its original estimates, making a project unprofitable;

occupancy rates and rents at a newly completed project may be insufficient to make the project profitable;

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

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

Table of Contents

- sale prices for residential units may be insufficient to cover development costs;
- construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs; and
- IRSA may be unable to obtain, or may face delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations.

IRSA is subject to shopping center operating risks that may result in lower profitability of its shopping centers

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

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

In the event that there is an increase in operational costs, caused by inflation or other factors, it could have a material adverse effect on IRSA, if its tenants are unable to pay their higher rent obligations due to the increase in expenses.

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

The concept of the shopping center is relatively new and in a development process in Argentina

The concept of the shopping center and the broad use of shopping centers by consumers is only beginning to develop in Argentina. The first shopping center of Argentina was inaugurated in 1987. Although there has been a considerable expansion of shopping center properties, many retail stores in Argentina are not located in shopping centers. Therefore, the continued success of IRSA business plan depends to a certain extent on the continued shift by consumers from shopping at traditional street-level retail stores to large-scale shopping centers of the type owned and operated by IRSA.

The shift of consumers to purchasing goods over the Internet may hurt IRSA´s shopping center sales

During the last years, retail sales by means of the Internet have grown very significantly in Argentina even though the market share of Internet sales related to retail sales is still not significant. The Internet enables manufacturers and retailers to sell directly to consumers, diminishing the

Table of Contents

importance of traditional distribution channels such as retail stores and shopping centers. IRSA believes that its target consumers are increasingly using the Internet, from home, work or elsewhere, to shop electronically for retail goods, and that they are likely to continue doing so. If e-commerce and retail sales through the Internet continue to grow at current rates, consumers reliance on traditional distribution channels such as its shopping centers could be materially diminished, having a material adverse effect on its financial condition, results of operations and prospects.

IRSA´s future acquisitions may be unprofitable

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

the risk that investments will fail to perform as expected; or

the risk that estimates of the cost of improvements needed to bring the property up to established standards for the market might prove to be inaccurate.

IRSA´s investments in Internet companies are subject to high risk

IRSA´s Internet investments, through its subsidiary, APSA, involve a high risk. Internet companies are relatively new and there is little or no historical operating and financial information available to analyze. Additionally, in the first years of operation, Internet companies do not generate earnings or positive cash flows, and their losses must be covered with capital contributions from the investors. There is no assurance that Internet companies will generate earnings or will be able to obtain financing once the initial capital contributions are already used. Therefore, IRSA´s risks associated with Internet companies include the possibility that:

IRSA will not recover the investments already made and the one committed; and

IRSA will have to increase its capital contributions to finance the Internet companies.

IRSA may also experience the following additional risks with respect to its investment in Internet companies:
the possibility that the internet company might not maintain and/or increase the level of traffic of the sites;

the internet company might not adapt itself or anticipate the changes in the market;

the internet company may be inefficient in updating and developing the necessary systems and organization and in hiring new or specialized personnel;

the chance that the world wide web will not be able to handle the site traffic;

the difficulty in generating expected income;

the failure in the administration of expansion of operations; and

the lack of efficiency to merge new lines of business to the existing operations.

Moreover, it should be taken into account that the expected level of use and acceptance of the Internet and of online services might never be reached.

Table of Contents

IRSA´s shopping center business is subject to competitive pressure

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

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

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

- adverse changes in the Argentine economy;
- adverse changes in the regional economies;
- political instability;
- increase of unemployment; and
- loss of value of actual salaries.

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

A high percentage of credit card holders are employees. Consequently, reductions in employment, suspensions or reductions in salaries may reduce credit card holders   incomes, thus, adversely affecting its credit card revenue collections.

IRSA may not be able to recover the mortgage loans it has made

In recent years, IRSA has provided mortgage financing to purchasers of units in its residential development properties. Before January 2002, its mortgage loans were U.S. dollar-denominated and accrued interest at a fixed interest rate ranging generally from 10% to 15% per year and for terms ranging generally from 3 to 15 years. However, on March 13, 2002, the Argentine Central Bank converted all U.S. dollar denominated debts into Pesos at the exchange rate of Ps. 1.0 to U.S. dollars 1.0 and imposed maximum interest rate on mortgage loans of 3.0% for residential mortgage loans granted to individuals and 6% for mortgage loans granted to business organizations. These modifications adversely affected the dollar value of its outstanding mortgage loans which at June 30, 2003, aggregated approximately Ps. 2.9 million.

IRSA is subject to risks normally associated with providing mortgage financing, including the risk of default in the payment of principal and interest, which could adversely affect its cash flow. Argentine law imposes significant restrictions on its ability to foreclose and auction properties. Thus, if there is a default under a mortgage loan, IRSA does not have the right to foreclose on the unit. Instead, in order to reacquire a property, IRSA is required to purchase each unit at a public court ordered auction, or at an out-of-court auction, in accordance with Law No. 24,441. However, the Public Emergency Law established the suspension of all the judicial and non-judicial enforcements including the enforcement of mortgages and pledges, regardless of its origin. Nowadays, private and financial entities have voluntarily decided to suspend foreclosures, meanwhile Law No. 25,798 has been enacted by Congress in order to give a definite answer to the problem of default in payment of mortgage loans. IRSA cannot assure you that they will be able to recover any amount outstanding on any mortgage loan through the sale of any property at such an auction.

IRSA cannot assure you that any future inflation adjustment coefficient will adequately reflect inflation or that such adjustment will not increase delinquency on its outstanding mortgage portfolio, thus reducing future revenues.

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

Additionally, on December 2001, IRSA securitized almost the entirety of the mortgage portfolio originated by them since late 1992, amounting to Ps. 29.9 million, through the sale of this portfolio to Fideicomiso IRSA I. Banco Sudameris Argentina acts as trustee and collection agent for the trust. Fideicomiso IRSA I issued four classes of participation certificates under a scheme of complete subordination, in which each class is serviced only upon the total payment of the preceding senior class. IRSA holds all of the Class B, Class C and Class D participation certificates and approximately 10% of the Class A certificates. Class D certificates represent the most junior class, have no fixed return and will yield the funds remaining in the trust after Classes A, B and C and all the expenses of the trust have been completely paid for.

This portfolio was originally originated in U.S. dollars and mandatory converted into Pesos in January 2002. Additionally, mortgages in the trust are subject to inflation adjustment. Following these changes, the terms and conditions of the certificates of deposit issued by the trust were modified to reflect changes in the underlying assets. In May 2002, inflation adjustment on residential mortgages on homes granted to individuals was eliminated until October 2002, when adjustment was performed according to a different inflation index, the *Coeficiente de Variación Salarial* (CVS). Pursuant to Law No. 25,796 the CVS will no longer be in effect as from April 1, 2004. The terms and conditions of the certificates of deposit were modified again to reflect this new change.

The asset quality of the portfolio has declined as a result of the current economic crisis in Argentina, and as a result IRSA cannot assure you that the trust will have sufficient or any funds to service initially the subordinated certificates held by them. If it does not, the value of these bonds might be considerably reduced or even equal to zero.

As of October 31, 2003, Classes A and B were completely amortized.

On October 31, 2003, Classes C and D face value ascended to Ps. 1.3 million and Ps. 10.3 million, respectively.

IRSA cannot assure you that the theoretical cash flow to be generated by the participation certificates owned by them (and included in the annual report), will be the actual one, as successive changes in the terms and conditions of the underlying assets have been occurring since January 2002 and additional modifications might be introduced by fiscal authorities or the Ministry of Finance, which could have further consequences on the respective cash flows.

Table of Contents

IRSA is subject to risks affecting the hotel industry

The full-service segment of the lodging industry in which IRSA operates its hotels is highly competitive. The success of its hotels will depend, in large part, upon its ability to compete in areas such as access, location, quality of accommodations, room rate structure, quality and scope of 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 such that they are more attractive to potential guests.

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

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

IRSA is dependent on its senior manager Eduardo Elsztain

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

IRSA´s future success also depends in part upon their ability to attract and retain other highly qualified personnel. IRSA cannot assure you that they will be successful in hiring or retaining qualified personnel, or that any of its personnel will remain employed by them.

APSA s use of financial instruments for hedging may result in material losses

APSA uses various off-balance sheet financial instruments to reduce its financing cost associated with its borrowings. The interest rate swaps and foreign currency contracts are entered into for periods consistent with related underlying exposures and generally do not constitute positions independent of those exposures.

Nevertheless, APSA s hedging strategies may prove ineffective to address the effects of interest rate or foreign currency exchange movements on its financial condition. APSA has experienced net hedging losses in the past, and could experience such losses in the future to the extent that interest rates or foreign exchange rates shift in excess of the risk covered by hedging arrangements. In entering into interest rate and foreign currency contracts, APSA bears the credit risk of counterparties being unable to meet the terms of their contracts; and APSA may be unable to recover damages from any such defaulting counter party through legal enforcement actions due to laws affording bankruptcy or similar protection to insolvent obligors, foreign laws limiting cross-border enforcement actions or otherwise.

On March 30, 2000, in connection with the issuance of Ps. 85 million Notes, APSA entered into a swap agreement with Morgan Guaranty Trust in order to reduce the related financing cost. This swap agreement initially allowed APSA to reduce the net cost of its debt. However, due to the Argentine economic crisis, the political instability, and the depreciation of the Argentine public debt, there was a substantial negative deviation of the performance of the swap agreement that required the modification

Table of Contents

of the original terms. Under the terms of the revised agreement, APSA agreed to pay US$ 69.1 million on March 30, 2005 and will receive Ps. 69.1 million on such date. As collateral for its payment obligations under the modified agreement, APSA was required to make a deposit of US$ 50 million with the counterparty. APSA is not required to make additional deposits until maturity. An additional payment at maturity could be required depending on the prevailing exchange rate between the Peso and the U.S. dollar. Thus, a continued devaluation of the Peso against the US dollar and/or an increase in interest rates would increase its loss which could be material.

As of October 31, 2003, APSA was not using any other derivatives.

Risks Related to the ADSs and the Shares

Different Corporate Disclosure and Accounting Standards

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

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

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

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

If IRSA is considered to be a Passive Foreign Investment Company for United States federal income tax purposes, United States Holders of its securities would suffer negative consequences

Based on the current and projected composition of its income and valuation of its assets IRSA does not believe IRSA was a PFIC for United States federal income tax purposes for the tax year ending June 30, 2003, and IRSA does not currently expect to become a Passive Foreign Investment Company (PFIC), although there can be no assurance in this regard. The determination of whether IRSA is a PFIC is made annually.

Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in its asset or income composition or if its projections are not accurate. The volatility and instability of Argentina s economic and financial system may substantially affect the composition of its income and assets and the accuracy of our projections. If IRSA becomes a PFIC, United States Holders of its shares or GDSs will be subject to certain United States federal income tax rules that have negative consequences for United States Holders such as additional tax and an interest charge upon certain distributions by IRSA or upon a sale or other disposition of its shares or GDSs at a gain, as well as reporting requirements. Please see Taxation-United States Taxation 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.

Table of Contents

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF CRESUD

General Information

Our legal name is Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria. We were incorporated and organized on December 31, 1936 under Argentine law as a stock corporation (sociedad anónima) and were registered with the Public Registry of Commerce of the City of Buenos Aires (Inspección General de Justicia) on February 19, 1937 under number 26, on page 2, book 45 of national bylaws volume. Pursuant to our Bylaws, our term of duration expires on July 6, 2082. Our principal executive offices are located at Av. Hipólito Yrigoyen 440, 3rd Floor, (C1086AAF) Buenos Aires, Argentina. Our telephone is +54 (11) 4814-7800, and our website is www.cresud.com.ar

Please notice that as from January, 2004, we will move our headquarters to Moreno 877, (C1091AAQ), Buenos Aires, Argentina, keeping the same telephone numbers.

History

We were incorporated and organized on December 31, 1936 under Argentine law as a stock corporation (sociedad anónima), and were registered with the Public Registry of Commerce of the City of Buenos Aires (Inspección General de Justicia) on February 19, 1937. We were incorporated in 1936 as a subsidiary of Credit Foncier, a Belgian company engaged in, among other things, the business of providing rural and urban loans in Argentina. We were incorporated to, among other things, administer real estate holdings foreclosed by Credit Foncier. Credit Foncier was liquidated in 1959, and as a part of such liquidation, our shares were distributed to Credit Foncier s shareholders and, on December 12, 1960, were listed on the *Bolsa de Comercio de Buenos Aires*. From 1960s to 1970s, our business shifted to exclusively agricultural activities.

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

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

From December 2000 to June 2003, we invested approximately Ps. 133.6 million to acquire approximately 22.65% of the outstanding shares of IRSA. In addition, we owned IRSA´s Convertible Notes for a total amount of US$ 49.7 million. Consequently, as of June 30, 2003, our investment in IRSA amounted to Ps. 303.2 million representing 53.40% of our consolidates assets. IRSA is one of Argentina´s largest real estate companies. As of June 30, 2003, IRSA had total assets of Ps. 2,053.0 million, and its net gain for the fiscal year ended June 30, 2003, was Ps. 286.5 million.

On September 29, 2000, our board of directors, pursuant to the provisions set forth in Section 83, subsection 1º of Law 19.550, decided the merger of the companies Agro Riego San Luis S.A. and Colonizadora Argentina S.A. in our Company, effective as from July 1st, 2000; and on August 30, 2002 approved the signing of a final merger agreement with the absorbed companies Agroriego San Luis S.A. and Colonizadora Argentina S.A.

As of June 30, 2003, our net worth was Ps. 391.8 million, total assets were Ps. 567.8 million, the number of farms owned by us, together with our subsidiaries, was nineteen, the number of owned hectares was 436,929 (including 35.723% of 8,299 hectares owned by Agro-Uranga S.A., and 50% of 170 hectares owned by Cactus Argentina S.A.), the number of hectares sown was 27,255 (including 35.723% of 7,460 hectares sown by Agro-Uranga S.A.), the number of leased hectares sown was 13,628, the number of beef-cattle heads was 81,747 (including 35.723% of 3,478 owned by Agro-Uranga S.A.) and the number of cows involved in milk production was 2,786 (including 35.723% of 671 cows owned by Agro-Uranga S.A.). For fiscal year ended June 30, 2003, our total sales totaled Ps. 71.9 million.

As of November 25, 2003 Dolphin Fund Management S.A has spun off in two companies. One of them is Consultores Asset Management S.A. and the other remains as of Dolphin Fund Management S.A. In respect of Consultores Asset Management S.A., Eduardo Elsztain is the owner of 100% of its capital stock.

Eduardo Elsztain (formerly the Chairman of Dolphin Fund Management S.A.) is currently the Chairman of Consultores Asset Management S.A.

Issuance of Convertible Notes

On October 15, 2002, we initiated a preemptive rights offering to subscribe for 50 million units consisting of US$ 50.0 million of 8% Convertible Notes due 2007 and non-detachable warrants to purchase additional shares of our common stock. The Convertible Notes may be converted at the holder´s option into shares of our common stock until maturity on November 14, 2007, at the initial conversion price of US$ 0.5078 per common share. Each warrant will be exercisable on or after conversion of the convertible note to which it is attached at the same conversion price plus a 20% premium (US$ 0.6093). The rights offering to holders of our common shares and ADSs expired on November 13, 2002. Existing shareholders have subscribed through the exercise of their preemptive rights for US$ 20.5 million and they have exercised their accretion rights for US$ 1.7 million, adding together US$ 22.2 million. During the allocation of the remainder new investors have subscribed the remaining US$ 27.8 million units completing the US$ 50 million offering. Proceeds of the offering were applied to subscribe IRSA´s Convertible Notes.

As of December 16, 2003, the holders of Convertible Notes exercised their conversion right. The total number of notes converted amounted to 4,696,370 units with a face value of US$ 1 each, whereas the ordinary stock delivered under this heading amounted to 9,248,449 with a face value of Ps.1 each.

The number of Convertible Notes currently outstanding amounts to US$ 45,303,630, while the number of Company shares is 133,828,237.

Table of Contents

Purchase of IRSA´s Convertible Notes

During November and December 2002, we purchased 49.7 million Convertible Notes issued by IRSA. The notes, that mature in 2007, bear an 8% annual interest rate and grant the holder at the time of conversion to 49.7 million option to subscribe common stock. The conversion price and the warrants price established are as follows:

The conversion price is US$ 0.545 per share, while the warrant price is US$ 0.6541 per share.

For each of IRSA s convertible note the holder has the right to convert it to 1.8349 common shares (1.8349 GDS) and has an option to purchase the same amount of stock at the price of the warrant.

B. BUSINESS OVERVIEW

General

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

Most of our farms are located in Argentina s pampas, one of the largest temperate prairie zones in the world and one of the richest areas of the world for agricultural production, covering portions of the provinces of Buenos Aires, Santa Fé, Córdoba, Chaco, San Luis, Catamarca, Salta and *La Pampa*. At June 30, 2003, we, together with our subsidiaries, owned 19 farms. Approximately 27,255 hectares of the land we own is productive and suitable for crop production and approximately 135,798 hectares are best suitable for beef-cattle production. The remaining hectares are primarily natural woodlands. In addition, during fiscal year 2002, we leased farms on an aggregate total area of 22,398 hectares and during fiscal year 2003 we have leased farms for crop production on an aggregate total area of 13,628 hectares.

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

	Year Ended June 30,				
	1999[(1)(2)]	**2000[(1)]**	**2001[(1)(7)]**	**2002[(1)(8)]**	**2003[(1)(9)]**
	(in hectares)				
Crops[(3)]	62,882	47,204	40,208	48,437	27,255
Beef-Cattle[(4)]	175,648	177,267	170,392	147,566	135,798
Milk	2,555	2,926	2,492	1,201	977
Natural woodlands[(5)]	283,099	275,995	275,889	275,928	272,318

Total[6]	524,184	503,392	488,981	475,160	436,348

Table of Contents

(1) Includes 35.723% of approximately 8,299 hectares owned by *Agro-Uranga S.A*.
(2) Includes 3,128 hectares of the Runciman farm which was sold in May 1999, but excludes 6,302 hectares of the *El Meridiano* farm which was sold in August 1998.
(3) Includes wheat, corn, sunflower, soybean, sorghum, bean and peanuts.
(4) Raising and fattening.
(5) We use portions of our natural woodlands to produce charcoal and fence posts and rods. See Operations and Principal Activities - Other Production.
(6) 44,162 hectares and 8,770 hectares were leased during fiscal year 1999, and 31,114 hectares and 1,500 hectares were leased during fiscal year 2000 for crop and beef-cattle production, respectively. During fiscal year 2001, 19,601 hectares were leased for crop production. As of June 30, 2002, 28,913 hectares were leased for crop production and 2,500 for beef-cattle production. As of June 30, 2003, 13,628 hectares were leased for crop production.
(7) Includes 19,614 hectares of *Tourné*. This farm was sold in Ps. 6.2 million on December 4, 2000.
(8) Includes 6,149 hectares of *La Sofía* and the plot sold from *El Coro*.
(9) Includes 618 hectares of *Los Maizales* and 706 hectares of *El Silencio/San Luis*.

Operations and Principal Activities

In fiscal year 2002, our operations are being conducted on 21 farms and 42 leased farms. In fiscal year 2003, our operations are being conducted on 19 farms and 26 leased farms. Some of the farms we own are engaged in more than one productive activity at a time. The following table sets forth, for the periods indicated below, the volumes of our production by principal product line:

	Year ended June 30,				
	1999(1)	**2000**(1)	**2001**(1)	**2002**(1)	**2003**(1)
Crops (2)	136,363	159,992	104,974	142,478	70,369
Beef-Cattle (3)	14,829	12,903	12,725	10,493	9,121
Milk (4)	18,193	10,933	7,057	6,783	6,024

(1) Does not include production from *Agro-Uranga S.A.*
(2) Production measured in tons.
(3) Production measured in tons of live weight. Production is the sum of the net increases (or decreases) during a given period in live weight of each head of beef-cattle owned by us.
(4) Production measured in thousands of liters.

Land

Land Acquisition. We believe that due to the lack of liquidity and low productivity in the Argentine agricultural sector resulting from high levels of indebtedness, lack of investment and outdated technology, farmland prices in Argentina are low compared to those in the United States and Europe. The low prices and large supply of land, combined with our financial position relative to other Argentine producers in this sector, provide us with an opportunity to increase our landholdings at attractive prices, increase our scale of production and obtain capital appreciation.

Several major brokers with whom we work on a regular basis generally bring farms available for sale to our attention. The decision to purchase land is based on an evaluation of a number of factors. In addition to the location of the land, we normally review soil and water analyses, including the quality of the soil and its suitability for our intended use (whether for the production of crops, beef-cattle or milk), a classification of the various sections of the parcel, the past uses of the land, a description of improvements on the land, applicable easements, rights of way or other variances of title and satellite photographs of the farm (which are useful to reveal drainage characteristics of the soil during different cycles of precipitation) and detailed comparative data regarding neighboring farms (generally within a 50-kilometer radius). Based on the foregoing factors, we evaluate a farm in terms of the asking price as compared to the potential productivity of the land and the potential for capital appreciation. We believe that competition for the acquisition of land is generally limited to small producers (between Ps. 1.5 and Ps. 2.9 million or less in annual sales) for the purchase of smaller lots and that there is little competition for the purchase of larger lots.

Table of Contents

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

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

The following table sets forth, for the periods indicated below, certain information concerning sales of land by us during each of the last five fiscal years ending June 30, 2003:

	Sales of Land			
Fiscal Year	**No. of Farms**	**Gross Proceeds from Sales**	**Book Value of Properties Sold**	**Gain/(Loss)[1]**
			(in millions of Pesos)	
1999	2	61.1	40.4	20.7
2000				
2001	2	19.8	13.9	5.9
2002	3	53.2	36.6	16.6
2003	2	12.0	7.1	4.9

(1) Including all taxes and commissions

During the year 2003 we sold *Los Maizale*s and *San Luis* establishments, of 618 and 706 hectares respectively, at very good prices averaging US$ 3,100 per hectare, generating a profit of Ps. 4.9 million, 69% above book value.

On August 30, 2002 our Company Board of Directors approved the signing of a final merger agreement with the Absorbed Companies Agro Riego San Luis S.A. and Colonizadora Argentina S.A.

During May 2002, we sold a 3,240-hectare plot of *El Coro* farm, for Ps. 2.6 million and in a subsequent sale a 1,432-hectare plot for Ps. 1.1 million. The total sale of *El Coro* generated a profit of Ps. 3.5 million.

On May 8, 2002, we signed the deeds of sale for two plots of the 6,149-hectare *La Sofía* farm. The two plots of the farm were purchased in 1997, and since then, they had undergone an extensive transformation due to the implementation of the no tillage system. At the date of sale, 100% of the farm s surface was devoted to agriculture. The sale price was US$ 10 million which was paid at the date of the signing of the deeds and the taking possession of the plots. Crops for the 2001/2002 season, which will be harvested during May and June, will remain our property. We believe that the sale of *La Sofía* was an attractive opportunity for us, because the sale price was higher than the farm s book value, and the sale generated a Ps. 12.9 million profit.

On August 3, 2001, a bill of sale was signed for the farm *El Silencio*, of 397 hectares, located in the district of Rojas, Buenos Aires. The price for the sale of the farm was of US$ 1.03 million. This sale generated a profit of Ps. 0.2 million.

In December 2001, we sold a 5,649-hectare plot of *El Coro* farm, in the district of Río Seco, Province of Córdoba, for US$ 4.5 million.

Table of Contents

During the fiscal year 2001, we sold *El Bañadito* for US$ 6.2 million and *Tourné* for US$ 2.8 million. *El Bañadito* was part of the original purchase in September 1994 and the sale resulted in a gain of Ps. 6.2 million taking into account acquisitions expenses, improvements, depreciation, taxes and commissions. *Tourné* was acquired in June 1998 and was sold at a loss of Ps. 0.5 million.

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

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

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

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

Crop Production

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

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

	Crop Production				
	Year ended June 30,				
	1999(1)	**2000(1)**	**2001(1)**	**2002(1)**	**2003(1)**

			(in tons)		
Wheat	34,474	26,283	9,835	28,051	9,397
Corn	39,880	81,343	46,745	63,175	27,508
Sunflower Seeds	26,396	19,413	5,080	4,122	3,074
Soybeans	30,199	31,704	42,068	43,335	25,056
Other	5,414	1,249	1,246	3,795	5,334
Total	136,363	159,992	104,974	142,478	70,369

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

44

Table of Contents

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,				
	1999(2)	2000(2)	2001(2)	2002(2)	2003(2)
	(in hectares)				
Owned	18,952	16,090	20,069	19,524	12,677
Leased	44,904	31,114	20,139	28,913	14,578
Total	63,856	47,204	40,208	48,437	27,255

(1) Sown land may differ from Uses of Land, since some hectares are sown twice and therefore are counted twice.
(2) Includes hectares from Agro-Uranga S.A. See Business Subsidiaries and Affiliated Companies.

As of June 30, 2003, leased land as a percentage of total land sown by us was 58% of total sown area.

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

Our crop inventory at any given time varies according to market conditions. At June 30, 2003, our crop inventory consisted of 193 tons of wheat, 15,791 tons of corn, 9,408 tons of soybean and others 286 tons.

Beef-Cattle Production

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

In addition, as part of our strategy to move along the production chain, during the 2003 we began to slaughter some of our own livestock, having obtained the appropriate licenses. We also plan to begin to export for the account of third parties. As of June 2003, the cattle stock of the Company was 80,505 heads, with a total of 135,257 hectares used for this activity.

Beef cattle production was 9,121 tons, which represented a 13.1% decrease over the previous year mainly due to less cattle finished in the feedlot and a reduction in average stock.

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

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

Within the process of de-commoditization and technological innovation we implemented a self-developed identification and tracing system in compliance with European and Senasa standards.

With a view to distinguishing our production and obtaining higher prices in production sales, we plan to extend the use of the tracing system to our whole herd.

Parcel management of our pastures is aided by electric fences, which may be readily moved to complement our land rotation. The beef-cattle herd is fattened from 160 kg to 300 kilograms through grazing in pastures in our northern farms where conditions are suitable for this initial fattening. The cattle are further fattened to reach 450 kilograms at our southern farms. The feed lot enables uniform production and higher quality and degree of tenderness in the meat, due to the younger age of the animals slaughtered, resulting in stronger demand from international markets and higher prices.

Brood cows and bulls are used in raising activities, while steers, heifers and calves are used for fattening activities. Brood cows give birth approximately once a year and have a productive life of six to seven years. Six months after birth, calves are moved from suckling to fattening pastures. Purchased cattle go directly into the fattening process. Upon reaching this process the cattle graze for approximately one to one and a half years to fatten for sale. Steers and heifers are sold once they have achieved a weight of between 380-480 kilograms and 280-340 kilograms, respectively, depending upon the breed.

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

	Head of Beef-Cattle[(1)]				
	Year ended June 30,				
	1999[(2)]	2000[(2)]	2001[(2)]	2002[(2)]	2003[(2)]
Raising	46,262	41,242	41,419	32,304	31,328
Fattening	69,443	66,560	54,732	44,464	49,177
Total	115,705	107,802	96,151	76,768	80,505

(1) For classification purposes, upon birth, all calves are considered to be in the fattening process.
(2) Does not include head of beef-cattle from Agro-Uranga S.A. See Business Subsidiaries and Affiliated Companies.

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

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

Table of Contents

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

We have invested approximately Ps. 26.3 million in equipment, machinery, pastures, genetic improvements, research and developments related to beef-cattle operation.

Milk Production

During fiscal year 2003, milk production was 11.2% lower than in the previous year due the shutdown of *La Adela* dairy farm, partially offset by the higher number of milking cows in *La Juanita*.

During fiscal year 2002, milk production was 3.9% lower than in the previous fiscal year since the daily production dropped by 11.9%.

At present, the only dairy farm owned by us is located in *La Juanita*, which is mostly based on pasture feeding. This lower cost system enables to improve milk margins as compared to grain feeding systems.

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

	Milk Production				
	Year Ended June 30,				
	1999(1)(2)	**2000(1)**	**2001(1)**	**2002(1)**	**2003(1)**
Milking cows	2,439	1,519	1,135	1,143	1,002
Daily production (liters per cow)	20.4	19.7	18.5	16.3	16.5
Total production (thousands of liters)	18,193	10,933	7,057	6,783	6,024

(1) Does not include production from Agro-Uranga S.A. See Business Subsidiaries and Affiliated Companies.
(2) Includes milking cows located at Runciman which were in production until the sale of Runciman in May 1999.

At June 30, 2002, we had 2,590- head of cattle on 1,021 hectares involved in the production of milk. At June 30, 2003 we had 2,546- head of cattle on 820 hectares involved in the production of milk.

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

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

Table of Contents

We have invested in certain technologies centered on breeding, health and feeding to enhance milk production. These investments include the purchase of high-quality imported frozen semen from genetically improved American Holstein bulls, machinery and farming implements such as two feed mixer trucks, the use of feed supplements and the installation of modern milk cooling and heating control facilities. We currently purchase feed supplements for our milking cows and have invested to increase the quantity and quality of forage (pasture, alfalfa and corn silage) to reduce feed costs. Since the change of control, we have invested approximately Ps. 6.7 million in equipment, machinery and research and development with respect to our dairy herd.

Other Production

The result of the activity of charcoal was affected by the recessive market conditions that pushed down sales prices, diminishing the gain margin. This situation forced to look for new commercial agreements. Consequently we managed to commercialize our production in the external market, mainly in Chile. Although we had to abandon this agreement resulting in the interruption of the activity.

Principal Markets

Crops

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

Beef-Cattle

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

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

Milk

Argentina is suffering a slowdown in annual production levels. A decline in production of milk is affecting the country during 2003 due to several factors: adverse weather conditions in the first months of the year, less feed supplements due to higher crops prices, the shut down of dairy farms due to the competition of agriculture and particularly to the high soybean margin. According to the Livestock Division of the SAPYA, primary milk production for 2003 will be 15% lower than the levels recorded in fiscal 2001. This decrease in production caused the price to increase until reaching Ps. 0.50, which is consistent with the US$ 0.17 price prevailing before devaluation.

During fiscal year 2002 and 2003, we sold all of our milk production to the largest dairy company in Argentina, Mastellone S.A., which in turn makes a variety of consumer dairy products for sale in Argentina and abroad. We negotiated raw milk prices with this company on a monthly basis based on domestic supply and demand. We believe that other large dairy companies in Argentina would be willing and able to buy all or part of our milk production if we were to elect to diversify our milk sales. The price of the milk sold by us primarily depends on the percentage of fat and protein contained in the milk and the degree to which the milk is cooled. The price we get for our milk also increases or decreases based upon bacteria and somatic cell content.

Table of Contents

Customers

During the fiscal year 2003, we had net sales of Ps. 71.9 million made to approximately 280 customers. Sales to our ten largest customers accounted for approximately 65.9% of our net sales in 2002 and approximately 68.8% during fiscal year ended June 30, 2003. Of these, the three largest, *Enrique Zeni S.A., Negocios de Granos S.A.* and *Cargill S.A.*, accounted for an aggregate of approximately 40.51% of our sales in 2003, and the remaining seven customers together accounted for approximately 28.32% of our net sales during such period.

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

Marketing Channels and Sales Methods

Crops

Normally, we use grain brokers and other intermediaries to execute transactions at the exchanges. We usually sell a portion of our production in advance by futures contracts and we buy and sell options to hedge against a drop in prices. Most futures and options contracts are executed at the *Bolsa de Cereales de Buenos Aires* in a 30% *and* Chicago Board of Trade in a 70%.

Our storage capacity allows us to condition and store crops without using intermediaries and to capitalize on fluctuations in the price of commodities. The largest storage facility owned by us, with a capacity of 12,000 tons, is located at the *Las Vertientes*, near Río Cuarto, Province of Córdoba. Other storage facilities are located at *El Gualicho* farm, with a capacity of 2,000 tons. We intend to further increase our storage capacity by renting facilities from third parties. As of June 30, 2003, we have 9,200 tons of rented storage capacity.

Beef-Cattle

We primarily sell directly to local meat processors and supermarkets, including Quick Food, Bermejo, Estancias Unidas del Sur, Finexcor, Novara, Swift Armour S.A., Arrebeef, Amancay, Deheza, Supermercados Disco, Supermercados Coto, Supermercados La Anónima and Supermercados Norte, at prices based upon the Liniers price.

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

Raw Materials

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

Competition

The agricultural business is a highly competitive market with many producers. Cresud is one of the leading producers in Argentina, but its overall market share is extremely low. Our leading position increases our power of negotiation with our suppliers and customers, and in the past we have generally been able to obtain discounts of nearly 15% on our input purchases and 15% net above price on crops and beef cattle.

Table of Contents

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

Seasonality

As with any agribusiness enterprise, our business operations are predominantly seasonal in nature. The harvest and sale of crops (corn, soybean and sunflower) generally occurs from February to June. Wheat is harvested from December to January. Other segments of our business such as our cattle and milk sales, and our forestry activities, tend to be more successive than seasonal in nature. However, beef-cattle and milk production is generally higher during the second quarter when pasture conditions are more favorable. As a result, quarter-to-quarter results may vary significantly.

IRSA

From December 2000 to June 2003 and pursuant to our strategy of diversifying our business activities, we invested an aggregate of Ps. 133.6 million in shares of IRSA. In addition, during November and December 2002, we purchased a total amount of US$ 49.7 million IRSA´s Convertible Notes. As of June 30, 2003, our total investment in IRSA amounted to Ps. 303.2 million. IRSA is one of Argentina s largest real estate companies in terms of total assets, and is engaged in a range of real estate activities in Argentina. Its principal activities consist of:

- the acquisition and development of residential properties primarily for sale;
- the acquisition, development and operation of office and other non-shopping center retail properties primarily for rental purposes;
- the acquisition, development and operation of shopping center properties;
- the acquisition and operation of luxury hotels; and
- the acquisition of undeveloped land reserves for future development or sale.

As of June 30, 2003, IRSA had total assets of Ps. 2,053.0 million and shareholders equity of Ps. 809.2 million. IRSA s net gain for the fiscal year ended June 30, 2003, was Ps. 286.5 million.

During our fiscal year 2002, we increased our shareholding in IRSA from 15.24% to 19.85% of its outstanding shares. As of June 30, 2003 our investment in IRSA had increased to 22.65% of its outstanding shares. Our total investment in IRSA, considering our interest in its common shares and Convertible Notes, amounted to 53.40% of our consolidated assets. A majority of our directors are also directors of IRSA, and we are under common control by the same group of controlling shareholders.

At the time of our investment in IRSA, its shares were trading at a level approximately 55.0% below its peak value during the preceding year, and we believed it to be an attractive investment opportunity. During the fiscal year ended June 30, 2002, our IRSA investments showed a 23.6% depreciation as a consequence of matching the quotation at June 2002 of Ps. 91.4 million compared to the quotation at the beginning of the referred fiscal year of Ps. 100.2 million plus the purchases during that period of Ps. 19.4 million.

As from March 31, 2002 we value our investment in IRSA´s shares according to the equity method of accounting. This decision was based on the country economic changes which negative impact on financial markets and therefore the original strategy for this investment had to change. Valuations and current conditions make permanent investment more attractive, enhancing the possibility of an important long term profit.

Table of Contents

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.

Pursuant to Argentine law, all lease agreements related to rural properties and land are required to have a minimum term of duration of 3 years. Upon death of the tenant farmer, the agreement may continue with his successors. The land owner may initiate eviction proceeding, upon misuse of the land by the tenant farmer or default on payment of the rent.

Argentine law 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 himself is obligated to perform the agreement and he may not in any case, assign it. Upon the death, incapacity or impossibility of the tenant farmer, the agreement will be terminated.

Ownership of Grains and Cattle

The quality of the grains and the health measures of the cattle are regulated and controlled by the *Servicio Nacional de Sanidad y Calidad Agroalimentaria* (SENASA). Senasa is an entity within the Ministry of Economy, which 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

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

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

Sales and Ownership of Real Estate

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

Antitrust Law

Argentine law provides for antitrust measures and requires administrative authorization for transactions that, according to the Antitrust Law (N°25.156), constitute economic concentrations.

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

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

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

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

Property and Transfer Taxes

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

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

Stamp Tax. This is a federal tax that the 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.).

Decree 114/93 repealed this tax in the city of Buenos Aires (federal district), with one exception. It refers to public deeds for the transfer of real estate, or for any other contract whereby the ownership of real property is transferred. The purchase and sale of real estate done through public deed is not taxable if the real estate is to be used for housing. In the City of Buenos Aires the tax rate is 2.5%. In the Province of Buenos Aires, the tax rate is 4% in case of public deed of transfer of real property.

The purchaser is exempt when the real estate is acquired for unique, familiar and permanent housing if the fiscal valuation does not exceed the amount established by law.

C. ORGANIZATIONAL STRUCTURE

Subsidiaries and Affiliated Companies

The following table includes a description of our subsidiaries and affiliated companies, all of which are organized under the laws of Argentina, as of June 30, 2003:

Subsidiaries	Effective Ownership Percentage	Property/Activity
Inversiones Ganaderas S.A.	99.99%	This company owns two farms located in the Province of Catamarca: Tali Sumaj and El Recreo.
Cactus Argentina S.A.	50.00%	This company represents our strategic alliance with Cactus Feeders Inc. for feed lot production. It owns a 170-hectare farm located in the district of Villa Mercedes in the Province of San Luis. It will have the capacity to support 75,000 head of beef-cattle per year, in cycles of 25,000 head each.

Table of Contents

Subsidiaries	Effective Ownership Percentage	Property/Activity
Agro-Uranga S.A.	35.72%	Agriculture, dairy and beef-cattle company. Agro-Uranga S.A. owns two farms (Las Playas and San Nicolás) covering 8,299 hectares in the provinces of Santa Fe and Córdoba, and approximately 3,478 beef-cattle head.
Futuros y Opciones.Com S.A.	70.00%	Provides information about markets and services of economic and financial consulting through Internet.
IRSA Inversiones y Representaciones Sociedad Anónima	22.65%	Is a leading Argentine company devoted to the development and management of real estate.

IRSA. During the fiscal year ended June 30, 2002, we acquired 9,548,831 shares of IRSA for a total consideration of Ps. 21.8 million, increasing our interest at 19.85%. During the fiscal year ended June 30, 2003, we acquired 6,856,417 additional shares, for a total consideration of Ps. 8.2 million, representing an additional 2.8% ownership interest. This investment was classified as current investment and carried at market value as was held for trading purposes.

At the time we purchased shares of IRSA, IRSA s stock price had dropped 55% compared to its peak in 2000 and the market consensus was that it was an excellent investment opportunity.

Effective March 31, 2002, as a result of a change in our strategy to currently hold such shares as permanent investments, our investment in IRSA is valued using the equity method of accounting. This decision was made as a result of the impact of the recent economic changes on the financial markets, which altered the original budget estimates for these types of investments. The current valuations and present conditions make a permanent investment opportunity less burdensome and increase the possibility of achieving considerable profit in the long term. Although the investment was originally thought of as a short-term investment, it was transformed into a more permanent investment due to the market conditions.

Futuros y Opciones.Com S.A. In May 2000, we acquired 70% of shares and an irrevocable purchase option for the remainder of the shares of *Futuros y Opciones.Com S.A.* for Ps. 3.5 million. We made additional capital contributions for Ps. 3.0 million for prospective developments of which, as of June 30, 2001, we had provided Ps. 2.1 million. On April 16, 2002 an agreement was signed whereas Cresud completed the abovementioned contribution. The site was launched in November 1999 and is aimed at becoming the most important agriculture business community in Latin America. *Futuros y Opciones.Com S.A.* has launched its e-commerce strategy in March 2001, in order to sell products, buy inputs, ask for loans, and obtain insurance, among other things. The results of *Futuros y Opciones.Com S.A.* have been included in our consolidated statement of income from the date of acquisition through June 30, 2003.

Those areas with greater potential of growth were organized in the last exercise: inputs commercialization, grain businesses and beef-cattle operations. On inputs the businesses volume was concentrated in smaller amount 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 grains, the brokerage department was created, with the purpose of participating directly in the business by making the operations. In beef cattle, *Futuros y Opciones.Com S.A* had created an alliance with a sector leader broker, that will allow them to obtain better uses of their clients info-data and technological knowledge. Also *Futuros y Opciones.Com S.A.* together with us had created a beef cattle tracing system according to SENASA s new regulations, which is going to be commercialized throughout the site, allowing that in a future commercialization closed circles of beef cattle can be developed.

Table of Contents

Cactus Argentina S.A. is a company owned by us and Cactus Feeders Inc., one of the largest feed lot companies in the United States. The site is located in Villa Mercedes, in the Province of San Luis and covers 170 hectares. The feedlot began to operate in September 1999. This feeding system allows an increase of production in fattening farms, since cattle remain on fattening farms until they reach 300 kilograms, when they are more efficient at converting into beef. When they reach that weight the cattle are taken to the feedlot (grain feeding), where higher grain-beef conversion speeds up the remainder of the fattening process. As of September 30, 2003 due to the constant increase in the demand for the use of Cactus´s Feed Lot, *Cactus Argentina S.A.* has stated works to enlarge its capacity of first enterprise in approximately 4,000 heads and plan the development of a second enterprise with a capacity that has not been determined yet.

On August 30, 2002 our Board of Directors approved the signing of a final merger agreement with the absorbed companies *Agro Riego San Luis S.A.* and *Colonizadora Argentina S.A.*

D. PROPERTY, PLANTS AND EQUIPMENT

Overview of Properties

As of December 2001, we started to sublease our headquarters from APSA. Eduardo Elsztain our Chairman is also the Chairman of the board of directors of APSA.

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

	Owned Farms at June 30, 2003				
	Province	Gross Size (in hectares)	Date of Acquisition	Primary Current Use	Net carrying value (Millions of Ps.)(1)
La Adela	Buenos Aires	982	Original	Crop	7.1
San Enrique	Santa Fe	984	Original	Crop/Beef-Cattle	1.8
La Juanita	Buenos Aires	4,302	Jan. 96	Crop/Milk	11.2
El Gualicho	Córdoba	5,729	Feb. 95	Crop/Beef-Cattle	6.4
Las Vertientes	Cordoba	4		Silo	0.8
La Esmeralda	Santa Fe	11,841	June 98	Crop/Beef-Cattle	11.7
Ñacurutú	Santa Fe	30,350	Aug. 97	Beef-Cattle	8.2
La Suiza	Chaco	41,993	June 98	Beef-Cattle	26.8
Tapenagá/41-42	Chaco	27,311	Aug. 97/Sept. 97	Beef-Cattle	7.9
Santa Bárbara/Gramilla	San Luis	7,052	Nov. 97	Crops under irrigation	17.0
Cactus (2)	San Luis	85		Feed Lot	2.9(3)
El Recreo(4)	Catamarca	20,271	May 95	Natural Woodlands	2.0
Tali Sumaj(4)	Catamarca	12,700	May 95	Beef-Cattle	4.6

Los Pozos	Salta	262,000	May 95	Beef Cattle/charcoal Natural Woodlands	13.6
San Nicolás/Las Playas(5)	Sta.Fe/Cba.	2,965	May 97	Crop/Beef-Cattle	16.2(6)
El Tigre (7)	La Pampa	8,360	Apr 03	Crop	28.2
Total		436,929			166.4

(1) Acquisition costs plus improvements less depreciation.
(2) Owned by us through our 50.0% interest in Cactus Argentina S.A.
(3) Book value of our investment in Cactus Argentina S.A.
(4) Owned by us through Inversiones Ganaderas S.A.
(5) Owned by us through our 35.723% interest in Agro-Uranga S.A.
(6) Book value of our investment in Agro-Uranga S.A.
(7) On April 30, 2003 a title deed was signed for the purchase of El Tigre farm, with a surface area of 8,360 hectares, located in Trenel Department, Province of La Pampa for the amount of US$ 9,250,000.

Table of Contents

Farms

At June 30, 2003, we, together with our subsidiaries, owned 19 farms with a combined total of 436,899 hectares of land, of which two are located in Buenos Aires, four in the Province of Santa Fe, three in the Province of Córdoba, three in the Province of Chaco, three in the Province of San Luis, two in the Province of Catamarca, one in the Province of Salta, and one in the Province of La Pampa.

La Adela. *La Adela*, located 60 kilometers northwest of Buenos Aires, is one of our original farms. During December 2001, the dairy farm at *La Adela* was closed. The totality of its hectares is destined to crop production.

San Enrique. *San Enrique*, located 340 kilometers northwest of Buenos Aires, is one of our original farms. The farms are adjacent and are primarily dedicated to crop production. The climate is mild and the fertile soil is well suited to high-yield crop harvesting, such as corn. At June 30, 2003, 1,606 hectares of land were used for crop production and 410 hectares of pasture lands were sown with alfalfa, red and white clover, grass and wild barley. Livestock production is carried out as a supplement to agricultural production and capitalizes on lands which have been temporarily left fallow. At June 30, 2003, there were approximately 264 head of beef-cattle on 410 hectares of land.

La Juanita. *La Juanita*, located 440 kilometres southwest of Buenos Aires, was acquired in January 1996. At June 30, 2003, 2,546 head of cattle grazed on 820 hectares of sown and natural pastures and 1,672 hectares of crops were used for crop production. Dairy facilities at this farm produced 6.0 million liters of milk in fiscal year 2003, with an average of 1,002 milking cows and 16.47 liters per cow per day.

El Gualicho. *El Gualicho*, located 600 kilometers northwest of Buenos Aires, was purchased in February 1995. This farm produces both crops and cattle. At June 30, 2003, there were approximately 3,946 heads of beef-cattle on 4,367 hectares of land. During the fiscal year ended June 30, 2003, 563 hectares were destined to crop production.

El Recreo. The climatic conditions of *El Recreo*, located 970 kilometers northwest of Buenos Aires and purchased in May 1995, are similar to those of *Tali Sumaj*, having a semi-arid climate with an average annual precipitation not greater than 400 mm. The farm is maintained as a productive reserve.

Tali Sumaj. Tali Sumaj, located 1,000 kilometers northwest of Buenos Aires, was purchased in May 1995 and is located in a semi-arid zone with a predominance of natural woodlands. Due to these characteristics, we are clearing the woodlands to produce charcoal and sowing subtropical pastures in order to introduce cattle raising. At June 30, 2003, Tali Sumaj had 5,002 head of beef-cattle on approximately 9,500 hectares of pastures. The remaining approximately 3,200 hectares of woodlands are being converted to pasture. The farm is divided into 16 parcels with perimeter fences and drinking troughs with a reserve of 1,000,000 liters of water.

Los Pozos. *Los Pozos*, located 1,600 kilometers northwest of Buenos Aires and purchased in May 1995, is located in a semi-arid zone with an average annual rainfall of 500 mm, predominantly from summer rains. The farm forms part of the Chaquean woods segment. The area is covered with a high proportion of hardwood tree species such as red breakaxe, white breakaxe, vetch and viñal, among others. The area is naturally suited for cattle raising and forestry (poles and charcoal), and offers agricultural potential for summer crops such as cotton, beans, sorghum and corn, among others. We completed the clearing and sowing with tropical pastures of approximately 14,000 hectares of woodlands. At June 30, 2003, there were 15,055 head of beef-cattle on this farm. During fiscal year 2003 we developed an experimental plot consisting in the clearing of 300 hectares for soybean production. In addition, we have started clearance of 1,000 additional hectares in that property for agricultural production in the next season, and we plan to extend the development of 20,000 hectares for livestock during the coming years.

Table of Contents

San Nicolás. *San Nicolás* is a 4,005-hectare farm owned by Agro-Uranga S.A., located in the Province of Santa Fe, approximately 45 kilometers from the port of Rosario. At June 30, 2003, approximately 4,833 hectares were used for crop production. The farm also has a silo with a 14,950-ton storage capacity.

Las Playas. *Las Playas* is a 4,294-hectare farm owned by *Agro-Uranga S.A.*, located in the Province of Córdoba, used principally for agricultural production and beef-cattle production. At June 30, 2003, the farm had 814 head of beef-cattle on approximately 261 hectares of pastures. In addition, 5,838 hectares were used for crop production. The farm also has a pre-seed cleaning, drying, seed classification and storage plant with 3,500 ton capacity. Dairy facilities at this farm produced 4.0 million liters of milk in fiscal year 2003, with 671 head of cattle on 444 hectares.

Ñacurutú. *Ñacurutú* is a 30,350-hectare property located in Los Amores, in the northern part of the Province of Santa Fe. This farm is situated along the provincial highway Nº 3, 160 km north of the city of Reconquista and only 600 km from the city of Rosario. The farm has livestock potential, and its main activity is cattle breeding. This farm has the advantage of producing at very low costs. At June 30, 2003 the farm had 9,721 head of beef-cattle.

Tapenagá. This 20,832-hectare property is located in Cotei Lai, in the south of the Province of Chaco. The farm is situated along national highway Nº 89, 75 km west of the city of Resistencia and only 120 km from *Ñacurutú* farm. The farm s main activity is cattle breeding. Like *Ñacurutú*, this is a low-cost producing farm.

El 41-42. This 6,479-hectare farm is located in the department of Tapenagá, in the Province of Chaco and is next to Tapenagá farm. With its acquisition, the scale of Tapenagá farm was increased to a total of 27,311 hectares. This farm s main activity is cattle breeding. At June 30, 2003, Tapenagá and 41-42 had approximately a total of 10,518 head of beef-cattle on 27,311 hectares of natural pasture. *La Gramilla and Santa Bárbara*. These farms cover 7,052 hectares in the Valley of Conlara, Province of San Luis. Unlike other areas in the province, this valley has a high-quality and well-replenished underground aqueduct, which makes the farms suitable for agriculture production after making investments in land clearance, wells and irrigation equipment. During the 2003 season, a total of 3,051 hectares were sown, mainly under agreements with seed producers. As part of our expansion strategy, we have began to clear 1,100 hectares for agriculture under irrigation at our *Agro Riego San Luis* property. This work will be completed this year.

La Suiza. *La Suiza* is a 41,993-hectare farm located in Villa Angela, Province of Chaco; it has excellent livestock potential and is intended for cattle breeding. *La Suiza* can support more than 30,000 head of beef-cattle. At June 30, 2003, *La Suiza* had approximately 21.402 head of beef-cattle. Also 5,100 hectares were leased.

La Esmeralda. *La Esmeralda* is a 11,841-hectare farm located in Ceres, Province of Santa Fe. The farm, acquired in June 1998, has potential for both crop and beef-cattle production. During the 2002/2003 season, a total of 150 hectares were used for crop production. At June 30, 2003, La Esmeralda had approximately 9,413 head of beef-cattle on 10,179 hectares of pasture. Also 1,512 hectares were leased.

El Tigre. El Tigre was purchased on April 30, 2003, with a surface area of 8,360 hectares, located in *Trenel* Department, Province of La Pampa for the amount of US$ 9.2 million. At June 30, 2003, 1,822 hectares were destined to wheat for the season 2003/2004.

Table of Contents

Silos

At June 30, 2003, we had approximately 20,577 tons of storage capacity (including 35.723% of 18,450 tons from *Agro-Uranga S.A.*).

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

	Storage Capacity				
	Year ended June 30,				
	1999	2000	2001	2002	2003
	(in tons)	(in tons)	(in tons)	(in tons)	(in tons)
El Bañadito	7,000	7,000			
El Gualicho	3,500	2,000	2,000	2,000	2,000
Las Vertientes	12,000	12,000	12,000	12,000	12,000
San Nicolás(1)	1,426	5,330	5,330	5,330	5,330
Las Playas(1)	6,418	1,247	1,247	1,247	1,247
Total	30,344	27,577	20,577	20,577	20,577

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

ITEM 5. OPERATING FINANCIAL REVIEW AND PROSPECTS

A. CONSOLIDATED OPERATING RESULTS

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

For purposes of the following discussion, unless otherwise specified, references to fiscal years 2003, 2002 and 2001 relate to the fiscal years ended June 30, 2003, 2002 and 2001, respectively.

We maintain our financial books and records in Pesos and prepare our financial statements in conformity with Argentine GAAP and the regulations of the *Comisión Nacional de Valores*. See Note 16 to our financial statements for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of net income (loss) and total shareholders equity. The differences involve methods of measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC.

Discussion of Critical Accounting Policies

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

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

Allowance for Doubtful Accounts

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

Investments in Affiliates

We use the equity method of accounting for investments in affiliates in which we have significant influence. Critical accounting policies of these affiliates include revenues recognition, rental property depreciation, provision for allowances and contingencies, impairment of long-lived assets, accounting for debt restructuring and accounting for deferred tax assets. As of June 30, 2003, investments in affiliated companies were Ps. 202.3 million representing 35.6% of our total assets.

Impairment of Long-Lived Assets

We periodically evaluate the carrying value of our long-lived assets for impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future net cash flows expected to be generated by the asset. Future net cash flows are based on management s current estimates and assumptions and are subject to change as it requires estimates made by the Management, mainly with respect to expected production, weather factors and other variables that could be consequential; and the impact of recognizing a depreciation loss could be material. We believe that the accounting estimate concerning the impairment of long-lived assets is a critical accounting policy because, when one takes into account that farms are non-depreciable assets of unlimited useful life, their value could be calculated as a perpetuity (i.e., dividing the expected return of each farm by a discount rate representative in the market). As farming is a low-risk business and has betas near to zero or even negative, a 6% discount rate was taken for purposes of the calculation. Even if there is a reduction of 20% in the expected return, it would not have been necessary to recognize any loss for depreciation of the referred assets.

Income tax provision

The Company records income taxes using the deferred tax liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to

58

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

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

Principal Differences between Argentine GAAP and US GAAP

We have prepared our consolidated financial statements in accordance with generally accepted accounting principles used in Argentina which differ in certain significant respects from generally accepted accounting principles in the United States of America. Such differences involve methods of measuring the amounts shown in the financial statements, as well as additional disclosures required by US GAAP and Regulation S-X of the SEC.

Following is a summary of the principal differences between Argentine GAAP and US GAAP:

Valuation of inventories

Under Argentine GAAP, livestock is recorded at market value, net of expenses, or replacement cost as determined by agricultural appraisers. Under US GAAP, we record breeding and developing livestock at the lower of cost or market, with costs removed from inventory on a first-in/first-out basis. All direct and indirect costs of developing livestock, such as the purchase price, labor costs, feed, vaccines and veterinary fees are accumulated until the livestock reaches maturity and is either sold or transferred to a productive function. Breeding herd are depreciated using the straight-line method over the estimated useful life of five years.

Recognition of deferred income taxes

Under Argentine GAAP, 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. Under US GAAP, we applied EITF 93-9, Application of FASB Statement No.109 in Foreign Financial Statements Restated for General Price-Level Changes , which requires such differences to be treated as temporary differences in calculating deferred income taxes. In addition, the adjustment includes the effect on deferred income taxes of the foregoing reconciling items, as appropriate.

Web site development costs

Under Argentine GAAP, we capitalize certain costs incurred in the development of our web sites. Such costs are amortized under the straight-line method over a period of 3 years.

Under US GAAP, we apply EITF No. 00-02, Accounting for Web Site Development Costs , pursuant to which certain costs incurred during the planning stage as well as costs related to training, administration and other maintenance activities are expensed as incurred.

Available-for-sale securities

Under Argentine GAAP, investments in mutual funds and government bonds are carried at market value, with unrealized gains and losses recorded in income. Under US GAAP, pursuant to Statement of Financial Accounting Standards No. 115 Accounting for Certain Investments in Debt and

Table of Contents

Equity Securities (SFAS No. 115), part of the our investments in mutual funds as well as those in government bonds are classified as available-for-sale securities and, accordingly, unrealized gains and losses are excluded from income and reported as a separate component of shareholders equity. SFAS No. 115 also states that for individual available-for-sale securities, an enterprise shall determine whether a decline in fair value below the amortized cost basis is other than temporary. In such event, accumulated unrealized losses included in other comprehensive income shall be reclassified into the statement of income.

Specific identification was used to determine cost in computing realized gain or loss. The majority of the our investments are considered available-for-sale as these securities could potentially be sold in response to needs for liquidity, changes in the availability of and the yield on alternative instruments or changes in funding sources or terms. Management determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates such designation as of each balance sheet date.

Accounting for convertible notes

Convertible Notes issued 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. For Argentine GAAP purposes, no proceeds were allocated to the conversion feature and non-detachable warrants.

Under US GAAP, we applied EITF No. 00-27, Application of Issue No. 98-5 to Certain Convertible Instruments (EITF No. 00-27), which address how a beneficial conversion amount should be measured when an entity issues a convertible instrument that, if converted, will result in the holder receiving common stock and other equity instruments of the issuer, such as warrants to acquire common stock of the issuer. In EITF No. 00-27, the Task Force reached a tentative conclusion that the intrinsic value of the conversion option should be computed based on a comparison of (a) the proceeds of the convertible instrument allocated to the common stock portion of the conversion option and (b) the fair value at the commitment date of the common stock to be received by the holder upon conversion. The excess of (b) over (a) is the intrinsic value of the embedded conversion option that should be recognized by the issuer at the issuance date for the convertible instrument. In EITF No. 00-27 the Task Force also reached a consensus that the Issue 98-5 model should be modified for convertible instruments that have a stated redemption date to require a discount resulting from recording a beneficial conversion option to be accreted from the date of issuance to the stated redemption date of the convertible instrument, regardless of when the earliest conversion date occurs. EITF 00-27 also states that all of the unamortized discount, if any, remaining at the date of conversion should be immediately recognized as interest expense.

Investments in affiliates

Under US GAAP, at the balance sheet date, we evaluate the value of certain equity investments for potential decline in value deemed other than temporary when conditions warrant such an assessment. Since these investments involve entities located in Argentina, the economic crisis affecting the country could materially and adversely alter this evaluation.

Stock Options

Under Argentine GAAP, we have not recognized any compensation expense related to a stock option plan. We recorded the transfer of treasury shares to common stock at their par value and recognized an increase in retained earnings for the proceeds received from the exercise of the option.

Under US GAAP, we adopted Statement of Financial Accounting Standards No. 123 (SFAS No. 123), Accounting for Stock-Based Compensation . This Statement gave us the option of either (1)

Table of Contents

continuing to account for stock-based employee compensation plans in accordance with the guidelines established by Accounting Principles Board No. 25, Accounting for Stock Issued to Employees and related interpretations (APB No.25) while providing the disclosures required under SFAS No. 123, or (2) adopting SFAS No. 123 accounting for all employee and non-employee stock compensation arrangements. We opted to continue to account for its stock-based awards using the intrinsic value method in accordance with APB No. 25. As such, compensation expense for compensatory plans is measured as the quoted market price of the stock on the measurement date less the amount, if any, the employee is required to pay. The measurement date is the first date at which both (a) the number of shares the employee is entitled to receive and (b) the option or purchase price, if any, are known.

Effect of Devaluations and Economic Crisis on us

Effect of devaluation

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

In the fourth quarter of 1998, the Argentine economy entered into a recession that caused the gross domestic product to decrease by 3.0% in 1999, 0.5% in 2000 and 4.9% in 2001. During the second half of 2001, Argentina´s recession worsened significantly, precipitating a serious political and economic crisis. During 2002, the gross domestic product decreased 10.9% as compared to 2001, and during the three first quarters of 2003, the gross domestic product increase 7.3%.

On December 23, 2001, President Adolfo Rodriguez Saá declared the suspension of the payment of foreign debt and later Eduardo Duhalde ratified his decision. On January 7, 2002, the National 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 impact on our financial position and the results of our operations through its effects in IRSA in fiscal year 2002, which was partially offset during fiscal year 2003.

Argentine Economic Context

Argentina s current economic situation is highly sensitive, its main indicators show high levels of external indebtedness, a financial system in critical conditions and an economic recession that almost until the end of 2002 brought about a major fall in the demand for goods and services and a significant increase in unemployment.

In response to the economic crisis, starting in December 2001, the Government adopted several measures and enacted laws, decrees and regulations that dramatically changed the economic scenario. These changes included the flotation of the exchange rate, which led to a significant devaluation of the Argentine Peso in the first months of 2002, and the re-denomination into Pesos of certain assets and liabilities denominated in foreign currency and held in Argentina.

During 2002, in particular, this situation led to a significant and disparate increase in various economic indicators, such as the exchange rate, the wholesale domestic price index (used to restate the financial statements for the previous year) and specific indexes for the goods and services related to our business. These events have affected the comparability of the financial statements, which should be interpreted in light of those circumstances.

Table of Contents

Impact on our economic condition

Following the devaluation of the Argentine Peso and the increase in the profitability of the agricultural-livestock business, the demand for land has begun to increase, leading to a considerable rise in US$ Dollar prices, which are now at levels comparable to those prior to the Argentine crisis. Given this scenario, our Board of Directors is in position to identify and take advantage of market opportunities for purchases and sales of land.

In addition, as of June 30, 2003, IRSA, in which we hold a 22.65% interest, had overcome the crisis that had caused uncertainties in its course of business. At present, this subsidiary has a liquidity position that will allow it to take advantage of any opportunities that may arise in the real estate market.

Effect of export taxes on us

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 recently imposed new taxes on exports. Pursuant to Resolution No. 11/02 of the Ministry of Economy, as amended by Resolution 35/02, 160/2002, 307/2002 and 530/2002 effective on April 3, 2002, the Argentine government imposed a 20%, 10% and 5% export tax on primary and manufactured products.

Since we are producers of exportable goods, export taxes decreased our products prices, and, therefore, had an adverse effect on our sales.

Effects of inflation

From 1997 until the end of year 2001, policies adopted by Argentine government have substantially reduced the level of inflation. Therefore, inflation has not affected our financial condition and results of operations. The following are annual inflation rates figures published by the Ministry of Economy of Argentina:

Year ended June 30,	Consumer Price Index	Wholesale Price Index
1997	0.9%	0.1%
1998	1.1%	-1.9%
1999	-1.4%	-5.3%
2000	-1.2%	4.4%
2001	-0.3%	-1.6%
2002	30.5%	95.6%
2003	10.2%	8.3%

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

Recent Significant Investment in IRSA

From December 2000 to June 2003, and pursuant to our strategy of diversifying our business activities, we invested an aggregate of Ps. 133.6 million in shares of IRSA, an Argentine real estate company. As of June 30, 2003 our investment in IRSA had increased to 22.65% of its outstanding shares. In addition, during 2002, we purchased a total amount of 49.7 million IRSA´s Convertible Notes.

Table of Contents

As of June 30, 2003 our total investment in IRSA amounted to Ps. 303.2 million and represented 53.4% of our total assets. A majority of our directors are also directors of IRSA, and we are under common control by the same group of controlling shareholders.

At the time of our investment in IRSA, its shares were trading at a level approximately 55.0% below its peak value during the preceding year, and we believed it to be an attractive investment opportunity. During the fiscal year ended June 30, 2002, our IRSA investments showed a 23.6% depreciation as a consequence of matching the quotation at June 2002 of Ps. 91.4 million compared to the quotation at the beginning of the referred fiscal year of Ps. 100.2 million plus the purchases during that period of Ps. 19.4 million.

As of March 31, 2002, as a result of a change in our strategy whereby we currently hold IRSA s shares as a permanent investment, we changed the accounting method from market value to the equity method of accounting. At June 30, 2002, our investment in IRSA was valued by the equity method of accounting as a result of a change of strategy according to which those shares are carried as a long-term investment. This decision was made as a result of the impact of the recent economic measures on the financial markets, which modified the original budget with respect to these types of investments. Current valuations and economic conditions reduce the risks inherent to long-term investment opportunities and increase the possibility of obtaining significant return in the long term. In view of these circumstances: (i) the value of the investment was set at market value; (ii) the value of the investment was calculated by the equity method of accounting; and (iii) the difference between (i) and (ii) was recognized as negative goodwill to be amortized over 20 years. As a result, at June 30, 2003 the goodwill value is (20.7) million.

Operating Results

Year ended June 30, 2003 compared to the year ended June 30, 2002

Sales

Sales reached Ps. 71.9 million, 10.3% lower than those recorded in the previous year. Higher agricultural sales partially offset smaller sales from the other segments.

Crops. Crop sales increased 6.0% to Ps. 51.4 million in fiscal year 2003, from Ps. 48.5 million in fiscal year 2002. The 0.7% increase in the volume of sales to 121,425 tons from 120,624 tons was accompanied by a 5.3% higher unit price in fiscal year 2003 as compared to 2002. The average price per sold ton was Ps. 423 in fiscal year 2003 as compared to Ps. 402 obtained in the previous year. Crop production decreased 50.6% from 142,478 tons in fiscal year 2002 to 70,369 tons in fiscal year 2003 (wheat, corn and soybean production decreased 66.5%, 54.9%, 42.2%, respectively). Total sowed area decreased to 23,638 hectares in fiscal year 2003 from 43,777 hectares in fiscal year 2002. Sowed area on leased lands decreased to 13,628 hectares during 2003 from 25,306 hectares in fiscal year 2002, and sowed area on own lands was reduced to 10,010 hectares in fiscal year 2003 from 18,471 hectares in fiscal year 2002. This reduction mainly results from the high cost of leases that triggered a reduction in leased hectares, and the impact of the sale of *La Sofía and El Coro* farmlands during the past fiscal year.

Beef Cattle. Beef cattle sales decreased 37.3% to Ps. 17.3 million in fiscal year 2003 from Ps. 27.6 million in fiscal year 2002. The 47.5% reduction in the sales volume was partially offset by the 19.3% increase in the price per sold ton. The sales volume decreased to 9,550 tons from 18,201 tons, while the sales price increased to Ps. 1.81 per kilogram in fiscal year 2003 from Ps. 1.52 per kilogram in fiscal year 2002. Average cattle stock decreased to 86,234 heads in fiscal year 2003 from 93,380 heads in fiscal year 2002, and total beef cattle production decreased

13.1% to 9,121 tons in fiscal year 2003 from 10,493 tons in fiscal year 2002. This decrease was due to the reduction of our stock position in this segment and the smaller number of heads finished in the feedlot. The own area devoted to beef cattle production decreased to 135,257 hectares in fiscal year 2003 from 153,435 hectares in fiscal year 2002. This reduction is mainly related to the sale of the El Coro property during the previous fiscal year.

Milk. Sales of milk increased 6.9% to Ps. 2.4 million in fiscal year 2003 from Ps. 2.3 million in fiscal year 2002, mainly due to a 20.5% increase in the average sales price to Ps. 401 per thousand liters in fiscal year 2003 as compared to Ps. 333 per thousand liters in fiscal year 2002. Lower milk sales attributable to the 11.2% fall in production, caused by the shutdown of *La Adela* dairy facility during the previous year, was partially offset by a larger number of milking cows in *La Juanita*. Total production was 6.0 millions of liters in fiscal year 2003 as compared to 6.8 millions of liters in fiscal year 2002.

Other. Sales decreased 57.3% to Ps. 0.8 million in fiscal year 2003 from Ps. 1.9 million in fiscal year 2002 mainly due to the recessive market conditions, that pushed down sales prices of firewood and charcoal, partially offset by a higher income from services.

Cost of sales

The cost of sales increased 20.7% to Ps. 51.0 million in fiscal year 2003 from Ps. 42.3 million in fiscal year 2002. Cost of sales as a percentage of sales increased to 70.9% in fiscal year 2003 from 52.7% in fiscal year 2002.

Crops. The cost of sales for crops increased to Ps. 39.4 million in fiscal year 2003 from Ps. 13.8 million in fiscal year 2002. This increase is mainly attributable to the impact of currency exchange rates on the cost of supplies and to a lesser extent, to the positive effect of the initial stock valuation during fiscal year 2002.

Beef cattle. Cost of sales for beef cattle decreased 61.6% to Ps. 8.7 million in fiscal year 2003 from Ps. 22.8 million in fiscal year 2002. Such reduction is mainly attributable to the impact of a smaller number of heads finished in the feed lot. The cost of sales for beef cattle as a percentage of beef cattle sales decreased to 50.5% in fiscal year 2003 from 82.5% in fiscal year 2002. The cost per ton sold also decreased to Ps. 915 in fiscal year 2003 from Ps. 1,252 in fiscal year 2002 for the same reason.

Milk. Cost of sales for milk decreased 58.4% to Ps. 1.5 million in fiscal year 2003 from Ps. 3.6 million in fiscal year 2002. This reduction is due to the impact of the shutdown of *La Adela* dairy farm and the effect of changes in the feeding system. The cost of sales for milk per thousands of liters decreased to Ps. 246 in fiscal year 2003 from Ps. 525 in fiscal year 2002.

Other. Costs decreased 34.6% to Ps. 1.4 million in fiscal year 2003 from Ps. 2.1 million in fiscal year 2002 mainly because of the fact that although the firewood and charcoal business was affected by the recessive market conditions that forced us to lower final sales prices, there was no such reduction in costs. Therefore, the margin on this business decreased.

Gross Profit

As a result of the above, the gross profit amounted to Ps. 20.9 million during 2003 as compared to a Ps. 38.0 million profit during 2002.

Selling Expenses

Selling expenses decreased from Ps. 10.2 million during 2002 to Ps. 6.0 million during 2003. Selling expenses from agricultural activities accounted for 73.1% of total selling expenses, selling expenses from livestock activities accounted for 20.4% and other activities accounted for the remaining 6.5%. Selling expenses from crops, as a percentage of sales amounted to 8.6% during 2003. Selling expenses per ton of crop sold amounted to Ps. 36 during this year, reflecting a decrease with respect to the previous year. This is mainly due to better commercial agreements with our customers and to lower conditioning costs, as a result of the better quality of cereals produced. Selling expenses as a percentage of beef cattle sales increased from 6.6% during 2002 to 7.1% during 2003.

Table of Contents

Sales of milk do not give rise to selling expenses as milk production is sold directly.

Administrative Expenses

Administrative expenses decreased by 48.5% from Ps. 8.4 million during 2002 to Ps. 4.3 million during 2003, mainly due to the reduction in fees for services and general office expenses. Administrative expenses include the Company s general expenses and exclude expenses relating to farmland management.

Gain on the Sale of Farms

The result from sales of fixed assets amounted to Ps. 4.9 million, as a result of the sale of San Luis farm, covering 706 hectares in Junín, Province of Buenos Aires and Los Maizales farm, covering 618 hectares in Villa Cañás, Province of Santa Fe.

The sale of San Luis farm was agreed at US$ 2.2 million, providing a net income amounting to Ps. 0.6 million.

The sale of Los Maizales farm was agreed at US$ 1.8 million, providing a net income of Ps. 4.3 million.

Inventory Holding Gain (Loss)

The profit from inventory holding amounted to Ps. 12.2 million during 2003, as compared to a Ps. 19.6 million loss during 2002. Most of this result corresponds to a profit from cattle stock holding resulting from the increase in real prices.

Operating Income (Loss)

As a result of the foregoing, the operating income amounted to Ps. 27.7 million during 2003 as compared to a Ps. 16.3 million profit recorded during 2002. The operating margin amounted to 14.7% during 2003 and 24.1% during 2002.

Financial Results, Net

Net financial results provided Ps. 10.9 million loss and Ps. 1.5 million income for 2003 and 2002, respectively. This was mainly due to foreign exchange differences during 2003 and the result from shares and securities transactions during 2002.

Financial results are attributable to (i) a Ps. 0.2 million profit resulting from shares and securities transactions, (ii) a Ps. 1.2 million profit due to inflation effects, (iii) a Ps. 0.3 million loss from interest, (iv) a Ps. 11.1 million loss from foreign exchange differences and (v) a Ps. 0.9 million loss from tax on debits and credits in bank accounts.

Gain from Equity Investments

The result of investments in shares increased from a Ps. 41.2 million loss during 2002 to a Ps. 68.0 million profit during 2003, mainly due to IRSA s net result during the year which amounted to Ps. 64.9, the profit obtained from the operation of Cactus Argentina S.A., which amounted to Ps. 0.3 million, Agro Uranga S.A. operating profit which amounted to 2.4 million and goodwill and intangible assets amortizations for an amount of Ps. 0.5 million.

Table of Contents

Other (Expense) Income, Net

Other income and expenses, net during 2003 amounted to a Ps. 2.0 million loss as compared to a Ps. 0.2 million profit during 2002.

During 2003 a gift charge for Ps. 2.0 million was recorded while no charge was recorded during the previous year.

Management Fees

Under the agreement entered into with Dolphin Fund Management S.A., we pay a fee equal to 10% of our net income for agricultural advisory services and other management services.

As of November 25, 2003 Dolphin Fund Management S.A has spun off in two companies. One of them is Consultores Asset Management S.A. and the other remains as of Dolphin Fund Management S.A. In respect of Consultores Asset Management S.A., Eduardo Elsztain is the owner of 100% of its capital stock.

As a consequence of the spin off, the consulting agreement has been assigned to Consultores Asset Management S.A.

Eduardo Elsztain (formerly the Chairman of Dolphin Fund Management) is currently the Chairman of Consultores Asset Management S.A.

Income tax

Income tax decreased from Ps. 18.8 million during 2002 to Ps. 10.6 million during 2003. We recognized its income tax charge on the basis of the differed tax liability method, thus recognizing temporary differences between accounting and tax assets and liabilities measurements. The main temporary differences derive from cattle stock valuation. For purposes of determining the deferred assets and liabilities, the tax rate expected to be in force at the time of their reversion or use, according to the legal provisions enacted as of the date of issuance of these financial statements (35%) has been applied to the identified temporary differences and tax losses.

Minority Interest

A third party interest amounting to Ps. 0.2 million was recorded during 2003 to show the minority interest in *Futuros y Opciones.Com S.A.* results.

Net Income

As a result of the foregoing, the net result increased from a Ps. 41.7 million loss during 2002 to a Ps. 65.0 million net income during 2003. The net margin, computed as net result over total sales amounted to Ps. 90.4% during 2003.

Year Ended June 30, 2002, compared to Year Ended June 30, 2001

Sales

Sales reached Ps. 80.3 million and were 4.4% higher compared to the previous fiscal year. The increase in agricultural sales compensated for the lesser sales in the other segments.

Crops. Crop sales increased 15% from Ps. 42.2 million in fiscal year 2001 to Ps. 48.5 million in the fiscal year 2002. The 30% decrease in the sales volume from 172,600 tons to 120,624 tons, was offset by a unit price 64.4% higher in fiscal year 2002 compared to the of fiscal year 2001. The average price per sold ton was of Ps. 402 as compared to Ps. 244 obtained during the same period of the previous fiscal year. Crops become available for sale as commodities after harvesting during the period from December to June. The decrease in the sales volume was primarily due to a decrease in the volume of sunflower and corn sold from 18,168 tons and 95,263 tons in fiscal year 2001 to 2,156 and 41,139 tons respectively sold during the of fiscal year 2002.

Crop production increased 35.7% from 104,974 tons during fiscal year 2001 to 142,478 tons during fiscal year 2002 (production of wheat, corn and soybean increased 185.2%, 43.1%, 4.6%, respectively). Total area sown increased from 40,208 hectares in fiscal year 2001 to 48,437 hectares in fiscal year 2002. We increased the leased land sown from 20,139 hectares during fiscal year 2001 to 28,913 hectares during fiscal year 2002 and decreased the owned land sown from 20,069 hectares during fiscal year 2001 to 19,524 hectares during fiscal year 2002.

Beef-Cattle. Beef-cattle sales decreased 6% from Ps. 29.3 million in fiscal year 2001 to Ps. 27.6 million in the fiscal year 2002. The 4.3% increase in the sold volume compensated the 9.7% drop in the price per ton sold.

Sold volume increased from 17,455 tons to 18,200 tons, meanwhile the sale price decreased from Ps. 1.7 per kilogram in fiscal year 2001 to Ps. 1. 5 per kilogram for the same period of fiscal year 2002. Average cattle stock decreased from 109,982 heads for fiscal year 2001 to 93,380 for the same period of fiscal year 2002. This was the result of our strategy to continue with the reduction of our stock holding position in this business segment in order to increase our efforts in the agricultural segment, which offers better yields. As a consequence of this change, total beef-cattle production decreased 17.5%, from 12,725 tons for fiscal year 2001 to 10,493 tons for the same period of fiscal year 2002. The number of owned hectares under beef-cattle production decreased from 173,568 hectares in fiscal year 2001 to 153,435 in fiscal year 2002.

Milk. Milk sales decreased 13.6% from Ps. 2.6 million during fiscal year 2001 to Ps. 2.3 during fiscal year 2002. The decrease in the milk sales volume is attributable to a 3.9% decrease in the milk production, as a result of a decrease in the individual production by cow due to modifications on the feeding system, from 7.0 million liters during fiscal year 2001 to 6.8 million liters during fiscal year 2002 and a 10.2% decrease in the average sale price from Ps. 371 per thousand liters during fiscal year 2001 to Ps. 332 per thousand liters during fiscal year 2002. During the second quarter of fiscal year 2002, almost the total *La Adela* s dairy cattle stock was sold. The reduction of the total dairy cattle stock was 29,1%.

Cost of Sales

Cost of sales decreased 30.8% from Ps. 61.1 million for fiscal year 2001 to Ps. 42.3 million for fiscal year 2002. Cost of sales as a percentage of sales decreased from 79.5% for the fiscal year 2001 to 52.6% for the fiscal year 2002.

Crops. Cost of sales for crops decreased 56.9% from Ps. 32.1 million for fiscal year 2001 to Ps. 13.8 million for fiscal year 2002. This decrease is mainly attributable to the effect of higher commodity prices on the stock valuation.

Beef-Cattle. Cost of sales for beef-cattle decreased 6.6% from Ps. 24.4 million for fiscal year 2001 to Ps. 22.8 million for the of fiscal year 2002. The sale cost decreased since our cattle stock at June 2002 was valued at a price higher than the initial price. Cost of sales for beef-cattle as a percentage of beef-cattle sales decreased from 83.1% in fiscal year 2001 to 82.5% for the same period of fiscal year 2002. The cost per ton sold also decreased from Ps. 1,397 in fiscal year 2001 to Ps. 1,251 for the same period of fiscal year 2002 due to the same reasons.

Milk. Cost of milk sales increased 57.1% from Ps. 2.3 million in fiscal year fiscal year 2001 to Ps. 3.6 million for fiscal year 2002. This increase is attributable to the losses generated by *La Adela* dairy farm closing, mainly salary compensations and dairy stock sale, and also to agriculture by-products price increases, components of feed cost, as a consequence of the rise in the U.S. dollar quotation. Cost of milk sales per thousand liters increased from Ps. 286 in fiscal year 2001 to Ps. 467 for the fiscal year 2002.

Table of Contents

Selling Expenses

Selling expenses decreased 7.7% from Ps. 11.1 million in fiscal year 2001 to Ps. 10.2 million in the fiscal year 2002. Agriculture selling expenses represented 73% of total selling expenses, beef-cattle expenses represented 17%, and the remaining 10% corresponds to our other activities. Crop selling expenses as a percentage of sales decreased from 17.6% in fiscal year 2001 to 15.3% for the same period of fiscal year 2002. Although significant cost reductions were achieved during the past fiscal years, such as lower freight costs and conditioning expenses, these percentages decreased mainly due to higher commodity prices per ton sold. Selling expenses per ton of crops sold increased from Ps. 43 per ton in fiscal year 2001 to Ps. 60 per ton for the same period of fiscal year 2002, mainly due to the devaluation effect on the price of selling expenses. Regarding beef-cattle, selling expenses as a percentage of beef-cattle sales decreased from 6.5% in fiscal year 2001 to 5.9% for the same period of fiscal year 2002.

Milk sales did not generate any selling expenses since milk production is sold directly.

Administrative Expenses

Administrative expenses include only corporate overhead and not administrative expenses related to the farms. Administrative expenses decreased 0.1% from Ps. 8.44 million in fiscal year 2001 to Ps. 8.37 million for the fiscal year 2002 mainly due to reductions carried out in fees for services and general offices expenses.

Gain on the Sale of Farms

The results for sales of fixed assets were of Ps. 16.6 million, as a consequence of the sale of the farms *El Silencio*, of 397 hectares, located in Rojas, Province of Buenos Aires, *El Coro*, of 10,231 hectares, located in Villa María del Río Seco, Province of Córdoba and *La Sofia,* of 6,149 hectares, located in Río Cuarto, Province of Córdoba.

The sale of *El Silencio*, which was acquired in January 1995, was agreed at US$ 1.03 million and generated a gain of Ps. 0.22 million.

Regarding the sale of *El Coro* farm of 10.231 hectares, it was acquired in December 1995 and was sold in four plots. The price agreed for this sale was Ps. 13.7 million and generated a Ps. 3.4 million profit.

The sale of *La Sofia*, was agreed at US$ 10 million and generated a gain of Ps. 12.9 million.

Inventory Holding Gain (Loss)

Loss on holdings amounted to Ps. 19.6 million in fiscal year 2002 as compared to a loss of Ps. 1.5 million for the fiscal year 2001. Most of this result corresponds to cattle holding result losses. Although cattle nominal prices showed an important increase, this increment was less than the rate of inflation and generated this negative result.

Operating Income (Loss)

As a result of the foregoing factors, operating income amounted Ps. 16.3 million in fiscal year 2002 as compared to a gain of Ps. 0.5 million for the fiscal year 2001. The operating margin was 4.9% in fiscal year 2002 and 24.1% in fiscal year 2001.

Table of Contents

Financial Results, Net

Net financial expenses were profit of Ps. 1.5 million and Ps. 12.2 million for fiscal year 2002 and 2001, respectively, mainly due to transactions with stocks and bonds.

The financial expenses are mainly attributable to (i) a loss of Ps. 12.2 million as a result of operations with stocks and bonds (ii) a Ps. 14.2 million profit due to the effect of inflation (iii) a Ps. 0.4 million loss due to interest (iv) a Ps. 1.1 million profit due to exchange rate difference (v) a Ps. 0.9 million loss due to tax on debit and credit (vi) a Ps. 0.3 million loss due to allowance for doubtful accounts.

Loss from Equity Investments

Loss from equity investments increased from Ps. 0.4 million in fiscal year 2001 to Ps. 41.2 million in fiscal year 2002 mainly due to an operating loss incurred in the fourth quarter at *IRSA* of Ps. 42.9 million, an operating loss incurred at *Cactus Argentina S.A.* of Ps. 0.02 million, an operating gain obtained by *Agro Uranga S.A.* of Ps. 1.1 million and a goodwill and intangibles amortization of Ps. 0.4 million.

During fiscal year 2001 and according to the investment diversification strategy, the company decided to invest part of its cash in the *Bolsa de Comercio de Buenos Aires* through the purchase of IRSA stock. This investment was negatively affected by the Argentine market.

At the moment of deciding the purchase, IRSA stock was quoting with an important discount compared to its book value, since the stock s quotation had dropped 55% compared to its peak during 2000 and the market consensus indicated that it was a good investment opportunity.

As of March 31, 2002, as a result of a change in our strategy whereby we currently hold IRSA s shares as a permanent investment, we changed the accounting method from market value to the equity method of accounting. As a result, at June 30, 2002 we recognized a negative goodwill of Ps. 15.4 million representing the excess of equity value over market at that date.

Other (Expense) Income, Net

Other (expense) income for fiscal year 2002 was of Ps. 0.2 million as compared to Ps. (0.3) million for the fiscal year 2001.

Management Fee

Pursuant to our agreement with Dolphin Fund Management S.A., we pay a fee equivalent to 10% of our net income for certain agriculture advisory and other administration services.

As of November 25, 2003 Dolphin Fund Management S.A has spun off in two companies. One of them is Consultores Asset Management S.A. and the other remains as of Dolphin Fund Management S.A. In respect of Consultores Asset Management S.A., Eduardo Elsztain is the owner of 100% of its capital stock.

As a consequence of the spun off, the consulting agreement has been assigned to Consultores Asset Management S.A.

Eduardo Elsztain (formerly the Chairman of Dolphin Fund Management) is currently the Chairman of Consultores Asset Management S.A.

Table of Contents

Income Tax

Income tax increased from Ps. 4.3 million for fiscal year 2001 to Ps. 18.8 million for the fiscal year 2002. The income tax provision includes Argentine income tax calculated on an individual entity basis at the statutory income tax rate of 35%, based on the current taxable income of each company for the period, as defined by Argentine income tax law. Despite the fact that during fiscal year 2002 the net income showed a negative result since it was adjusted by inflation, current taxable income does not recognize the adjustment for inflation and it recorded a gain of Ps. 24.4 million. For *Futuros y Opciones.Com S.A.* we did not record any income taxes for the fiscal years 2001 and 2002 due to tax net operating losses. As of June 30, 2002, these subsidiaries had, in the aggregate, Ps. 1.7 million of tax loss carry forwards, which, on an individual entity basis, may be offset against future taxable income. These tax loss carry forwards expire at various dates beginning 2003 and ending 2007.

Minority Interest

For fiscal year 2002, we recorded a minority interest of Ps. 0.3 million, to reflect our 70% equity interest in *Futuros y Opciones.Com S.A.*

Net Income

As a result of the foregoing factors, net income decreased from Ps. 7.2 million for fiscal year 2001 to a net loss of Ps. 41.7 million for the fiscal year 2002. The net margin was 9.4% for fiscal year 2001 and decreased to a net margin (loss) of 52.0% for the fiscal year 2002.

B. LIQUIDITY AND CAPITAL RESOURCES

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

	As of end for the year ended June 30,		
	2003	**2002**	**2001**
	(Adjusted for price-level changes and expressed in millions of constant Argentine Pesos of June 30, 2003)		
Net cash provided by operating activities	11.4	25	17.3
Net cash (used in) provided by financing activities	165.6	(21.3)	26.6
Net cash provided by (used in) investing activities	(200.5)	38.8	(64.2)
Effects of inflation accounting	2.6	(2.2)	
Net increase (decrease) in cash and cash equivalents	(23.4)	40.1	(20.3)

As of June, 2003, we had cash and cash equivalents totaling Ps. 20.9 million, a decrease from the Ps. 44.3 million balance held as of June 30, 2002. This decrease primarily resulted from the collection of receivables related to the sale of fixed assets for Ps. 2.5 million, from the sale of fixed assets for Ps. 12.8 million, cash inflows provided by operating activities for Ps. 11.4 million and exercise of rights offering on treasury stock for Ps. 3.6 million partially offset by an increase in interest in related company for Ps. 8.2 million, acquisition and upgrading of fixed assets for Ps. 31.0 million, a decrease in financial loans for Ps. 13.7 million and other issuance expenses of Convertible Notes for Ps. 1.7 million.

As of June 30, 2002, we had cash and cash equivalents totaling Ps. 44.3 million, an increase from the Ps. 4.2 million balance held as of June 30, 2001. This increase primarily resulted from the net proceeds from the sale of farms for Ps. 55.8 million, cash inflows provided by operating activities for

Ps. 27.9 million and collection of secured receivables from the sale of farms for Ps. 0.7 million partially offset by the acquisition of investments for Ps. 21.9 million, dividend payments for Ps. 8.0 million, loan payments for Ps. 53.7 million and the acquisition of farms and other property and equipment for Ps. 0.9 million.

Net Cash Provided by Operating Activities

Net cash provided by operations decreased from Ps. 27.9 million in fiscal year 2002 to Ps. 11.4 million in fiscal year 2003. The decrease in net cash provided by operations activities was primarily due to the increase in other liabilities payable, in trade accounts payable, in social securities, charges, taxes payable and advances to customers which were partially offset by a decrease in inventories, in trade accounts receivable, in current investments in fiscal year 2003 as compared to fiscal year 2002. Our operating activities resulted in net cash inflows for Ps. 11.4 million for fiscal year 2003 essentially due to a decrease in other liabilities, in trade accounts payable, in social securities, charges, taxes payable and interest payable and an operating loss of Ps. 10.0 million totaling Ps. 34.0 million offset by a decrease in current investments, a decrease in trade accounts receivable, other receivables and inventories and dividend collected for Ps. 45.4 million.

Net cash provided by operations increased from Ps. 17.3 million in fiscal year 2001 to Ps. 27.9 million in fiscal year 2002. The increase in net cash provided by operations was due primarily to the decrease in other receivables and an increase in taxes payable and in interest payables which were partially offset by an increase in inventory and a decrease in trade accounts payable in fiscal year 2002 as compared to fiscal year 2001. Our operating activities resulted in net cash inflows for Ps. 27.9 million for fiscal year 2002 essentially due to a decrease in current investment, other receivables, an increase in salaries and social security and taxes payable, in interest payables, other liabilities and dividends collected and operating gains totaling Ps. 42.4 million, partially offset by an increase in trade accounts receivable, in inventory and in trade account payable for Ps. 14.5 million. The operating cash inflows of Ps. 17.3 million for fiscal year 2001, essentially due to decreases in trade accounts payable, other receivables and inventory accounts, in addition to increases in trade accounts payable, interest payables and dividends collected totaling Ps. 29.8 million, partially offset by an increase in intangible assets and decreases in current investments and salaries and social security payable and taxes payables and operating losses totaling Ps. 12.5 million.

Net Cash Provided by (Used in) Investing Activities

Net cash used in investing activities decreased from a net use of Ps. 33.8 million in fiscal year 2002 to a net cash outflows of Ps. 200.5 million in fiscal year 2003 mainly due by the increase in permanent investments, the acquisition and upgrading of fixed assets and the increase in interest in related companies partially compensated for collection of receivables related to the sale of fixed assets. Our investing activities resulted in net cash outflows for Ps. 200.5 million in fiscal year 2003 mainly due by the increase in permanent investments for our purchase of IRSA´s convertible notes for Ps. 176.6 million, from the acquisition and upgrading of fixed assets for Ps. 31.0 million and from the interest in related companies for Ps. 8.2 million, partially offset by the collection of receivables related to the sale of fixed assets for Ps. 2.5 million and from the sale of fixed assets for Ps. 12.8 million.

Net cash used in investing activities increased from a net use of Ps. 64.2 million in fiscal year 2001 to a net cash inflow of Ps. 33.8 million in fiscal year 2002 mainly due by net proceeds from the sale of current investments and farms partially compensated for the acquisition of investments as well as to a lower level of acquisition of farms and other property and equipment. Our investing activities resulted in net cash inflows for Ps. 33.8 million in fiscal year 2002 mainly due by net proceeds from the sale of farms for Ps. 55.8 million and collection of secured receivables from the sale of farms for Ps. 0.8 million, partially offset by the acquisition of investments for Ps. 21.9 million and acquisition and upgrading of fixed assets for Ps. 0.9 million. Our investing activities resulted in net cash outflows of Ps. 64.2 million for fiscal year 2001, essentially due to the acquisition of investments by Ps. 77.8 million and from the sale of farms of Ps. 15.4 million.

Table of Contents

Net Cash Provided by (Used in) Financing Activities

Net cash from financing activities increased from a net cash outflows of Ps. 21.5 million in fiscal year 2002 to a net use of Ps. 165.6 million in fiscal year 2003 primarily due to an increase in the exercise rights offering on treasury stocks and in financial loans for our issuance of our convertibles notes. Our financing activities resulted in net cash inflows of Ps. 165.6 million in fiscal year 2003, primarily due to an increase in the exercise rights offering on treasury stocks for Ps. 3.6 million and a net financial loans for Ps. 163.8 million.

Net cash from financing activities decreased from a net cash inflow of Ps. 26.6 million in fiscal year 2001 to a net use of Ps. 21.5 million in fiscal year 2002 primarily due to a decrease in short-term debt and an increase in dividend payments. Our financing activities resulted in net cash outflows of Ps. 21.5 million in fiscal year 2002, primarily due to a net increase in dividend payments for Ps. 8.0 and a decrease in the short-term debt for Ps. 14.4 million. Our financing activities resulted in net cash inflows of Ps. 26.6 million for fiscal year 2001, primarily due to a net increase in short-term debt of Ps. 29.4 million, partially offset by dividend payments for Ps. 2.8 million.

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

Our Indebtedness

On October 15, 2002, we initiated a preemptive rights offering to subscribe for 50.0 million units consisting of US$ 50.0 million of 8% Convertible Notes due 2007 and non-detachable warrants to purchase additional shares of our common stock. The Convertible Notes may be converted at the holder´s option into shares of our common stock until maturity on November 14, 2007, at the initial conversion price of US$ 0.5078 per common share. Each warrant will be exercisable on or after conversion of the convertible note to which it is attached at the same conversion price plus a 20% premium (US$ 0.6093). The rights offering to holders of our common shares and ADSs expired on November 13, 2002. Existing shareholders have subscribed through the exercise of their preemptive rights for US$ 20.5 million and they have exercised their accretion rights for US$ 1.7 million, adding together US$ 22.2 million. During the allocation of the remainder new investors have subscribed the remaining US$ 27.8 million units completing the US$ 50.0 million offering. Proceeds of the offering were applied to subscribe IRSA´s Convertible Notes and to finance our working capital.

As of December 16, 2003, the holders of our Convertible Notes exercised their conversion rights for the total 4,696,370 units with a face value of US$ 1 each, whereas the ordinary stock delivered under this heading amounted to 9,248,449 with a face value of Ps.1 each.

The number of Convertible Notes currently outstanding amounts to US$ 45,303,630, while the number of our outstanding shares are 133,828,237.

Our total outstanding debt as of June 30, 2003 was Ps. 139.4 million, corresponding to the Convertible Notes with maturity on November 14, 2007.

Capital Expenditures

Capital expenditures totaled Ps. 31.0 million, Ps. 0.9 million, Ps. 3.1 million for fiscal years ended June 2003, 2002 and 2001, 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.

Table of Contents

Our future capital expenditures for fiscal year 2004 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, 2003 our main investments consisted of Ps. 29.4 million in acquisition of real state, Ps. 0.3 million in improvements, Ps. 0.2 million in furniture and equipment, Ps. 0.3 million in facilities, Ps. 0.4 million in new pastures, Ps. 0.3 million in roads, Ps 0.3 in construction in progress.

For the fiscal year ended June 30, 2002 our main investments consisted of Ps. 0.6 million in improvements, Ps. 0.1 million in furniture and equipment, Ps. 0.1 million in facilities, Ps. 0.1 million in new pastures and Ps. 0.1 million in others.

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 accounting for the change to the equity method of accounting for the investments in IRSA;
- the valuation of inventories;
- the accounting for website development costs;
- the application of certain U.S. GAAP adjustments to the estimation of the fair value of net assets acquired;
- the elimination of the gain recognized under Argentine GAAP on the acquisition of a minority interest;
- the accounting for available-for-sale securities;
- the impact of certain U.S. GAAP adjustments on the Company s equity investees;
- the accounting for stock options;
- the accounting for convertible notes;
- the effect of U.S. GAAP adjustments on management fee;
- certain differences in calculating deferred income taxes and the effects on deferred income taxes of the above-mentioned reconciling items; and
- the effect on minority interest of the above-mentioned reconciling items, as appropriate.

In addition, certain other disclosures required under U.S. GAAP have been included in the U.S. GAAP reconciliation. See Note 16 to our consolidated financial statements.

Net income (loss) under Argentine GAAP for the years ended June 30, 2003, 2002 and 2001 was approximately Ps. 65.0 million, Ps. (41.7) million and Ps. 7.2 million, respectively, as compared to approximately Ps. 37.4 million, Ps. (124.6) million and Ps. 4.4 million, respectively, under U.S. GAAP. Shareholders equity under Argentine GAAP as of June 30, 2003 and 2002, was Ps. 391.8 million and Ps. 322.6 million, respectively, as compared to Ps. 294.3 million and Ps. 216.4 million, respectively, under U.S. GAAP.

Table of Contents

IRSA s Results of Operations

Overview

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

IRSA maintains its financial books and records in Pesos and prepares its financial statements in conformity with Argentine GAAP and the regulations of the *Comisión Nacional de Valores*. See note 21 to the consolidated financial statements of IRSA for a description of the principal differences between Argentine GAAP and U.S. GAAP as they relate to IRSA, and a reconciliation to U.S. GAAP of net (loss) income and total shareholders equity. The differences involve methods of measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC.

Critical Accounting Policies and Estimates

In connection with the preparation of the financial statements included in this annual report, IRSA has relied on variables and assumptions derived from historical experience and various other factors that it 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 its 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 management forms its judgments about future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, IRSA has included comments related to each critical accounting policy described as follows:

- revenue recognition;
- rental property depreciation;
- provision for allowances and contingencies;
- impairment of long-lived assets;
- debt restructuring;
- deferred income tax.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles used in Argentina which differ in certain significant respects from generally accepted accounting principles in the United States of America. Such differences involve methods of measuring the amounts shown in the financial statements, as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC.

Table of Contents

Revenue recognition

IRSA primarily derives its revenues from domestic office and shopping center leases and services operations, the development and sale of properties, hotel operations and to a lesser extent, from e-commerce activities. This section reflects IRSA´s revenue recognition policies and those of its controlled and jointly-controlled subsidiaries.

Development and sale of properties. 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 by advancing us approximately 5% of the purchase price and agreeing to advance an additional 20% of the purchase price in equal installments over an agreed upon construction period. 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.

IRSA records revenue from the sale of properties when all of the following criteria are met:

- the sale has been consummated;
- there is sufficient evidence of the buyer s initial capacity and commitment to pay for the property;
- its receivable is not subject to future subordination; and
- IRSA has transferred to the buyer the risk of ownership, and do not have a continuing involvement in the property.

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 / 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 us, where property unit purchasers pay us 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.

Leases and services from office and other buildings. Leases with tenants are accounted for as operating leases. Tenants are charged a base rent on a monthly basis. Rental income is recognized on a straight-line basis over the term of the lease and unpaid rents are included in accounts receivable in the consolidated balance sheets.

Leases and services from shopping center operations. Leases with tenants are accounted for as operating leases. Tenants are generally charged a rent which consists of the higher of (i) a monthly base rent and (ii) a specified percentage of the tenant s monthly gross retail sales 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. Minimum rental income is recognized on a straight-line basis over the term of the lease and unpaid rents are included in accounts receivable in the consolidated balance sheets.

Certain 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, these contingent rents are not recognized until the required thresholds are exceeded.

Generally, 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. Administration fees are recognized monthly when earned. In addition to rent, tenants are generally charged admission rights , a non-refundable admission fee that tenants may be required to pay upon entering into a lease and upon lease renewal. Admission right is normally paid in one lump sum or in a small number of monthly installments. Admission rights are recognized 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.

Credit card operations. Revenues derived from credit card transactions consist of commissions and financing income. Commissions are recognized at the time the merchants transactions are processed, while financing income is recognized when earned.

Hotel operations. IRSA recognizes revenues from its rooms, catering, and restaurant facilities as earned on the close of business each day.

International operations. On February 28, 2002, IRSA sold all of its interest in Brazil Realty, a company operating in Brazil, whose business primarily comprised the same type of operations conducted by us in Argentina.

Rental property depreciation

IRSA computes depreciation using the straight-line method over an estimated useful life of 50 years for buildings, ten years for facilities and five years for furniture and other equipment, all of which are judgmental determinations. These determinations may prove to be different than the actual life of the properties.

Provision for allowances and contingencies

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

IRSA has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor and other matters. IRSA accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, IRSA´s estimate of the outcomes of these matters and its lawyers experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs, which could have a material effect its 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. Impairments are allocated to the results of the period. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. IRSA determines the fair market value primarily using independent appraisals valuations. Technical Resolution No. 17, which IRSA adopted on July 1, 2002, 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 on 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.

IRSA´s policy in order to reverse impairment losses is to consider a maximum acceptable deviation of 5% between the net carrying value of its assets and their respective fair market value. By this policy IRSA intends to reduce the volatility of the book value of its properties. During the year ended June 30, 2003 as a result of an increase in the fair market value of its parcels of undeveloped land and rental properties (including shopping centers), IRSA reversed impairment losses previously recognized for a total amount of Ps. 9.9 million and Ps. 15.5 million, respectively, which have been included within Gain from operations and holdings of real estate assets, net in the statement of income.

IRSA also evaluated the carrying value of its long-lived assets related to Development and sales of properties, Office and others, Hotel and Shopping Centers segments for impairments as of June 30, 2003. Assets related to those four segments represent approximately 94% of its total long-lived assets. As mentioned in Notes 4.c, 4.d. and 4.e. to its consolidated financial statement during the year ended June 30, 2003 IRSA recognized an impairment of certain long-lived assets as its carrying value exceeded its fair market value.

The fair market value of its office and retail buildings was performed according to the Rent Value Method, considering discount rates considering each property s location, competition in its market, its historical vacancy rates and cash flow. The average discount rate used in determining the fair market value was approximately 14%, the average price per square meter was Ps. 35, approximately US$ 13 and the average vacancy rate of the last 10 years. As of June 30, 2003 IRSA recorded an impairment loss of Ps. 1.9 million (See Note 4.e. of its Financial Statements) in this connection. A reduction in the fair market value of these properties by 5.0% would have resulted in an additional impairment loss of Ps. 5.4 million.

Table of Contents

The fair market value of its shopping centers was performed according to the Rent Value Method also. The average discount rates used in determining the fair market value were between 14% and 17%, the average price per square meter was Ps. 5,686, approximately US$ 2,031 and the average vacancy rate was calculated taking into consideration the real vacancy. A reduction in the fair market value of these properties by 5.0% would have resulted in an increased impairment of Ps. 6.4 million.

IRSA used the open market method for determining the fair market value of its land reserve and inventories. During the year ended June 30, 2003 IRSA recognized an impairment loss of Ps. 10.5 million in this connection (See Notes 4.c. and 4.d. to its Consolidated Financial Statements). A reduction in the fair market value of these properties by 5% would have resulted in an increased impairment of Ps. 7.5 million.

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; and

- because the impact that recognizing an impairment would have on assets reported on its balance sheet as well as on the results of its 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.

Debt restructuring

In November 2002 IRSA completed the refinancing of its debt for a total amount of U$S 103,4 million and IRSA also fulfilled the operation with its lenders to refinance the Syndicate Loan for U$S 80 million and its Notes for U$S 37 million.

Since the conditions of the new debt instruments are substantially different from the original conditions (as defined by Technical Resolution No. 17), IRSA removed the original loans from the consolidated balance sheet and recognized the new debt instruments at the present value discounted at an 8% market interest rate. This rate was determined taking into consideration the rates that IRSA used in reference to its local operations. As a result of the debt restructuring, IRSA recognized a gain of Ps. 36,5 million (Ps. 31,7 million net of expenses incurred in the restructuring), which represents the difference between the present value of the new debt instruments and the carrying value of the old debts.

The utilization of interest rates other than 8% in calculating the present value of the new debts instruments would have the following effects:

Interest Rates	Gain in million	Impact on Net income	Impact on Shareholders´equity
11.23%	48	16.76%	5.93%
16.31%	79	27.58%	9.76%
22.86%	105	36.66%	12.98%
31.84%	130	45.38%	16.07%

78

Table of Contents

IRSA believes that the accounting estimate related to debt restructuring is a critical accounting estimate because if IRSA calculates the present value of its debts using higher interest rates than 8%, IRSA would have a material impact on its debts reported on its balance sheet as well as on its financing results, that is the reason why the determination of the rate requires significant judgment.

Deferred income tax

As described in Note 3.d to its consolidated financial statements, IRSA adopted new accounting standards effective July 1, 2002. Pursuant to this adoption, IRSA recognizes income tax using the method required by Technical Resolution No. 17. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Technical Resolution No. 17 requires companies to record a valuation allowance for that component of net deferred tax assets which is not recoverable.

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

- Limitations in the use of certain deferred tax assets, primarily tax loss carryforwards
- Reversals of existing taxable temporary differences
- Business projections

As a result of the evaluation of theses evidences, IRSA accounted for a valuation allowance of approximately 40% of its deferred tax assets, amounting to Ps. 33.0 million. Net deferred tax assets as of June 30, 2003 amounts to Ps. 66.1 million.

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

Premises fluctuation	**Valuation allowance in million**	**Impact on Net income**	**Impact on Shareholders´equity**
10%	27	9.43%	3.34%
20%	22	7.68%	2.72%
30%	16	5.59%	1.98%

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;

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

79

Table of Contents

Results of Operations for the fiscal years ended June 30, 2003 and 2002

Sales

Sales increased 54.7%, from Ps. 137.6 million for the fiscal year ended June 30, 2002, to Ps. 212.9 million for the fiscal year ended June 30, 2003. This increase reflects the net impact of (i) an increase in the income from the Shopping Center segment as a result of the consolidation of APSA in the 2003 fiscal year, and (ii) the decrease in income from the remaining segments as a result of the ongoing recession that the Argentine economy is undergoing.

Development and Sale of Properties. Sales from development and sale of properties decreased 13.1%, from Ps. 54.5 million for the fiscal year ended 30 June, 2002, to Ps. 47.2 million for the fiscal year ended June 30, 2003, despite the higher sales volume achieved in the 2003 fiscal year. The decrease in sales in the development and sale of properties segment was attributable to: (i) the Ps. 10.5 million drop in sales of housing units principally of Alto Palermo Park owing to the completion of the sale of this project during the 2003 fiscal year; (ii) the Ps. 1.1 million decrease principally in sales from the residential communities of Abril. These decreases were partially offset by the Ps. 4.3 million increase in sales of other real estate stemming mainly from (a) the sale during the 2003 fiscal year of the Hotel Piscis for Ps. 9.9 million, (b) the sale of office space in the buildings located at Madero 1020, Madero 940 and Libertador 498, for Ps. 9.6 million and (c) the decrease in sales of other real estate, amounting to Ps. 15.2 million, among which it is worth highlighting the property at Rivadavia 2243 and Santa Fé 1588.

Offices and Other. Sales from Offices and Other decreased 60.0%, from Ps. 44.5 million during the fiscal year ended June 30, 2002, to Ps. 17.8 million during the fiscal year ended June 30, 2003. This decrease is mainly due to a 58.2% decrease in revenues from office rents, from Ps. 38.8 million in the fiscal year ended June 30, 2002, to Ps. 16.2 million in the fiscal year ended June 30, 2003. This decrease in sales is attributed to (i) a lower average occupancy rate during 2003 which declined to 71.2% as compared to 84.1% in 2002; (ii) the fact that contractual prices did not evolve in the same way as inflation, which means that increase in sales from the previous year due to inflation restatement was higher than the increase in the amount of sales during fiscal year 2003; and (iii) a 78.6% decrease in sale from commercial property rents and other properties, from Ps. 4.4 million in the fiscal year ended June 30, 2002 to Ps. 0.9 million in the fiscal year ended June 30, 2003, mainly due to the sale of the real estate at Rivadavia 2243, Santa Fe 1588 and Constitución 1111.

Shopping Centers. During fiscal year 2003 we began consolidating Alto Palermo S.A., whose financial statements are allocated under this segment. Income generated during the fiscal year ended June 30, 2003 amounts to Ps. 113.8 million, representing 53.4% of total income. The occupancy rate of its shopping centers increased from 92% for the year ended 2002 to 96% for the year ended 2003. It is important to mention that even Shopping center revenues increased in nominal value, this increase was lower than the inflation index, therefore there was a reduction of 41.7% in real terms.

Hotels. Sales from hotels went down 11.9%, from Ps. 38.8 million for the fiscal year ended June 30, 2002 to Ps. 34.2 million for the fiscal year ended June 30, 2003, due to a decrease in the average rates that was partially offset by an increase in average occupancy level, from 44% in 2002 to 53% in 2003. Sales from Hotel Sheraton Libertador decreased by Ps. 3.7 million and sales from the Hotel Intercontinental decreased by Ps. 1.3 million. Furthermore, during fiscal year 2003 we recognized sales from the Hotel Piscis for Ps. 0.3 million.

International. Following the sale of the interest in Brazil Realty and FVI, no new investments were made in this segment.

Total Costs. Total costs increased 70.0%, from Ps. 84.1 million during the fiscal year ended June 30, 2002 to Ps. 143.0 million for the fiscal year ended June 30, 2003. This increase is mainly due to the net impact of (i) the consolidation of the results of APSA during fiscal year 2003; (ii) an increase in costs in the Development and sale segment; and (iii) a decrease in costs in the Hotels and Offices segment. Total costs as a percentage of sales increased from 61.1% for the fiscal year ended June 30, 2002 to 67.1% for the fiscal year ended June 30, 2003.

Development and Sale of Properties. Costs related to Development and Sale increased 8.4%, from Ps. 43.5 million in the fiscal year ended June 30, 2002 to Ps. 47.1 million for the fiscal year ended June 30, 2003 primarily as a result of the sale during the present fiscal year of non-core properties with a low margin due to the fact that during fiscal year 2002 we sold almost all of our principal properties, specially Alto Palermo Park, with an important sale margin. Costs relating to Development and Sale as a percentage of sales from the segment increased from 79.9% during the fiscal year ended June 30, 2002 to 99.7% during the fiscal year ended June 30, 2003.

Offices and Other. Costs of Offices and Other decreased 31.1%, from Ps 13.2 million during the fiscal year ended June 30, 2002 to Ps. 9.1 million during the fiscal year ended June 30, 2003 due to lower depreciation charges. Costs relating to Offices and Other as a percentage of sales from the segment increased from 29.7% for the fiscal year ended June 30, 2002 to 51.2% for the fiscal year ended June 30, 2003 due to a decrease in the average occupancy rate. The main component of cost of offices is represented by the depreciation of leased properties and expenses related to available units.

Shopping Centers. During fiscal year 2003, IRSA have begun to consolidate APSA, whose costs have been allocated to this segment. Costs generated were Ps. 67.1 million, and account for 46.9% of IRSA´s total costs. Total costs registered a 19.9% decrease between both fiscal years due to (i) a sharp reduction in non-recoupable expenses owing to the reduction in vacant stores and improved collections for the year; (ii) a lower amortization charge stemming from the lower value of the assets as a result of the impairment recognized at the previous closing date and the failure to amortize launching expenses relating to Abasto Shopping; and (iii) a reduction in car park expenses. The main cost component of shopping centers is represented by depreciation and amortization charges of leased properties, including goodwill paid upon their acquisition.

Hotels. Costs from hotel operations decreased 28.1%, from Ps. 27.4 million during the fiscal year ended June 30, 2002 to Ps. 19.7 million during the fiscal year ended June 30, 2003, primarily due to the decrease in the constant value of the cost components of Hotels such as salaries, fees and services. Hotel operating costs as a percentage of sales from hotels decreased from 70.7% for the fiscal year ended June 30, 2002 to 57.5% for the fiscal year ended June 30, 2003. Costs of hotels are primarily composed of rooms, depreciation, food and beverages, salaries and social security contributions.

International. Following the sale of the interest in Brazil Realty and FVI, no further investments were made in this segment.

Gross Profit

As a result of the foregoing, the gross profit increased 23.5%, from Ps. 53.5 million during the fiscal year ended June 30, 2002 to Ps 69.9 million during the fiscal year ended June 30, 2003.

Selling Expenses

Selling expenses increased 126.5%, from Ps. 11.3 million during the fiscal year ended June 30, 2002 to Ps. 25.6 million during the fiscal year ended June 30, 2003, primarily due to the increase in Shopping Centers selling expenses from the consolidation of Alto Palermo S.A. and partially offset by a 29.2% reduction in the selling expenses of the other segments. Selling expenses as a percentage of sales increased from 8.2% during the fiscal year ended June 30, 2002, to 12% during the fiscal year ended June 30, 2003.

Development and Sale of Properties. Selling expenses from Development and Sales decreased 41.2%, from Ps. 6.8 million during the fiscal year ended June 30, 2002 to Ps. 4.0 million during the fiscal year ended June 30, 2003, as a consequence of the decrease in sales operations during this fiscal year generating less direct selling expenses. Selling of Development and Sale of properties as a percentage of sales from this segment decreased from 12.4% during the fiscal year ended June 30, 2002 to 8.5% for the fiscal year ended June 30, 2003. The main components of selling expenses of Development and Sale are commissions and expenses from sales and advertising.

Offices and Other. Selling expenses relating to Offices and Other decreased 83.3%, from Ps. 0.6 million during the fiscal year ended June 30, 2002 to Ps. 0.1 million during the fiscal year ended June 30, 2003.

Shopping Centers. During fiscal year 2003 IRSA began consolidating Alto Palermo S.A. whose selling expenses are allocated under this segment. Expenses generated during the fiscal year ended June 30, 2003 were Ps. 17.6 million, which accounted for 68.8% of IRSA´s total selling expenses. The decrease of 72.2% in shopping centers selling expenses during both fiscal years was mainly due to: (i) a decrease in the allowance for doubtful accounts by 80.4%, from Ps. 52.8 million during fiscal year 2002 to Ps. 10.3 million during fiscal year 2003, out of which Ps. 35.2 million and Ps. 2.4 million are related to allowance for doubtful accounts from our shopping center operations during fiscal years 2002 and 2003 respectively and Ps. 17.6 million and Ps. 8.0 million related to allowance for doubtful accounts of Tarjeta Shopping during fiscal years 2002 and 2003 respectively; (ii) a decrease in advertising expenses by 59%, from Ps. 3.6 million in fiscal year 2002 to Ps. 1.5 million in fiscal year 2003; (iii) the 14.7% reduction in gross income charge, from Ps. 5.1 million during fiscal year 2002 to Ps. 4.4 million during fiscal year 2003, attributed to the fact that the increase in sales at nominal values did not match the wholesale inflation; (iv) a reduction in the amortization charge relating to the launch of Shopping Abasto and advertising expenses connected with Torres de Abasto which were fully depreciated in the previous year. The main components of selling expenses of Shopping Centers are bad debts charges and advertising expenses.

Hotels. Selling expenses did not change with regard to the previous fiscal year and remained stable at Ps. 3.9 million. The main components of selling expenses are advertising expenses and salaries.

International. Following the sale of the interest in Brazil Realty and FVI, no further investments were made in this segment.

Administrative Expenses

Administrative expenses increased 29.9%, from Ps. 32.1 million during the fiscal year ended June 30, 2002 to Ps. 41.7 million during the fiscal year ended June 30, 2003, due to an increase in administrative expenses relating to Shopping Centers stemming from the consolidation with Alto Palermo S.A., which was partially offset by a 36.6% reduction in the administrative expenses in the remaining segments. The main components of administrative expenses are salaries and social security, fees, and compensation for services and depreciation and amortization.

Development and Sale of Properties Administrative expenses of Development and Sale of properties decreased 45.2%, from Ps. 11.2 million during the fiscal year ended June 30, 2002 to Ps. 6.1 million for the fiscal year ended June 30, 2003, primarily due to a decrease in constant values of expenses such as salaries, fees and services. Administrative expenses of Development and Sale of properties as a percentage of income from this segment decreased from 20.6% during the fiscal year ended June 30, 2002 to 13.0% during the fiscal year ended June 30, 2003.

Offices and Other. Administrative expenses of Offices and Other decreased 27.9%, from Ps. 6.1 million during the fiscal year ended June 30, 2002 to Ps. 4.4 million during the fiscal year ended June 30, 2003, primarily due to a decrease in constant values of expenses such as salaries, fees and services. Administrative expenses of Offices and Other as a percentage of sales from this segment increased from 13.6% during the fiscal year ended June 30, 2002 to 24.7% during the fiscal year ended June 30, 2003 as a result of the sharp reduction in the income from the segment.

Shopping Centers. The fluctuation in administrative expenses under this segment is mainly due to the consolidation with the results of Alto Palermo S.A. The expenses generated during fiscal year 2003 amount to Ps. 21.4 million, accounting for 51.3% of overall administrative expenses. The decrease of 28,2% between both fiscal years was basically due to the reduction in salary, bonuses, social security contributions, taxes, rates, contributions and services.

Hotels. Administrative expenses of Hotels decreased 19.0%, from Ps. 12.1 million for the fiscal year ended June 30, 2002 to Ps. 9.8 million during the fiscal year ended June 30, 2003, basically due to the decrease during fiscal year 2003 of all the administrative expenses for the Intercontinental and Sheraton Libertador hotels. Administrative expenses of Hotels as a percentage of sales from hotel operations decreased from 31.3% during the fiscal year ended June 30, 2002 to 28.5% during the fiscal year ended June 30, 2003. The main components of administrative expenses of hotel operation are salaries, fees for services and depreciation and amortization.

International. Subsequent to the sale of the interest in Brazil Realty and FVI, no further investments were made in this segment, consequently, no charge has been recorded during fiscal year 2003.

Gain on Purchasers Rescissions of Sales Contracts

This result stems from Alto Palermo as a result of the consolidation with this company as from fiscal year 2003 and arises from the rescission of Torres de Abasto sales contracts, generating a profit for the fiscal year of Ps. 0.009 million.

Loss in Credit Card Trust

The loss reported under this heading amounting to Ps. 4.1 million during fiscal year 2003 stems from interest held by Alto Palermo in the Tarjeta Shopping Credit Card Trust and is incorporated to our statement of operations following the consolidation with Alto Palermo as from fiscal year 2003.

(Loss) Gain from Operations and Holdings of Real Estate Assets, net

(Loss) Gain from operations and holdings of real estate assets, net, varied from one year to another, showing a gain of Ps. 68.3 million, having recovered from a loss of Ps. 46.8 million for the fiscal year ended June 30, 2002 to a gain of Ps. 21.5 million for the fiscal year ended June 30, 2003. The gain generated during fiscal year 2003 is mainly attributed to (i) the gain of Ps. 10.9 million stemming from the sale of stock in Valle de las Leñas; and (ii) a gain of Ps. 11.4 million attributed to the net recovery of the allowance for the devaluation of real estate. Furthermore, the loss reported the previous year is mainly attributed to (i) the setting up of the allowance for the devaluation of real estate for Ps. 82.6 million; which was partially offset by (ii) a gain of Ps. 35.8 million from the sale of our equity interest in Brazil Realty.

Operating Income

As a result of the foregoing, the total operating income recovered from a loss of Ps. 36.6 million during the fiscal year ended June 30, 2002 to a profit of Ps. 20.1 million during fiscal year 2003.

Table of Contents

Development and Sale of Properties. Operating results from Development and Sales of properties increased from a loss of Ps. 33.8 million during the fiscal year ended June 30, 2002 to a gain of Ps. 2.8 million for the fiscal year ended June 30, 2003.

Offices and Other. Operating results from Offices and Other recovered from a loss of Ps. 24.7 million during the fiscal year ended June 30, 2002 to a gain of Ps. 2.3 million for fiscal year 2003.

Shopping Centers. Operating results from Shopping Centers reported an increase of Ps. 14.1 million during the current year as a result of the consolidation with the results of Alto Palermo S.A.

Hotels. Operating results from hotels recovered from a loss of Ps. 11.3 million during the fiscal year ended June 30, 2002 to a gain of Ps. 0.9 million for the fiscal year ended June 30, 2003.

International. As explained above, during fiscal year 2003 no results were recorded under this segment. The previous fiscal year closed with a gain of Ps. 34.6 million.

Amortization of goodwill

The loss of Ps. 6.6 million recorded as of June 30, 2003 mainly includes (i) the amortization of goodwill stemming from the acquisition of Alto Palermo subsidiaries: Shopping Alto Palermo S.A. (SAPSA), Fibesa and Tarshop S.A.; and (ii) the amortization of its own goodwill from the purchase of stock in Alto Palermo during fiscal year 2003.

Financial Results, net

Total net gains/losses on the financing of assets showed a recovery from a loss of Ps. 505.8 million during the fiscal year ended June 30, 2002 to a gain of Ps. 315.4 million during the fiscal year ended June 30, 2003. The main reasons for this recovery were: (i) the exchange difference gain with regard to the previous year amounting to Ps. 507.9 million, owing to the appreciation of the Peso to the U.S. dollar from 3.80 in 2002 to 2.80 in 2003; (ii) the Ps. 241.7 million gain on the financing of assets as compared with the previous year, among which it is worth highlighting the recognition of lower losses related to IRSA´s equity interest mainly in Banco Hipotecario and Quantum; (iii) the discounts obtained during fiscal year 2003 amounting to Ps. 36.9 million through the prepayment of the debt with GSEM for approximately Ps. 26.0 million and from the accounting measurement as at June 30, 2003 of the debt with HSBC as compared with the amount settled subsequent to the financial closing date, which generated a discount of Ps. 10.7 million according with Argentine GAAP; (iv) the Ps. 32.1 million gain obtained during fiscal year 2003 as a result of the adjustment made to IRSA´s liabilities to fair market value at the established 8% annual market rate, changing the value of these debts which previously had a book value calculated at the rate in force at the time of refinancing; and (v) a reduction of Ps. 10.1 million with regard to the gains obtained in the previous year owing to the exposure to inflation of IRSA´s monetary liabilities.

Equity (Loss) gain from related parties

The net loss derived from affiliated companies changed from a gain of Ps. 0.1 million during the fiscal year ended June 30, 2002 to a loss of Ps. 12.9 million during the fiscal year ended June 30, 2003. This decrease is mainly due to: (i) the absence during fiscal year 2003 of the 2002 gain of approximately Ps. 2.1 million from IRSA´s investment in Buenos Aires Trade & Finance Center due to the consolidation as from this year of this company s results; (ii) the reduction during fiscal year 2003 of the Ps. 2.9 million gain from Llao Llao Resorts; (iii) the net loss for the year of Ps. 12.1 million stemming from the subsidiaries of Alto Palermo, Perez Cuesta and E-Commerce Latina; and (iv) the reduction during fiscal year 2003 of the Ps. 3.4 million gain from IRSA Telecomunicaciones. These factors were partially offset by (i) the absence during fiscal year 2003 of the year 2002 loss of Ps. 4.6 million from

Table of Contents

IRSA´s investment in Alto Palermo due to the consolidation as from this year of this company s results; and (ii) the absence during fiscal year 2003 of the 2002 loss of Ps. 3.6 from IRSA´s investment in Brazil Realty due to the sale of IRSA´s equity investment in this company.

Other (Expenses) Income, net

The Other expenses, net line showed a recovery of Ps. 7.8 million, from a loss of Ps. 4.9 million during the fiscal year ended June 30, 2002 to an income of Ps. 2.9 million during the fiscal year ended June 30, 2003, primarily due to the net fluctuation generated by (i) the gain of Ps. 13.0 million obtained from the repurchase of Negotiable Obligations of Alto Palermo in the open market and (ii) the Ps. 4.2 million gain from the sale of fixed assets. These factors were partially offset by (i) the loss resulting from a contingency due to lawsuits amounting to Ps. 3.9 million; and (ii) the higher charge for donations with regard to the previous year amounting to Ps. 5.6 million.

Ordinary Gain/(Loss) before Minority Interest and Taxes

As a result of the foregoing, the net gain/loss before the minority interest and taxes reflected an improvement with regard to the loss of Ps. 547.1 million during the fiscal year ended June 30, 2002, recording a gain of Ps. 318.9 million during fiscal year 2003.

Minority Interest

The minority interest decreased by Ps. 39.6 million, from a gain of Ps. 5.7 million during fiscal year 2002 to a loss of Ps. 33.9 million during fiscal year 2003, mainly due to the minority interest IRSA recorded during fiscal year 2003 as a result of the consolidation of APSA, and stemming from its Ps. 35.2 million investment in this company recorded as a loss.

Income Tax and Asset Tax

Income tax decreased 163.6%, from a loss of Ps. 2.2 million during the fiscal year ended June 30, 2002, to a gain of Ps. 1.4 million during the fiscal year ended June 30, 2003. 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 gain of Ps. 3.6 million is mainly due to the net impact of (i) the difference in the income tax charge corresponding to IRSA which represented a gain of Ps. 49.4 million, having moved from a loss of Ps. 0.5 million corresponding to the asset tax for the year 2002 to a gain of Ps. 48.9 million during fiscal year 2003, which includes a gain of Ps. 49.9 million from deferred taxes and a loss of Ps. 1.0 million from the asset tax; and (ii) the income tax charge for Alto Palermo, which represented a loss of Ps. 46.7 million at June 30, 2003, when there had been no charge in the previous year because the company began consolidating its financial statements with this company this year.

Net (loss) Income for the Year

As a result of the foregoing, the net ordinary income for the year showed an improvement from a loss of Ps. 543.7 million during the fiscal year ended June 30, 2002 to a profit of Ps. 286.4 million during the fiscal year ended June 30, 2003.

Results of operations for the fiscal years ended June 30, 2002 and 2001

Sales

Sales decreased 38.8%, from Ps. 224.7 million in the fiscal year ended June 30, 2001, to Ps. 137.6 million in the fiscal year ended June 30, 2002 on account of a decrease in sales in all segments of its activity. This decrease was primarily attributable to the severe and ongoing recession that the Argentine economy was undergoing and that was paralyzing its operations, most of which are conducted in Argentina.

Development and Sale of Properties. Sales from development and sale of properties decreased 47.8%, from Ps. 104.2 million (including interest for financing property sales) for the fiscal year ended June 30, 2001 to Ps. 54.4 million for the fiscal year ended June 30, 2002. The decrease in sales in the development and sale of properties segment was mainly attributable to: (i) a Ps. 28.5 million decrease in sales from the residential communities of Abril and Villa Celina; (ii) a Ps. 14.1 million decrease in sales of undeveloped parcels of land, on account of the non-recurrence of sales in Dique IV and Monserrat made in 2001; (iii) a Ps. 5.1 million decrease in the sales of other real property primarily resulting from the lack of recurrence of sales in Serrano 250, Sarmiento 580, Av. de Mayo 701, Madero 1020 and Montevideo 1975, partly offset by new sales during fiscal year 2002 of the real properties on Santa Fe 1588, Rivadavia 2243 and Libertador 498.

Offices and Other. Sales from Offices and other decreased 24.8% from Ps. 59.1 million during the fiscal year ended June 30, 2001 to Ps. 44.5 million during the fiscal year ended June 30, 2002. This decrease is primarily due to: (i) a 21.8% decrease in revenues from office rents from Ps. 49.7 million in the fiscal year ended June 30, 2001 to Ps. 38.8 million in the fiscal year ended June 30, 2002, mainly due to decreases in average occupancy rates in rental properties and (ii) a 45.3% decrease in sales from commercial property rents from Ps. 8.0 million in the fiscal year ended June 30, 2001 to Ps. 4.4 million in the fiscal year ended June 30, 2002 mainly due to the sales in the properties: Florida 291, Santa Fe 1588 and Montevideo 1975.

Hotels. Sales from hotels went down 36.8% from Ps. 61.3 million for the fiscal year ended June 30, 2001 to Ps. 38.8 million for the fiscal year ended June 30, 2002, due to a decrease in the average occupancy level of hotels from 58% in 2001 to 44% in 2002, as well as a decrease in rates, giving rise to a decrease in the sales from Hotel Sheraton Libertador of Ps. 8.1 million and from Hotel Intercontinental of Ps. 14.5 million during 2002.

Costs

Costs decreased 32.8%, from Ps. 125.2 million for the fiscal year ended June 30, 2001 to Ps. 84.1 million for the fiscal year ended June 30, 2002, mainly due to lesser costs from Development and Sale of properties and Hotels, which decrease was partially offset by an increase in the costs related to the operation of Offices and other. Total costs as a percentage of sales increased from 55.7% for the fiscal year ended June 30, 2001 to 61.1% for the fiscal year ended June 30, 2002.

*Development and Sale of Properties***.** The costs of Development and Sale of properties decreased 43.1% from Ps. 76.4 million for the fiscal year ended June 30, 2001 to Ps. 43.5 million for the fiscal year ended June 30, 2002, due to fewer sales of real properties. The costs of Development and Sale of properties as a percentage of sales from Development and Sales of properties increase from 73.3% for the fiscal year ended June 30, 2001 to 79.9% for the fiscal year ended June 30, 2002.

Offices and Other. Costs of Offices and other rose by 16.1% from Ps. 11.4 million for the fiscal year ended June 30, 2001 to Ps. 13.2 million for the fiscal year ended June 30, 2002. The costs of Offices and other as a percentage of sales resulting from Offices and other increased from 19.2% for the fiscal year ended June 30, 2001 to 29.7% for the fiscal year ended June 30, 2002. The increase in the costs of Offices and other in absolute terms and as a percentage of sales is due to the decrease in the average occupancy rate from 89% during all fiscal year 2001 to 72% during all fiscal year 2002, which resulted in an increase in the maintenance costs of the unoccupied units, especially as regards common expenses. The main component of the cost of offices is represented by the depreciation of leased properties.

Hotels. Costs from hotel operations decreased 26.7%, from Ps. 37.4 million for the fiscal year ended June 30, 2001 to Ps. 27.4 million for the fiscal year ended June 30, 2002, primarily due to: (i) lower levels of activity in this segment; (ii) decrease in the constant value of the cost components of Hotels such as salaries, fees and services mainly on account of the effect of this last semester inflation and (iii) the restructuring carried out to offset the fall in the level of occupancy so as to attain greater efficiency. Hotel operating costs as a percentage of sales from hotels increased from 61.0% for the fiscal year ended June 30, 2001 to 70.7% for the fiscal year ended June 30, 2002 primarily due to the combination of lower sales reflecting the fall in occupancy rates and to lower rates compared to the previous fiscal year together with the same incidence in both fiscal years of fixed costs such as depreciation. Costs of hotels are primarily composed of rooms, depreciation, food and beverages, salaries and social security contributions.

Gross Profit

As a result of the foregoing, the gross profit decreased by 46.2% from Ps. 99.5 million for the fiscal year ended June 30, 2001 to Ps. 53.5 million for the fiscal year ended June 30, 2002.

Selling Expenses

Selling expenses decreased by 49.4% from Ps. 22.3 million for the fiscal year ended June 30, 2001 to Ps. 11.3 million for the fiscal year ended June 30, 2002, primarily due to the decrease in the selling expenses of all segments. Selling expenses as a percentage of sales decreased from 9.9% for the fiscal year ended June 30, 2001 to 8.2% for the fiscal year ended June 30, 2002.

Development and Sale of Properties. Selling expenses for Development and Sales decreased by 47.9% from Ps. 13.0 million for the fiscal year ended June 30, 2001 to Ps. 6.8 million during the fiscal year ended June 30, 2002, as a consequence of the decrease in sale operations during this fiscal year generating less direct selling expenses. Selling expenses of Development and Sale of properties as a percentage of sales from Development and Sale of properties remained at 12.5% for both years. The main components of selling expenses of Development and Sale of properties are commissions and expenses from sales and advertising.

Offices and Other. Selling expenses of Offices and other decreased by 66.5% from Ps. 1.8 million during the fiscal year ended June 30, 2001 to Ps. 0.6 million during the fiscal year 2002. Selling expenses of Offices and other properties as a percentage of sales from Offices and other decreased from 3.0% for the fiscal year ended June 30, 2001 to 1.4% for the fiscal year ended June 30, 2002.

Hotels. Selling expenses dropped 47.3% from Ps. 7.4 million during the fiscal year ended June 30, 2001 to Ps. 3.9 million for the fiscal year ended June 30, 2002, primarily due to a decrease in advertising expenses and to a lesser extent a decrease in salaries and social security contributions in all Hotels. Selling expenses of Hotels as a percentage of sales from Hotels decreased from 12.2% for the fiscal year ended June 30, 2001 to 10.2% for the fiscal year ended June 30, 2002. The main components of selling expenses are advertising expenses and salaries.

Administrative Expenses

Administrative expenses decreased by 19.9% from Ps. 40.0 million for the fiscal year ended June 30, 2001 to Ps. 32.1 million for the fiscal year ended June 30, 2002, mainly due to lower expenses in the segments: Development and Sales, Offices and Other and Hotels. As a percentage of sales, administrative expenses rose from 17.8% for the fiscal year ended June 30**,** 2001 to 23.3% for the fiscal year ended June 30, 2002. The main components for the fiscal year are salaries and social security contributions, fees and compensations for services and depreciation and amortization.

Development and Sale of Properties. Administrative expenses of Development and Sale of properties decreased by 34.1% from Ps. 17.0 million for the fiscal year ended June 30, 2001 to Ps. 11.2

million for the fiscal year ended June 30, 2002, primarily due to (i) the restructuring carried out with the purpose of achieving a structure sustainable in the medium term and (ii) the decreases as measured in constant values of expenses such as salaries, fees and services, principally due to the effect of inflation during the last semester. Administrative expenses of Development and Sale of properties as a percentage of sales from Development and Sales increased from 16.3% for the fiscal year ended June 30, 2001 to 20.6% for the fiscal year ended June 30, 2002.

Offices and Other. The administrative expenses of Offices and other fell by 19.6% from Ps. 7.5 million for the fiscal year ended June 30, 2001 to Ps. 6.1 million for the fiscal year ended June 30, 2002, primarily due to (i) the restructuring carried out with the purpose of achieving a structure sustainable in the medium term and (ii) the decreases as measured in constant values of expenses such as salaries, fees and services, mainly due to the effect of inflation during the last semester. Administrative expenses of Offices and other as a percentage of the sales from this segment increased from 12.7% for the fiscal year ended June 30, 2001 to 13.6% for the fiscal year ended June 30, 2002.

Shopping Centers. Administrative expenses of Shopping Centers increased by 135.3%, from Ps. 0.6 million for the fiscal year ended June 30, 2001 to Ps. 1.4 million for the fiscal year ended June 30, 2002 due to the increase in the percentages applied to allocate general administrative expenses to this segment.

Hotels. Administrative expenses of Hotels dropped by 12.3% from Ps. 13.8 million for the fiscal year ended June 30, 2001 to Ps. 12.1 million during the fiscal year ended June 30, 2002, basically due to the decrease during this fiscal year of all the administrative expenses of Intercontinental Hotel, and especially due to the reductions in fees for services, salaries and social security contributions. Administrative expenses of hotels as a percentage of sales from the hotel operation rose from 22.4% during the fiscal year ended June 30, 2001 to 31.3% during the fiscal year ended June 30, 2002. The main components of administrative expenses of hotel operation are salaries, fees for services depreciation and amortization.

International. Administrative expenses of international operations increased by 18.2%, from Ps. 1.1 million during the fiscal year ended June 30, 2001 to Ps. 1.3 million during the fiscal year ended June 30, 2002, mainly due to the increase in the percentages applied to allocate general administrative expenses to this segment.

Loss from Operations and Holdings of Real Estate Assets, net

Loss from operations and holdings of real estate assets, net, showed a Ps. 39.7 million loss change between both fiscal years, from a Ps. 7.1 million loss for the fiscal year ended June 30, 2001 to a Ps. 46.8 million loss for the fiscal year ended June 30, 2002. This decrease results mainly from the net result between (i) the gain obtained from the sale of its equity interest in Brazil Realty which amounted to Ps. 35.4 million in this fiscal year; (ii) the non-recurrence in 2002 of the Ps. 1.2 million loss attributable to the sale of IRSA´s equity interest in FVI recognized in 2001 and (iii) the Ps. 76.3 million loss from the impairment of long-lived assets, which rose from Ps. 6.4 million during 2001 to Ps. 82.7 million during 2002. This Ps. 76.3 million loss from the impairment of long-lived assets between both fiscal years was distributed among IRSA´s segments as follows: (a) Development and Sales: Ps. 22.2 million, (b) Offices and Other: Ps. 47.5 million and (c) Hotels: Ps. 6.6 million.

Operating Income

As a result of the foregoing, the total operating income decreased from a Ps. 30.1 million gain during the fiscal year ended June 30, 2001 to a Ps. 36.6 million loss during the fiscal year ended June 30, 2002.

Development and Sale of Properties. Operating results from Development and Sales of properties showed an improvement, from a Ps. 6.4 million loss for the fiscal year ended June 30, 2001 to a Ps. 33.8 million loss for the fiscal year ended June 30, 2002.

Offices and Other. The operating results from Offices and Other decreased from a Ps. 36.3 million profit for the fiscal year ended June 30, 2001 to a Ps. 24.7 million loss for the fiscal year ended June 30, 2002.

Shopping Centers. The operating results from Shopping Centers increased from a Ps. 0.6 million loss for the fiscal year ended June 30, 2001 to a Ps. 1.4 million loss for the fiscal year ended June 30, 2002.

Hotels. The operating results from Hotels decreased from a Ps. 2.8 million profit for the fiscal year ended June 30, 2001 to a Ps. 11.3 million loss for the fiscal year ended June 30, 2002.

International. The operating results from international operations increased from Ps. 1.9 million loss for the fiscal year ended June 30, 2001 to a Ps. 34.6 million profit for the fiscal year ended June 30, 2002.

Financial Results, net

The financial, net results reflected an increase from a loss of Ps. 99.4 million during the fiscal year ended June 30, 2001 to a loss of Ps. 505.8 million during the fiscal year ended June 30, 2002. The total increase in financial results was primarily due to: (i) the increase in the net loss of Ps. 289.6 million as compared to the previous fiscal year due to the joint effect of the peso devaluation and inflation, the impact of foreign currency denominated net debts, and (ii) an increase in the loss for financial transactions for Ps. 116.8 million as compared to 2001, mainly due to the fall in the value of the stock of Banco Hipotecario, to losses connected with investments such as Telecom stock, Pro1 bonds and FRB and the drop in the quotation of Quantum Fund during this fiscal year.

Net (Loss) Income in Equity Investments

The net loss derived from affiliated companies showed a 87.9% reduction from a profit of Ps. 0.8 million during the fiscal year ended June 30, 2001 to a profit of Ps. 0.1 million during the fiscal year ended June 30, 2002, mainly due to the net variation between (i) the loss recognized between both fiscal years as a result of IRSA´s investment in Brazil Realty in the amount of Ps. 25.0 million and (ii) gains originated between both fiscal years in the amount of Ps. 24.3 million as a result of the rest of IRSA´s investments mainly in: Llao Llao Ps. 13.3 million and IRSA Telecomunicaciones Ps. 9.0 million.

Other Income (Expenses), Net

The Other Income (Expenses), net line decreased by 18.3% from a loss of Ps. 6.0 million during the fiscal year ended June 30, 2001 to a loss of Ps. 4.9 million during the fiscal year ended June 30, 2002, basically due to: (i) lower charges from gifts and non-computable VAT as compared to the previous fiscal year for Ps. 4.1 million; (ii) the loss originated during the current fiscal year by the tax on bank credits and debits for Ps. 1.3 million; (iii) the non-recurrence, during this fiscal year, of recoveries of provisions for taxes and rates and for other expenses recorded during fiscal year 2001 in the amount of approximately Ps. 1.7 million.

Ordinary Loss before Minority Interest and Taxes

As a consequence of the factors described above, the loss before minority interest and taxes showed an increase from a Ps. 74.4 million loss during the fiscal year ended June 30, 2001 to a Ps. 547.1 million loss during the fiscal year ended June 30, 2002.

Income Tax and asset Tax

Income tax increased 105.8% from a gain of Ps. 37.8 million during the fiscal year ended June 30, 2001 to a loss of Ps. 2.2 million during the fiscal year ended June 30, 2002, mainly due to the net variation between: (i) the increase during the current fiscal year of its Minimum Presumed Income Tax charges by Ps. 3.5 million, as an income tax recovery for such amount was computed during 2001 as a result of amendments of Law 25,360, and (ii) the gain during both fiscal years of Ps. 41.3 million as deferred tax.

Minority Interest

Minority interest registered a variation of Ps. 10.9 million, from a Ps. 5.2 million loss during fiscal year 2001 to a Ps. 5.7 million profit during fiscal year 2002 due to (i) a Ps. 7.3 million increase in profits from IRSA´s minority interest in Hoteles Argentinos and Nuevas Fronteras and (ii) a Ps. 2.1 million increase in losses from IRSA´s minority interest in Palermo Invest and (iii) Ps. 3.6 million decrease in losses as a result of the application of deferred income tax of our controlled companies.

Net Loss for the Year

As a consequence of the factors mentioned above, the net loss for the fiscal year changed from a Ps. 41.8 million loss during the fiscal year ended June 30, 2001 to a Ps. 543.7 million loss during the fiscal year ended June 30, 2002.

IRSA´s Liquidity and Capital Resources

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

As of June 30 2003, IRSA had a working capital of Ps. 116.1 million. At the same date, IRSA had cash and cash equivalents totaling Ps. 187.3 million, an increase of 300.1% from Ps. 28.4 million of cash and cash equivalents held as of June 30, 2002.

IRSA´s operating activities resulted in net cash inflows of Ps. 87.1 million, Ps. 53.2 million and Ps. 107.8 million for fiscal years 2003, 2002 and 2001, respectively. Net cash inflows for fiscal year 2003 significantly increased from net cash inflows for fiscal year 2002 primarily due to operating gains of Ps. 11.6 million and increases in accrued interest and exchange gain of Ps. 56.5 million. The operating cash inflows for fiscal year 2002 primarily resulted from the increase in financial results of Ps. 338.6 million, a decrease in investments for Ps. 18.1 million and in a decrease of receivables for Ps. 42.7 million. The operating cash inflows for fiscal year 2001 primarily resulted from operating gains of Ps. 8.8 million, a decrease in inventories totaling Ps. 58.6 and an increase in accrued interest of Ps. 61.8 million, partially offset by an increase in investment of Ps. 39.0 million.

IRSA´s investing activities resulted in net cash outflows of Ps. 37.5 million for fiscal year 2003, Ps. 19.6 million for fiscal year 2002 and net cash inflows of Ps. 81.8 million for fiscal year 2001. In fiscal year 2003 IRSA made investments in its subsidiaries and equity investees for Ps. 31.7 millions primarily in APSA. In February 2002 IRSA sold its investment in Brazil Realty for US$ 44.2 million. In fiscal years 2003, 2002 and 2001, IRSA repurchased and/or invested in existing properties for Ps. 7.9 million, Ps. 27.0 million and Ps. 10.1 million, respectively. In fiscal year 2002, It also granted loans to related parties for Ps. 105.7 million.

IRSA s net cash provided by financing activities of Ps. 109.4 million for fiscal year 2003 was primarily due to the proceeds from short-term and long-term debt of Ps. 397.3 millions partially offset by the payment of short-term and long-term debt of Ps. 271.0 million. IRSA´s net cash used in financing activities of Ps. 42.6 million for fiscal year 2002 was primarily due to the payment of short term debt partially offset by the income for new loans for Ps. 170.0 million. Net cash used in financing activities of. Ps. 185.0 million for fiscal year 2001 was primarily due to the repayment of short-term debt indebtedness and seller financing for Ps. 453.9 million and Ps. 90.3 million of cash paid to repurchase shares of its common stock outstanding, partially offset by Ps. 145.2 million proceeds from the sale of its Convertible Notes in December 2000 and Ps. 219.6 million proceeds from other short-term and long-term indebtedness.

After the restructuring of IRSA´s existing debt and the issuance of the Convertible Notes IRSA believes that it has a working capital that will enable it to take advantage of the opportunities available in the real estate market, as they arise.

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

IRSA´s indebtedness

IRSA´s total outstanding debt as of June 30, 2003, amounted to Ps. 679.5 million, as compared to the Ps. 634.8 million as of June 30, 2002. Although this shows an increase of 7%, it is attributed to the consolidation as from fiscal year 2003 of 100% of APSA and the issue of Convertible Notes for US$ 100 million and US$ 50 million on behalf of IRSA and APSA, respectively. Furthermore, it is worth noting that as of June 30, 2003, 87% of the total financial debt was long term, whereas in the previous year 100% of it was short term.

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

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

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

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

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

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

91

Table of Contents

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

US$ 37.4 million in Secured Class 3 Floating Rates Notes (the Class 3 Floating Rate Notes) with a 90-day LIBOR plus 200 base points and maturing in the year 2009. These notes are secured by a first mortgage drawn out on some of IRSA s properties for an amount equivalent to 50% of the debt; and

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

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

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

As of December 16, 2003, the holders of its Convertible Notes exercised their conversion rights for the total 4,712,709 units with a face value of US$ 1 each, whereas the ordinary stock delivered under this heading amounted to 8,647,168 with a face value of Ps.1.0 each.

The number of Convertible Notes currently outstanding amounts to US$ 95,287,291, while the number of its outstanding shares are 220,646,441.

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

On July 19, 2002, APSA issued US$ 50.0 million Series I Convertible Notes (the Series I Convertible Notes), according to the resolution of the Ordinary and Extraordinary APSA Shareholders Meeting held on December 4, 2001. The terms of the issue included a conversion price that consists of the maximum between the face value of APSA common shares divided by the exchange rate and US$ 0.0324, which means that each Series I Convertible Note may be converted into approximately 30.8642 shares with a face value of Ps. 0.1 each, accruing an annual 10% interest payable semiannually and with a subscription price of 100% of the principal of the notes. The issue of this instrument enabled APSA to prepay a significant portion of its debt, thus considerably improving its financial structure and schedule of payments.

On August 23, 2002, APSA successfully completed the placement of Series I Convertible Notes for US$ 50.0 million of which IRSA has subscribed a total of US$ 27.2 million. In January 2003 IRSA purchased an additional 3.4 million APSA shares, taking its current equity interest to 54.9%. IRSA also acquired 2.6 million Series I Convertible Notes which, with the notes subscribed at the time of issue, lead to a total of 59.9% of the notes issued by its subsidiary.

Table of Contents

On July 23, 2003, IRSA made a prepayment to HSBC Bank Argentina S.A. of US$ 16 million under the US$ 51.0 million Unsecured Loan Agreement whose final expiration is in November 2009. This transaction involved a payment of US$ 10.9 million, representing 68% of the face value of the debt and a discount of US$ 5.1 million.

In January 2001, IRSA s subsidiary Hoteles Argentinos S.A., holder of 100% of the Hotel Sheraton Libertador, obtained a loan of US$ 12.0 million from BankBoston N.A. This loan expires in January 2006 and accrues a quarterly interest at the LIBOR plus a markup ranging between 401 and 476 basis points, according to the value of certain financial indicators. This loan was not converted to Pesos and is stated in U.S. dollars because it is governed by the laws of the State of New York. There are currently installments of the principal and interest that are overdue and unpaid, and it is negotiating the terms of payment of this liability. This loan is without recourse by us.

As of June 30, 2003, IRSA had outstanding Collateralized Loans for a total amount of Ps.134.0 million, including accrued interests. The Collateralized Loans include several loans at fixed/variable rates ranging from 3.34% to 6.10%, with different maturities through November 2009. A total amount of Ps. 39.1 million debt is collateralized with a mortgage over the Sheraton Libertador Hotel. A total amount of US$ 37.4 million, which matures on November 20, 2009 and accrues quarterly interest payments at three-month LIBOR plus 200 basis points, is secured by several assets. As of June 30, 2003, we recorded a total balance of US$ 32.9 million, which corresponds to US$ 37.4 million discounted at a market rate equivalent to 8% p.a., accruing an annual interest rate of 1.34% at LIBOR.

The following table sets forth IRSA s debt as of June 30, 2003 (excluding APSA):

IRSA Debt	**Principal (US$ MM) (1)**	**Interest Rate**	**Maturity**
Unsecured Loan Agreement (2)	51.0	LIBOR + 200 bps	November 2009
Class 3 Floating Rate Notes	37.4	LIBOR + 200 bps	November 2009
Hoteles Argentinos Loan	12.0	LIBOR + 500 bps	January 2006
Total Debt	100.4		
Convertible Notes	100.0	8%	November 2007

(1) Accrued interests are not included.
(2) On July 23, 2003 IRSA made an advance payment of US$ 16.0 million of face value for US$ 10.9 million.

APSA s indebtedness

On January 18, 2001, APSA issued US$ 120.0 million of secured Senior Notes (the Senior Notes) due on January 13, 2005 in three classes: (i) US$ 40.0 million of Class A-2 notes due January 13, 2005, at a corrected Badlar interest rate plus 395 basis points; (ii) US$ 5.0 million of Class B-1 notes, which APSA issued together with its wholly-owned subsidiary SAPSA, and which are due on January 13, 2005, at a 90-day LIBOR plus 475 basis points, and (iii) US$ 75.0 million of Class B-2 notes, which APSA issued together with SAPSA, maturing at various dates through January 13, 2005, at a corrected Badlar rate plus 395 basis points. The proceeds from this issuance were used to repay financial indebtedness, including outstanding mortgage-collateralized borrowings and other short-term debts.

Additionally, during the third quarter of the fiscal year 2001, APSA redeemed US$ 2.5 million of the Class A-2 notes at 100% of par value. The payment of the total amount of the Senior Notes is guaranteed by a trust agreement pursuant to which all of the shares of SAPSA were transferred to a trust.

The Trust Agreement was entered into on January 16, 2001 among APSA and Ritelco, as shareholders of SAPSA and as Trustors, RioTrust S.A., as trustee, and the holders of the Senior Notes as beneficiaries.

Interest on both classes are paid on a quarterly basis as from April 18, 2001.

On April 7, 2000, APSA issued the Ps. 85.0 million Notes (the Ps. 85.0 million Notes) due April 7, 2005 at a 14.875% annual rate, payable semiannually. Proceeds from this issuance were used to repay certain outstanding syndicated loan and other short-term financial debt. During March 2001 and June 30, 2003, APSA redeemed Ps. 35.4 million historical pesos, at different prices below par. After subtracting our holding, the aggregate outstanding amount for such notes as of October 31, 2003 was Ps. 49.6 million.

On March 30, 2000, in connection with the issuance of Ps. 85 million Notes, APSA entered into a swap agreement with Morgan Guaranty Trust in order to reduce the related financing cost. This swap agreement initially allowed APSA to reduce the net cost of its debt. However, due to the Argentine economic crisis, the political instability, and the depreciation of the Argentine public debt, there was a substantial negative deviation of the performance of the swap agreement that required the modification of the original terms. Under the terms of the revised agreement, APSA agreed to pay US$ 69.1 million on March 30, 2005 and will receive Ps. 69.1 million on such date. As collateral for its payment obligations under the modified agreement, APSA was required to make a deposit of US$ 50 million with the counterparty. APSA is not required to make additional deposits until maturity. An additional payment at maturity could be required depending on the prevailing exchange rate between the Peso and the U.S. dollar. Thus, a continued devaluation of the Peso against the US dollar and/or an increase in interest rates would increase its loss which could be material. As of June 30, 2003 this modified swap agreement was accounted for at its fair market value resulting in a recognition of a liability of US$ 47 million. The line item Interest rate swap receivable included within Other receivables and prepaid expenses, net represents the net amount of the US$ 50 million deposited as collateral and the US$ 47 million payable under the swap agreement.

In order to finance the US$ 50 million collateral deposit and the subsequent transactions related to the swap, APSA entered into loan agreements with us and Parque Arauco S.A. As of June 30, 2002 its debt with us and Parque Arauco S.A. under those loan agreements amounted to Ps. 40.6 million and Ps. 20.4 million respectively.

In addition, between May and July 2002, our company and Parque Arauco S.A. granted to APSA loans for US$ 10.1 million and US$ 4.9 million respectively. The annual interest rate for such loans was 10%. The funds obtained under these loans have been used to fully cancel APSA short-term bank debt for the total amount of Ps. 4.8 million plus the accrued CER adjustment.

The amounts APSA owed under the loans which were granted to APSA from us and Parque Arauco, were used by us and Parque Arauco to subscribe APSA offering of US$ 50.0 million Series I Convertible Notes on August 20, 2002 (the Series I Convertible Notes). We and Parque Arauco subscribed for US$ 27.2 million and US$ 15.2 million respectively of APSA´s Series I Convertible Notes.

As of September 30, 2001, APSA begun to be in non compliance with certain financial covenants with respect to the US$ 120 million Senior Notes due in 2005 and the Ps. 85.0 million Notes due in 2005. Nevertheless, during fiscal year 2003, APSA met all of its financial covenants.

In addition, non compliance with certain financial covenants mentioned above, APSA has not made certain payments for an aggregate amount of Ps. 21.7 million under APSA Class A and B-2 Senior Notes which where scheduled to be paid on January 14, 2002. However, on January 16, 2002 and March 15, 2002, the holders of Senior Notes unanimously approved certain waivers and deferrals of accrued interests and scheduled principal payments until July 17, 2002. On June 24, 2002, APSA agreed with the holders of its Class A and B-2 Senior Notes, that APSA would pay all interest owed and the amortization coupon which originally matured in January 2002, prior to July 17, 2002. Such payment would receive approximately a 20% discount As of July 17, 2002, all interest owed and the amortization coupon under

APSA Class A and B-2 Senior Notes that matured in January 2002, had been fully paid. The Public Emergency Law, enacted on January 6, 2002 and Decree No. 214/02 of the National Executive Branch established the conversion to Pesos of all loans and agreements in effect that had been agreed in U.S. dollars or any other foreign currency at the exchange rate of Ps. 1.00 = 1.00 U.S. dollar (US$ 1.00). The pesification of debts affected APSA´s Senior Notes (US$ 117.5 million), short-term bank debt (US$ 44.6 million) and the loans with its majority shareholders. Such agreements and loans have been adjusted as from February 3, 2002 by the CER Thus if there were a severe inflationary process, APSA´s debt would be significantly increased.

With respect to interest rates, Argentine Central Bank Communication A 3507 dated March 13, 2002 established a fixed interest rate between 6% and 8% to debts issued by companies under Argentine law. This resolution affected APSA´s Senior Notes (Ps. 132.0 million) and its short-term bank debt (Ps. 50.11 million).

On June 9, 2003 APSA signed a Compensation Agreement with the only holder of Senior Notes, reducing the negative impact that the pesification of contracts had on this holder. APSA has extended the original schedule of payments remaining as follows: on January 13, 2004 and on January 13, 2005 APSA will pay US$ 1.25 million and US$ 3.75 million, respectively.

On July 19, 2002 APSA issued US$ 50 million of Series I Convertible Notes which are convertible into shares of its common stock at the holder´s option. The offer was subscribed in full.

The terms of these Series I Convertible Notes include (i) a conversion price that consists of the maximum between the face value of APSA common stock (Ps. 0.10) divided by the exchange rate and US$ 0.0324, which means that every Series I Convertible Note is potentially convertible into approximately 30.8642 shares of APSA´s common stock with a face value of Ps. 0.10 each (ii) an accrual of a 10% annual interest rate payable semi-annually and (iii) a subscription price of 100% of the principal amount of the Convertible Note. The Series I Convertible Notes, mature on July 19, 2006. Raymond James Argentina Sociedad de Bolsa S.A. acted as subscription and placement agent.

In the event that all the bondholders were to convert their Series I Convertible Notes, APSA´s share capital would increase from 704,829,745 as of June 30, 2003 shares to approximately 2,242,675,255 shares.

As of December 16, 2003, the holders of Series I Convertible Notes exercised their conversion right. The total number of 669,144 units with a face value of US$ 1 each, whereas the ordinary stock delivered under this heading amounted to 19,902,543 with a face value of Ps. 0.1 each.

The number of Series I Convertible Notes currently outstanding amounts to US$ 14,330,856, while the number of APSA´s shares were 719,902,543

The issuance of APSA´s Series I Convertible Notes has allowed APSA to repay an important portion of its existing debt. The proceeds of this offering have been allocated to fully repay (i) loans from its major shareholders for approximately US$ 33.1 million, and (ii) US$ 16.8 million (plus the accrued CER adjustment) which APSA owed under its Senior Notes and under which they obtained discounts for up to 25%.

The early redemption of debt during fiscal year 2003, allowed APSA to recognize a gain of Ps. 19.8 million for the year ended June 30, 2003.

On February 17, 2003, APSA entered into a repurchase agreement (the Repurchase Agreement) with us and Parque Arauco Argentina S.A. in which each company granted to APSA loans for Ps. 4.2 million and Ps. 2.1 million, respectively. According to the Repurchase Agreement, APSA made a collateral deposit of Ps. 5.5 million nominal value of Class A-2 Senior Notes and Ps. 10.0 million nominal value of Class B-2 Notes with us and other of Ps. 2.8 million nominal value of Class A-2 Senior Notes and Ps. 5.0 million nominal value of Class B-2 Senior Notes with Parque Arauco Argentina S.A. On December 6, 2003, APSA agreed to repurchase the securities at a price of Ps. 4.4 million and Ps. 2.2 million to us and Parque Arauco Argentina S.A., respectively. APSA expects to obtain a renewal upon expiration.

Furthermore, during the year ended June 30, 2003, APSA met all its financial commitments relating to its outstanding notes.

During the year ended June 30, 2003 APSA was in compliance with the financial covenants under the indentures of the APSA Senior Notes and the Ps. 85.0 million Notes.

Being in compliance with the financial covenants, APSA is again in position of raising additional borrowing, in case the Board of Directors takes the decision, not needing the previous approval of the outstanding debt bondholders.

The following table shows APSA´s outstanding debt as of June 30, 2003 (Accrued interest not included):

	Ps.	US$(1)	Interest Rate	Maturity
Senior Notes Class A-2 and B-2	22,806,334	8,145,119	8% + CER	January 2005
Senior Notes Class B-1	14,000,000	5,000,000	Libor + 475 Bps.	January 2005
Ps. 85.0 million Notes	49,621,000	17,721,786	14.875%	April 2005
Shareholders loans	6,667,239	2,381,157		January 2004
Subtotal	6,412,456	2,290,163		
Series I Convertible Notes	139,561,845	49,843,516	10%	January 2006
Total Debt	**232,401,635**	**83,000,584**		

(1) Solely for the convenience of the reader, we have translated Peso amounts into U.S. dollars at the exchange rate quoted by Banco de la Nación Argentina for June 2003 which was Ps. 2.8 per US$1.0. We make no representation that the Peso or U.S. dollar amounts actually represent, could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all. See Exchange Rates .

IRSA´s Capital Expenditures

During the fiscal year ended June 30, 2003 IRSA had capital expenditures of Ps. 39.6 million. IRSA made investments in its subsidiaries and equity investees of Ps 31.7 million primarily in APSA. IRSA also made investments in fixed assets of Ps. 7.6 million among which IRSA can highlight fixed assets belonging to the shopping centers and hotel segment. In addition IRSA made investments in undeveloped parcels of land of Ps. 0.2 million

During the fiscal year ended June 30, 2002 IRSA had capital expenditures of Ps. 48.7 million. IRSA made investments in fixed assets for Ps. 27.0 million primarily to the acquisition of Costeros Dique IV in the office segment for Ps. 20.6 million and in undeveloped parcels of land for Ps. 3.4 million primarily in Dique III for Ps. 2.5 million and in its subsidiaries and equity investees for Ps. 21.7 million.

During fiscal year ended June 30, 2001 IRSA had capital expenditures of Ps. 68.9 million. IRSA made investments in related companies of Ps. 58.8 million primarily in Brazil Realty for Ps. 15.5 million, APSA for Ps. 13.4 million and Latin American Econetworks for Ps. 11.5 million. IRSA also made investments in fixed assets for Ps. 7.6 million primarily to the acquisition of a property in the office segment for Ps. 2.7 million and in the hotels segment for Ps. 2.8 million. IRSA also invested Ps. 2.5 million in undeveloped parcels of land.

IRSA currently believes that the recent restructuring of its debt, resulting in long term maturities, its issuance of the Convertible Notes and the sale of non-core assets, together with its cash generating activities, are likely to provide IRSA with the working capital necessary to cover its needs and invest as opportunities may rise.

Table of Contents

IRSA´s U.S. GAAP Reconciliation

The accounting principles applied in Argentina vary in certain significant respects from accounting principles applied in the United States. Application of accounting principles generally accepted in the United States (U.S. GAAP) would have affected the determination of amounts shown as net income (loss) for each of the three years in the period ended June 30, 2003, and the amounts of total shareholders equity as of June 30, 2003 and 2002, to the extent summarized in Note 21 to IRSA s consolidated financial statements.

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

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

(ii) the accounting for marketable securities;

(iii) the accounting for derivatives and hedging activities;

(iv) the accounting for options to acquire marketable securities;

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

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

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

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

(ix) the accounting for securitization programs;

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

(xi) the present-value accounting;

(xii) the restoration of previously recognized impairment losses;

(xiii) the accounting for convertible notes;

(xiv) the accounting for troubled debt restructuring;

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

(xvi) the accounting for deferred charges;

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

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

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

(xx) certain differences in accounting for deferred income taxes and the effects on deferred income taxes of the above-mentioned reconciling items; and

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

Table of Contents

In addition, certain other disclosures required under U.S. GAAP have been included in the U.S. GAAP reconciliation. See Note 21 to IRSA s consolidated financial statements as of June 30, 2003 and 2002 and for the three years in the period ended June 30, 2003, included elsewhere in this annual report for details.

Net income (loss) under Argentine GAAP for the years ended June 30, 2003, 2002 and 2001 was approximately Ps. 286.4 million, Ps. (543.7) million, and Ps. (41.8) million, respectively, as compared to approximately Ps. 191.2 million, Ps. (731.4) million and Ps. 22.5 million, respectively, under U.S. GAAP. Shareholders equity under Argentine GAAP as of June 30, 2003 and 2002, was Ps. 809.2 million and Ps.522.7 million, respectively, as compared to Ps. 630.7 million and Ps. 370.2 million, respectively, under U.S. GAAP.

C. RESEARCH AND DEVELOPMENTS, PATENTS AND LICENSES

Investments in technology amounted to Ps. 1.8 million, Ps. 1.4 million and Ps. 3.8 million for the fiscal years 2003, 2002 and 2001 respectively. Total technology investments aimed at increasing the productivity of purchased land amounted to Ps. 37.2 million for such three fiscal years ended in 2003.

We do not have any patents or licenses that are material for the conduct of our business.

Business acquisitions

Year Ended June 30, 2003

On April 30, 2003 a title deed was signed for the purchase of *El Tigre* farm, with a surface area of 8,360 hectares, located in *Trenel* Department, Province of *La Pampa* for the amount of US$ 9.2 million.

Year Ended June 30, 2000

In May 2000, we acquired a 70% equity interest in *Futuros y Opciones.Com S.A.*, a private owned Argentine corporation for Ps. 3.5 million, of which Ps. 1.8 million was paid in cash in May 2000 and Ps. 1.3 million within a six-month period as from acquisition date. The remaining Ps. 0.4 million was placed into an escrow account and will be released in May 2003 provided that no contingencies arise.

The acquisition was accounted for using the purchase method. The purchase price was allocated to the net assets acquired, based upon their respective fair market values. The excess of the purchase price over the fair market value of the assets acquired of Ps. 3.3 million has been allocated to goodwill and is being amortized over 5 years using the straight-line method.

Under the shareholders agreement, we would provide short term funding to *Futuros y Opciones.Com S.A.* in the amount of approximately Ps. 3.0 million for future development. On April 16, 2002 an agreement was signed whereas Cresud completed the abovementioned contribution.

Year Ended June 30, 1999

On May 20, 1999 we acquired an additional 29.99% equity interest in *Agro Riego*, becoming the owner of almost 100% of its capital stock, for US$ 1.9 million, US$ 0.9 million of which was seller financed. In connection with the acquisition, we recorded a gain of Ps. 1.3 million, representing the excess of the book value of the minority interest over the purchase price.

Table of Contents

Farm Sales

Year Ended June 30, 2003

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

On April 30, 2003 a title deed was signed for the sale of Los Maizales farm, with a surface area of 618 hectares, located in the Villa Cañás district, in the Province of Santa Fé. The sales price was fixed in US$ 1.8 million. This sale generated Ps. 4.3 million stated in period-end currency.

Year Ended June 30, 2002

On August 30, 2002 the Company s Board of Directors approved the signing of a final merger agreement with the Absorbed Companies *Agro Riego San Luis S.A.* and Colonizadora Argentina S.A.

During May 2002, we sold a 3,240-hectare plot of El Coro farm, for Ps. 2.6 million and in a subsequent sale a 1,432-hectare plot for Ps. 1.1 million. The total sale of El Coro generated a profit of Ps. 3.4 million.

On May 8, 2002, we signed the deeds of sale for two plots of the 6,149-hectare *La Sofía* farm. The two plots of the farm were purchased in 1997, and since then, they had undergone an extensive transformation due to the implementation of the no tillage system. At the date of sale, 100% of the farm s surface was devoted to agriculture. The sale price was US$ 10 million which was paid at the date of the signing of the deeds and the taking possession of the plots. Crops for the 2001/2002 season, which will be harvested during May and June, will remain our property. We believe that the sale of *La Sofía* was an attractive opportunity for us, because the sale price was higher than the farm s book value, and the sale generated a Ps. 12.9 million profit.

On August 3, 2001, a bill of sale was signed for the farm *El Silencio*, of 397 hectares, located in the district of Rojas, Buenos Aires. The price for the sale of the farm was of US$ 1.03 million. This sale generated a profit of Ps. 0.2 million.

In December 2001, we sold a 5,649-hectare plot of *El Coro* farm, in the district of Río Seco, Province of Córdoba, for US$ 4.5 million.

Year Ended June 30, 2001

On September 11, 2000 we signed a bill of sale for *El Bañadito*, covering 1,789 hectares in the district of Inés Indart, Salto, Province of Buenos Aires. The price arranged for this sale was US$ 6.2 million and included the sale of the dairy farm, silo plants and other chattels. This transaction represented a profit of roughly Ps. 6.2 million.

On December 4, 2000 a bill of sale was signed for the farm *Tourné*, of 19,614 hectares, in the district of Vera, Province of Santa Fe. The sale price amounted to US$ 2.8 million, and included the sale of the farm and other real estates. This sale generated an approximate loss of Ps. 0.4 million.

Year Ended June 30, 1999

On September 29, 1998 we sold *El Meridiano* farm, covering 6,302 hectares, in the Province of Buenos Aires, for total consideration of US$ 11.0 million, resulting in a gain of Ps. 7.4 million.

On May 26, 1999 we sold *Runciman* farm, covering 3,128 hectares, in the Province of Santa Fe, for total consideration of US$16.8 million and included the sale of facilities, the dairy farm, the silo plant and other movable property, resulting in a gain of Ps. 13.1 million.

Table of Contents

D. TREND INFORMATION

Factors affecting the future development of the company

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

Production and sales

We conduct our business on owned and leased land. Rental payments increase our production costs, as the amounts paid as rent are accounted for as operating expenses. As a result, production costs per hectare of leased land are higher than for the land owned by us.

The following table shows the breakdown of owned and leased land used for each of our principal production activities:

	Year ended June 30,							
	2000(1)		2001(1)		2002(1)		2003(1)	
	Owned (2)	Leased	Owned (2)	Leased	Owned (2)	Leased	Owned (2)	Leased
Crops	13,455	30,977	16,734	20,139	19,524	28,913	10,010	13,628
Cattle	175,767	1,500	169,941		145,066	2,500	135,257	
Milk	2,926		2,492		3,049		820	

(1) Does not include the production of *Agro-Uranga S.A*.
(2) The land assigned to crops may differ from sown land, as some hectares are sown twice and therefore are counted twice as sown land.

In relation to past years, the land leased by us has decreased as a result of the smaller margins resulting from lower prices that we have been able to obtain for our agricultural products since the peak prices recorded in 1997. The price of leased land has followed a declining trend similar to agricultural prices.

The agricultural commodity market had reached its maximum prices during the 1996-1997 season and then decreased in the course of subsequent years. At present prices are stable and currently show a rising tendency. Sales in the crop segment increased notwithstanding a decrease in the area of sown land. This reduction mainly results from the high cost of leases that triggered a reduction in leased hectares, and the impact of the sale of own farmlands during the past fiscal year (La Sofía and El Coro). The increase was due to an increase in the volume of sale and was accompanied by a higher unit price in fiscal year 2003 as compared to 2002.

In the beef-cattle segment, prices increased during 1999, decreased during 2000, which tendency was reverted during 2001. Since January 2003, beef cattle prices have increased, both for producers and consumers, up from the floor reached in December, at the end of a year affected by foot-and-mouth disease. The increase in these prices is mainly due to three factors: a decrease in supply, an increase in exports and the effects of inflation. Prices regained the US$ 0.65 cents value prevailing before devaluation. Sales in the beef-cattle segment decreased primarily as a result of the decreased sales volume partially offset by an increase in the price per sold ton. This decrease was due to the reduction of our stock position in this segment and the smaller number of heads finished in the feedlot. The own area devoted to beef cattle production also decreased in fiscal year 2003 as compared to 2002. This reduction is mainly related to the sale of the El Coro property during the previous fiscal year.

Table of Contents

Milk sales increased mainly due to an increase in the average sales price per thousand liters in fiscal year 2003 as compared to 2002. Milk production was 11.2% lower than in the previous year due the closure of *La Adela* dairy farm, partially offset by the higher number of milking cows in *La Juanita*. At present, the only dairy farm owned by the Company is located in La Juanita, which is mostly based on pasture feeding. This lower cost system enables to improve milk margins as compared to grain feeding systems.

The following table presents data for different business segments:

	Total sales							
	Year ended June 30,							
	2000(1)		**2001(1)**		**2002(1)**		**2003(1)**	
	(Ps. 000)	**%**	**(Ps. 000)**	**%**	**(Ps. 000)**	**%**	**(Ps. 000)**	**%**
Crops:								
Wheat	6,703	8.7	5,649	7.4	9,399	11.8	5,965	8.3
Corn	6,271	8.1	16,386	21.4	12,817	16.1	17,362	24.1
Sunflower (seeds and oil)	8,322	10.8	5,897	7.7	3,322	4.2	4,645	6.5
Soybean	15,058	19.5	11,103	14.5	20,795	26.1	21,361	29.7
Other	4,270	5.5	3,184	4.2	2,182	2.7	2,091	2.9
Total crops	40,624	52.7	42,219	55.2	48,516	61.0	51,424	71.5
Beef-cattle	29,378	38.1	29,332	38.4	27,609	34.7	17,311	24.1
Milk	3,741	4.9	2,615	3.4	2,259	2.8	2,415	3.4
Other	3,932	5.1	2,730	3.6	1,871	2.4	799	1.1
Total sales	77,676	100.7	76,897	100.6	80,255	100.9	71,949	100.0

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

	Sales volume			
	Year ended June 30,			
	2000(1)	**2001(1)**	**2002(1)**	**2003(1)**
Crops (tons):				
Wheat	26,975	22,879	26,101	14,362
Corn	32,907	95,263	42,739	56,060
Sunflower (seeds and oil)	19,363	18,168	2,909	6,282
Soybean	43,177	30,720	42,629	40,659
Other	3,646	5,570	2,404	4,062
Total crops	126,068	172,600	121,782	121,425
Beef-cattle (tons)	18,520	17,455	17,969	9,561
Milk (thousand liters)	10,763	6,967	6,783	6,024

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

	Average selling price			
	Year ended June 30,			
	2000(1)	2001(1)	2002(1)	2003(1)
Crops per ton:				
Wheat	248	247	361	415
Corn	191	172	300	292
Sunflower (seeds and oil)	430	325	1,142	739
Soybean .	348	362	487	525
Beef-cattle (per ton)	1,586	1,680	1,537	1,811
Milk (thousand liters)	358	375	332	401

	Gross Revenues & Margin(1)							
	Year ended June 30,							
	2000(1)		2001(1)		2002(1)		2003(1)	
	(Ps. 000)	(%)	(Ps. 000)	(%)	(Ps. 000)	(%)	(Ps. 000)	(%)
Crops	10,386	25.6	10,141	24.0	34,698	71.5	11,999	23.3
Cattle	3,201	10.9	4,943	16.9	4,831	17.5	8,565	49.5
Milk	(1,853)	(49.5)	348	13.3	(1,303)	(57.7)	932	38.6
Other	1,185	30.1	350	12.8	(251)	(13.4)	(588)	(73.6)
TOTAL	12,919	16.6	15,782	20.5	37,975	47.3	20,908	29.1

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

E. OFF-BALANCE SHEET ARRANGEMENT

There are no transactions, agreements or other contractual agreements to which an entity unconsolidated with the Company is a party that is not currently reflected on our balance sheet.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

This section is not applicable.

G. SAFE HARBOR

This section is not applicable.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

We are managed by a board of directors, which consists of six directors and three alternate directors. Each director and alternate director is elected by our shareholders at an annual regular meeting of shareholders for a three-year term, provided, however, that only one third of the board of directors is elected each year. The directors and alternate directors may be re-elected to serve on the board any number of times.

Our current board of directors was elected at a shareholders   meeting held in October 31, 2003 for a term expiring in the years 2004, 2005 and 2006, as the case may be. Our director and first vice-chairman M. Marcelo Mindlin has resigned as from December 1st, 2003. As of the date of this annual

Table of Contents

report, our board of directors has not yet elected a new member to replace Mr. Marcelo Mindlin. Our current directors are as follows:

Directors(1)	Date of Birth	Position in Cresud	Term Expires	Date of Current Appointment	Current Position Held Since
Eduardo S. Elsztain	01/26/1960	Chairman of the Board	06/30/05	11/05/02	1994
Saúl Zang	12/30/1945	Vice Chairman of the Board	06/30/05	11/05/02	1994
Alejandro G. Elsztain	03/31/1966	Director	06/30/04	10/19/01	1994
Clarisa D. Lifsic	07/28/1962	Director	06/30/04	10/19/01	1994
Jorge Oscar Fernández	01/08/1939	Director	06/30/06	10/31/03	2003
Gabriel A.G. Reznik	11/18/1958	Director	06/30/06	10/31/03	2003
Juan C. Quintana Terán	06/11/1937	Alternate Director	06/30/05	11/05/02	1994
Salvador D. Bergel	04/17/1932	Alternate Director	06/30/05	11/05/02	1996
Gastón Armando Lernoud	06/04/1968	Alternate Director	06/30/05	11/05/02	1999

(1) The business address of our management is Cresud S.A.C.I.F.I. y A., Av. Hipólito Yrigoyen 440, 3rd Floor, (C1066AAB) Buenos Aires, Argentina.

The following is a brief biographical description of each member of our Board of Directors:

Eduardo S. Elsztain. Mr. Elsztain studied accounting at the Universidad de Buenos Aires. He has been engaged in the real estate business for more than twenty years. He founded Dolphin Fund Management. He is Chairman of the Board of Directors of IRSA, APSA, Shopping Alto Palermo S.A.; Vice-Chairman of Banco Hipotecario S.A., among others. Mr. Eduardo S. Elsztain is the brother of our director, Alejandro G. Elsztain.

Saúl Zang. Mr. Zang obtained a degree in law from the Universidad de Buenos Aires. He is a founding partner of Zang, Bergel & Viñes law firm. He is also the Vice-Chairman of IRSA and Vice-Chairman of Puerto Retiro and Fibesa; director of APSA, Banco Hipotecario S.A., Nuevas Fronteras S.A., Tarshop and Palermo Invest S.A.; and alternate director of Shopping Alto Palermo S.A.

Alejandro G. Elsztain. Mr. Elsztain obtained a degree in agricultural engineering from the Universidad de Buenos Aires. He is Chairman of the board of directors of Inversiones Ganaderas S.A. He is also a director of IRSA and APSA. Mr. Alejandro G. Elsztain is the brother of our Chairman Eduardo S. Elsztain.

Clarisa D. Lifsic. Mrs. Lifsic obtained a degree in Economics from the Universidad de Buenos Aires and a Master degree in Sciences with management expertise at Massachusetts Institute of Technology. She has held offices of research and financial analysis in the private sector since 1987. She is presently chairman of the board of directors of Banco Hipotecario S.A., among others.

Jorge Oscar Fernández. Mr. Fernández obtained a degree in accounting from the Universidad de Buenos Aires. He has been conducting business activities as General Accountant of Banco del Este, Administrative Officer, Director and Second Vice President of Banco Río de la Plata. He also has been a member of the Board of Directors in several companies: Banelco, La Patagonia, Cía Previsional Río Citi, Siembra AFJP, Siembra Cía de Seguros, Río Valores, Sur Seguros, Inter Río Holdings Establishment, Río Bank, and Sur Seguros. He also participates as a member of ADEBA (Argentina Bank Association).

Table of Contents

Gabriel A. G. Reznik. Mr. Reznik obtained a degree in civil engineering from the Universidad de Buenos Aires. He is chief technical officer of IRSA, director of APSA, Emprendimientos Recoleta, Inversora Bolívar, Puerto Retiro and Nuevas Fronteras S.A. and alternate director of Banco Hipotecario and IRSA among others.

Juan Carlos Quintana Terán. Mr. Quintana Terán obtained a degree in law from the Universidad de Buenos Aires. He is a consultant of Zang, Bergel & Viñes law firm. He has been Chairman and Judge of the National Court of Appeals of the city of Buenos Aires dealing in Commercial Matters. He is an alternate director of APSA.

Salvador D. Bergel. Mr. Bergel obtained a degree in law and a Ph.D. in law from the Universidad del Litoral. He is a founding partner of the Zang, Bergel & Viñes law firm and a consultant for Repsol YPF S.A. He is also an alternate director of APSA.

Gastón Armando Lernoud. Mr. Lernoud obtained a degree in law from the University of the Salvador, Buenos Aires in 1992. He obtained a Masters Degree in Corporate Law in 1996 from the Universidad de Palermo, Buenos Aires. He was a senior associate of Zang, Bergel & Viñes and is currently an employee of APSA.

We do not have employment contracts with our directors.

SENIOR MANAGEMENT

Appointment of the Senior Management

Our board of directors appoints and removes the senior management. Senior management performs its duties in accordance with the instructions of our board of directors.

The following table shows information about our current senior management:

Name	Date of Birth	Position	Current Position Held Since
Alejandro G. Elsztain	03/31/1966	Chief Executive Officer	1994
Clarisa D. Lifsic	07/28/1962	Chief Financial Officer	1994
Alejandro Bartolomé	12/09/1954	Production Officer	1996
David A. Perednik	11/15/1957		1997

		Administrative Officer	
José Luis Rinaldini	08/14/1963	Subsidiaries Supervisor	1995
Alejandro Casaretto	10/15/1952	Production Officer	2000
Carlos Blousson	09/21/1963	Sales Officer	2000

The following is a biographical description of each of our senior managers who are not directors:

Alejandro Bartolomé. Mr. Bartolomé obtained a degree in agriculture from the Universidad de Buenos Aires and a Master of Science degree in Animal Production from the University of Reading in England. He was treasurer of CREA Monte Buey Inriville and coordinator of the Dairy Group Santa Emilia from 1993 until 1996. He also worked as Farm Manager and was associated to a farm management company called Administración Abelenda, Magrane, Anchorena.

Table of Contents

David A. Perednik. Mr. Perednik obtained a degree in accounting from the 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.

José Luis Rinaldini. Mr. Rinaldini obtained a degree in agriculture from the 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 the Universidad de Buenos Aires. He has been working as our Technical Manager, Farm Manager and Technical Coordinator since 1975.

Carlos Blousson. Mr. Blousson obtained a degree in agriculture from the Universidad de Buenos Aires. He has been working as our Sales Officer since 1996. Prior to joining Cresud, he worked as futures and options operator at Vanexva Bursátil Sociedad de Bolsa-. Previously, he worked as farm manager and technical advisor at Leucon S.A.

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 resolutions 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, 2003:

Member	Date of Birth (m/d/y)	Position
Martín Barbafina	09/03/1965	Member
Corina I. Pando	12/26/1952	Member
Carlos A. Rebay	05/06/1949	Member
Carlos H. Rivarola	08/01/1954	Alternate Member
Gabriel Martini	02/21/1963	Alternate Member

Diego Niebuhr	02/10/1953	Alternate Member

Set forth below is a brief biographical description of each member of our supervisory committee:

Martín Barbafina. Mr. Barbafina obtained a degree in accounting from the Universidad Católica Argentina. He is a partner of Price Waterhouse & Co., member firm of PricewaterhouseCoopers. He is also a member of the Supervisory Committee of APSA and IRSA.

Table of Contents

Corina I. Pando. Ms. Pando obtained a degree in accounting from the Universidad de Buenos Aires and is a partner of Price Waterhouse & Co., member firm of PricewaterhouseCoopers. She is also a member of the Supervisory Committees of Ford Credit Holding Argentina S.A. and Frimetal S.A.

Carlos A. Rebay. Mr. Rebay obtained a degree in accounting and a degree in administration from the Universidad Argentina de la Empresa. He is a partner of Price Waterhouse & Co., member firm of PricewaterhouseCoopers. He is also a member of the supervisory committees of Massalín Particulares S.A., Hart S.A., Tapiales S.A. and AT&T Argentina S.A.

Carlos H. Rivarola. Mr. Rivarola obtained a degree in accounting from the Universidad de Buenos Aires and is a partner of Price Waterhouse & Co., member firm of PricewaterhouseCoopers. He is also a member of the Supervisory Committees of Tornquist Asesores de Seguros S.A. and Toyota Argentina S.A.

Gabriel Martini. Mr. Martini obtained a degree in accounting from the Universidad de Buenos Aires and is a partner of Price Waterhouse & Co., member firm of PricewaterhouseCoopers. He is a member of the Professional Council of Economics of the City of Buenos Aires. Mr. Martini is also a member of the Supervisory Committee of Cibie Argentina S.A., and Emelar S.A.

Diego Niebuhr. Mr. Niebuhr obtained a degree in accounting and a degree in administration from the Universidad de Buenos Aires. He is a partner of Price Waterhouse & Co., member firm of PricewaterhouseCoopers. He is also a member of the Supervisory Committees of Cresud, Commercial Union S.A., Ford Credir Cía Financiera S.A., Nutricia Bagó S.A., Ace Seguros, Epson Argentina S.A..

KEY EMPLOYEES

There are no key employees.

B. COMPENSATION

Compensation of Directors

Under Argentine law, if the compensation of the members of the board of directors is not established in the bylaws 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 if the directors perform technical or administrative activities and our fiscal year s results. Once the amount is determined, they are considered by the shareholders meeting.

For the year ended June 30, 2003, our shareholders meeting held on October 31, 2003 approved an aggregate amount of compensation of Ps. 3.7 million to all of our directors.

Compensation of Supervisory Committee

The shareholders meeting held on October 31, 2003, further approved unanimously not to pay any compensation to our Supervisory Committee.

Table of Contents

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, 2003 was Ps. 0.9 million.

Stock Option Plan

On November 19, 2001, our shareholders, at an extraordinary shareholders meeting, authorized us to enter into a stock option plan relating to the shares remaining after the shareholders exercise of their preemptive rights to acquire treasury shares. Our shareholders decided that two thirds of the options under this stock option plan would be allocated to Messrs. Alejandro G. Elsztain, Alejandro Cassaretto, Alejandro Bartolomé, José L. Rinaldini, Carlos Blousson and David A. Perednik as beneficiaries, and that one third of the options would be allocated by our board of directors in a period beginning six months after the initial allocation and ending three months before the expiration of the term of the exercise of options.

In accordance with Argentine law, we established a special purpose trust for equal term to the option period, so that the beneficiaries may exercise the option, among any of our employees, officers or senior managers. In accordance to such extraordinary shareholders meeting, on February 13, 2002, we entered into an agreement with Messrs. Alejandro G. Elsztain, Alejandro Cassaretto, Alejandro Bartolomé, José L. Rinaldini, Carlos Blousson and David A. Perednik granting the beneficiaries, a purchase option for the acquisition of an aggregate of 3.1 million book entry common shares of Cresud, for a face value of Ps. 1.0 each. The option was granted to the beneficiaries as follows:

Name	Shares
Alejandro G. Elsztain	2,073,437
Alejandro Cassaretto	200,000
Alejandro Bartolomé	200,000
Carlos Blousson	200,000
José L. Rinaldini	200,000
David A. Perednik	200,000

Pursuant to this agreement, the beneficiaries are entitled to exercise the option by January 15, 2005 and the amount to be paid for the exercise of the option shall be Ps. 1 for each share plus an annual interest calculated on the basis of six-month LIBO rates. According to the trust, dividends distributed on the shares subject to the option shall automatically add to the trust property.

As of October 31, 2003 options to acquire 2,675,500 shares were exercised.

Benefit Plans

We do not currently have any plans providing for pension, retirement or other similar benefits, other than those related to our senior management.

C. BOARD PRACTICES

Benefits upon Termination of Employment

Table of Contents

There are no contracts providing for benefits to directors upon termination of employment.

Audit Committee

Section 15 of Decree No. 677/01 provides that companies that make public offering of their shares must have audit committees. This new obligation starts on January 1, 2004 and the committees shall be constituted before May 28, 2004.

The audit committee shall be made up of three or more Directors, most of whom shall be independent Directors. The number of members and their appointment shall be decided at the first Board meeting held immediately after the annual ordinary shareholders meeting and the members so appointed shall remain in their position until the following annual ordinary shareholders meeting. Only Directors that are proficient in business, financial or accounting matters may be appointed to the audit committee.

The audit committee will issue its own rules of procedure that should be informed to the Board of Directors.

The audit committee will assist the Board of Directors especially in the following matters:

The enforcement of our accounting policy;

All matters relating to the preparation and publication of our accounting and financial information;

The management of our business risks;

The preparation and implementation of our internal control systems;

The preparation and implementation of a code of ethics or conduct of the principal executive officer, principal financial officer, principal accounting officer or controller and other persons performing similar functions;

The supervision of the accuracy of our financial statements;

The compliance with all applicable laws and contractual obligations;

The convenience and legality of any transaction where members of company bodies or controlling shareholders are parties or any other related party transaction;

Our Directors compensation and share option plans;

The issue of new shares of the Company;

The independence and capability of our independent auditors; and

The performance of our internal audit functions and our independent auditors.

The audit committee will issue its own rules of procedure that should be informed to the Board of Directors

The audit committee shall issue an opinion regarding the proposal by the board of directors to appoint and remove the external auditors to be retained by our company and shall ensure their independence; it will review the plans of the external auditors and assess their performance, issuing its opinion on this matter addressed to the board of directors and included in the annual management report.

It shall be responsible for supervising internal systems, the operation of the internal control systems and the system for maintaining accounting records; it will check the reliability of the system for maintaining accounting records and any financial information; it will review the plans of the internal auditors and assess their performance, approving and supervising the progress of the annual audit plan.

It will supervise the enforcement of policies governing risk management information related to us; it will provide complete information regarding transactions involving a conflict of interest with members

Table of Contents

of company bodies or controlling shareholders; it will issue an opinion regarding Directors and Administrators emoluments and share option plans, the issue of shares, and transactions with related parties; and it will issue a report prior to any decision by the board of directors to purchase shares in our company.

The audit committee will prepare each year an action plan for the year and submit it to the Board of Directors and to the Supervisory Committee within sixty (60) consecutive days after the beginning of the fiscal year. Upon the presentation and publication of the annual financial statements, the audit committee will submit a management report addressed to the Board of Directors explaining how it dealt with the matters coming under its competence as envisaged in the *Comision Nacional de Valores* regulations (section 15 of Chapter III) during fiscal year 2003.

In our annual ordinary and extraordinary shareholders meeting held on October 31, 2003, the audit committee plan was unanimously approved. Pursuant to this plan, the board of directors by a simple majority of votes shall appoint the members of the audit committee who shall have expertise in corporate administration, finance and accounting. Our Company will organize training courses for each new member of the audit committee.

Remuneration Committee

There is no Remuneration Committee.

D. EMPLOYEES

As of June 30, 2003, we had 245 employees, including the employees of all our subsidiaries but not those of Agro-Uranga S.A. and Cactus Argentina S.A. Our employees are not represented by any union or other collective bargaining organization. We have never experienced a work stoppage. We believe that our relations with our employees are good. We offer below a breakdown of the number of employees for our three more recent fiscal years ended in June.

	At June 30, 2003		At June 30, 2002		At June 30, 2001	
Province	**Regular, salaried**	**Temporary**	**Regular, salaried**	**Temporary**	**Regular, salaried**	**Temporary**
Buenos Aires	71	6	63	15	66	
Córdoba	18	9	38	6	39	13
Santa Fe	47	6	43	10	52	
Chaco	42	6	38	11	53	1
Catamarca	8	8	10	7	25	
Salta	15		5	7	5	9
La Pampa	1					
San Luis	8		3	5	4	5
Total employees	210	35	200	61	244	28

E. SHARE OWNERSHIP

Share Ownership of Directors, members of the Supervisory Committee and Senior Management as of November 30, 2003.

Directors	**Position**	**Amount**	**Percentage**
Eduardo S. Elsztain (1)	Chairman	44,410,596	34.0%
Saúl Zang	Vice Chairman		
Alejandro G. Elsztain(2)	Director / CEO		
Clarisa Lifsic(3)	Director / CFO	205,545	0.16%
Gabriel A. G. Reznik	Director		
Jorge Oscar Fernández	Director	2,700,000	2.07%
Juan C. Quintana Terán	Alternate Director		
Salvador D. Bergel	Alternate Director		
Gaston A. Lernoud	Alternate Director		
Senior Management			
Alejandro Bartolomé			
David A. Perednik (4)			
José Luis Rinaldini		30,000	0.02%
Alejandro Casaretto		5,000	0.00%

109

Table of Contents

(1) The number of shares beneficially owned by Mr. Eduardo S. Elsztain is 141,686,122, assuming full conversion of the notes and warrants issued pursuant to the 24,781,017 units owned by Mr. Elsztain through Inversiones Financieras del Sur S.A. and Dolphin PLC. In addition, the number of shares beneficially owned by Mr. Eduardo S. Elsztain will increase by 3,938,559, assuming full conversion of the notes and warrants represented by 1,000,000 units, which Mr. Elsztain has directly.
(2) The number of shares beneficially owned by Mr. Alejandro G. Elsztain is 393,856, assuming full conversion of the notes and warrants issued pursuant to the 100,000 units owned by Mr. Alejandro G. Elsztain.
(3) The number of shares beneficially owned by Ms. Clarisa D. Lifsic is 271,713, assuming full conversion of the notes and warrants issued pursuant to the 7,600 units owned by Ms. Clarisa D. Lifsic.
(4) The number of shares beneficially owned by Mr. David Perednik is 78,771, assuming full conversion of the notes and warrants issued pursuant to the 20,000 units owned by Mr. David Perednik.

Employees Participation in our Capital Stock

On November 19, 2001, our shareholders, at an extraordinary shareholders meeting, authorized us to enter into a stock option plan relating to the shares remaining after the shareholders exercise of their preemptive rights to acquire treasury shares.

In accordance with Argentine law, we established a special purpose trust for equal term to the option period.

Pursuant to this agreement, the beneficiaries are entitled to exercise the option by January 15, 2005 and the amount to be paid for the exercise of the option shall be Ps. 1 for each share plus an annual interest calculated on the basis of six-month LIBO rates. According to the trust, dividends distributed on the shares subject to the option shall automatically add to the trust property.

In accordance to such extraordinary shareholders meeting, on February 13, 2002, the option was granted to the beneficiaries as follows:

Table of Contents

Name	Shares granted	Outstanding as of November 30, 2003
Alejandro G. Elsztain	2,073,437	73,473
Eduardo S. Elsztain	984,866	
M. Marcelo Mindlin	246,217	
Alejandro Cassaretto	200,000	105,000
Alejandro Bartolomé	200,000	110,000
Carlos Blousson	200,000	50,000
José L. Rinaldini	200,000	
David A. Perednik	200,000	
Saúl Zang	153,885	
Clarisa Lifsic	153,885	

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

Share Ownership

The following table sets forth certain information regarding the beneficial ownership of our outstanding common stock as of November 30, 2003 by:

- each person known to us to be the beneficial owner of more than 5% of our common stock;
- each of our named senior managers;
- each director; and
- all current directors and senior managers as a group.

Directors	Position	Amount	Percentage
Eduardo S. Elsztain (1)	Chairman	44,410,596	34.0%
Saúl Zang	Vice Chairman		
Alejandro G. Elsztain(2)	Director / CEO		
Clarisa Lifsic(3)	Director / CFO	205,545	0.16%
Gabriel A. G. Reznik	Director		
Jorge Oscar Fernández	Director	2,700,000	2.07%
Juan C. Quintana Terán	Alternate Director		
Salvador D. Bergel	Alternate Director		
Gaston A. Lernoud	Alternate Director		

Senior Management

Alejandro Bartolomé		
David A. Perednik (4)		
José Luis Rinaldini	30,000	0.02%
Alejandro Casaretto	6,000	0.00%
Directors and Senior Management in the aggregate	**47,351,141**	**36.2%**
Pension funds in the aggregate(5)	13,945,108	10.7%

(1) The number of shares beneficially owned by Mr. Eduardo S. Elsztain is 141,686,122, assuming full conversion of the notes and warrants issued pursuant to the 24,781,017 units owned by Mr. Elsztain through Inversiones Financieras del Sur S.A. and Dolphin PLC. In addition, the number of shares beneficially owned by Mr. Eduardo S. Elsztain will increase by 3,938,559, assuming full conversion of the notes and warrants represented by 1,000,000 units, which Mr. Elsztain has directly.

(2) The number of shares beneficially owned by Mr. Alejandro G. Elsztain is 393,856, assuming full conversion of the notes and warrants issued pursuant to the 100,000 units owned by Mr. Alejandro G. Elsztain.

(3) The number of shares beneficially owned by Ms. Clarisa D. Lifsic is 271,713, assuming full conversion of the notes and warrants issued pursuant to the 7,600 units owned by Ms. Clarisa D. Lifsic.

(4) The number of shares beneficially owned by Mr. David Perednik is 78,771, assuming full conversion of the notes and warrants issued pursuant to the 20,000 units owned by Mr. David Perednik.

(5) Based on estimations from the *superintendencia de AFJP.* None of the pension funds own more than 5% of our common stock. The highest percentage owners of the shares are Consolidar AFJP with 3.3%, Maxima AFJP and Siembra AFJP with 1.6% and Origenes AFJP and Nación AFJP with 1.3%

As of november 30, 2003, there were approximately 6,083,292 american depositary shares (representing 60,832,920 of our common shares, or approximately 46.5% of all of our outstanding shares) held in the United States. Additionally, as of such date, there were approximately twenty registered holders represented by american depositary shares in the United States.

Except as set forth in the preceding table, we are not aware of the existence of other shareholders owning more than 5% of our capital stock. Our principal shareholders voting rights are similar to those of our other shareholders.

Change in Capital Stock Ownership

	As of November 30, 2003	**As of June 30, 2003**	**As of June 30, 2002**	**As of June 30, 2001**	**As of June 30, 2000**
	%	%	%	%	%
Eduardo S. Elsztain (2)	34.0%	49.7%	51.1%	35.7%	39.3%
Pension Funds in the aggregate	10.7%	11.7%	19.2%	28.3%	30.9%
JP Morgan Whitefriars Inc				10.4%	
Directors and senior managers in the aggregate	36.2%	53.1%	55.3%	40.5%	45.0%

1) Leucadia National Corporation acquired 10,000,000 units in our offering. Assuming full conversion of the 10,000,000 units acquired by Leucadia, it will own 39,385,585 shares of our stock and a 12.3% of percentage of outstanding shares.

2) The number of shares beneficially owned by Mr. Eduardo S. Elsztain is 141,686,122, assuming full conversion of the notes and warrants issued pursuant to the 24,781,017 units owned by Mr. Elsztain through Inversiones Financieras del Sur S.A. and Dolphin PLC. In addition, the number of shares beneficially owned by Mr. Eduardo S. Elsztain will increase by 3,938,559, assuming full conversion of the notes and warrants represented by 1,000,000 units which Mr. Elsztain has directly.

On October 15, 2002, we initiated a preemptive rights offering to subscribe for 50,000,000 units consisting of US$ 50.0 million of 8% Convertible Notes due 2007 and non-detachable warrants to purchase additional shares of our common stock. The Convertible Notes may be converted at the holder´s option into shares of our common stock until maturity on November 14, 2007, at the initial conversion price of US$ 0.5078 per common share. Each warrant will be exercisable on or after conversion of the convertible note to which it is attached at the same conversion price plus a 20% premium (US$ 0.6093). The rights offering to holders of our common shares and ADSs expired on November 13, 2002. Existing shareholders have subscribed through the exercise of their preemptive rights for US$ 20.5 million and they have exercised their accretion rights for US$ 1.7 million, adding together US$ 22.2 million. During the allocation of the remainder new investors have subscribed the remaining US$ 27.8 million units completing the US$ 50 million offering.

As of November 30, 2003 our directors and senior managers controlled, directly or indirectly, approximately 36.2% of our common shares. As a result, these shareholders have, and will continue to have, significant influence on the election of our directors and the outcome of any action requiring shareholder approval. Moreover, certain of our directors and senior managers hold 24,908,617 units of our convertible notes. If our directors and senior managers convert all Convertible Notes and exercise all warrants so acquired and none of our other shareholders convert their notes, they will control, directly or indirectly, 63.5% of our common stock.

B. RELATED PARTY TRANSACTIONS

Headquarters

In December 2001, we started to sublease our headquarters from APSA. Eduardo S. Elsztain, our Chairman is also the Chairman of the Board of Directors of APSA. We pay a monthly rent of Ps. 2,541.

Consulting Agreement

Pursuant to the agreement with Dolphin Fund Management S.A., we pay an annual fee equivalent to 10% of our net income for certain agriculture advice and other administration services.

As of November 25, 2003 Dolphin Fund Management S.A has spun off in two companies. One of them is Consultores Asset Management S.A. and the other remains as of Dolphin Fund Management S.A. In respect of Consultores Asset Management S.A., Eduardo Elsztain is the owner of 100% of its capital stock.

As a consequence of the spun off, the consulting agreement has been assigned to Consultores Asset Management S.A.

Management fees totaled Ps. 7.2 million in fiscal year 2003, and we are not reporting management fees for fiscal year 2002. Eduardo S. Elsztain was the Chairman of the Board of Directors of Dolphin Fund Management S.A. and is currently the Chairman of the board of directors of Consultores Asset Management S.A.

Dolphin Fund Management S.A. is an Argentine company incorporated in 1989, primarily engaged in investment, investment advisory and fund administration services. It provides agricultural advice exclusively to us pursuant to a Consulting Agreement, which became effective as of November 7, 1994 (the Consulting Agreement).

Pursuant to the terms of the Consulting Agreement, as agreed by our board of directors, Dolphin Fund Management provides us with the following services:

advises with respect to the investment of its capital in all aspects of agricultural operations, including, among others, sales, marketing, distribution, financing, investments, technology and business proposals;

113

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 Dolphin Fund Management may not advise us with respect to transactions that are related to real estate.

Under the Consulting Agreement, we pay Dolphin Fund Management for its services, an annual fee equal to 10% of our annual after-tax net income. We also reimburse Dolphin Fund Management the administrative expenses incurred by it in performing its duties under the Consulting Agreement and: (i) remuneration to the directors, trustees and certifying accountants; (ii) remuneration of legal consultants; (iii) remuneration of auditors; (iv) representation costs; and (v) all other costs incurred by it in performing its services.

In fiscal years 2003, 2002 and 2001, Dolphin Fund Management s fees were Ps. 7,224,996, Ps. nil and Ps. 935,742 respectively. During those years, we have not been charged for any administrative expenses by Dolphin Fund Management. However, no assurances can be given that Dolphin Fund Management will not request reimbursement for such expenses in the future.

The Consulting Agreement is subject to termination by either party upon not less than 60 days prior written notice. If we terminate the Consulting Agreement without cause, we will be liable to Dolphin Fund Management for twice the average of the amounts of the management fee paid to Dolphin Fund Management for the two fiscal years prior to such termination. Note that the consulting agreement has been assigned to Consultores Asset Management S.A.

Mr. Eduardo S. Elsztain, our Chairman of the board of directors was the Chairman of the board of Directors of Dolphin Fund Management S.A. and is currently the Chairman of the board of directors of Consultores Asset Management S.A. Additionally, Eduardo S. Elsztain holds 100% of the capital stock of Consultores Asset Management S.A.. All of the compensation that we pay to Eduardo S. Elsztain are included in the fee that we pay Dolphin Fund Management under the Consulting Agreement.

Beginning in the second quarter of fiscal year 2001, we started acquiring IRSA shares in the open market, which resulted in 22.65% ownership at June 30, 2004. IRSA is one of the leading Argentine real estate companies engaged directly or indirectly through subsidiaries, joint ventures and international strategic alliances in real estate activities in Argentina. These investments are carried at the equity method of valuation totaling Ps.162.6 million as of June 30, 2003. Eduardo S. Elsztain, M. Marcelo Mindlin and Saúl Zang are the President, First Vice President and Second Vice President, respectively, of the Board of Directors of IRSA.

Lease Term

Until November 2001, we leased office space under a cancelable operating lease from IRSA. Rent expenses were recognized ratably over the lease term. Rent expenses for the years ended June 30, 2003, 2002 and 2001 amounted to Ps. 0.03, Ps. 0.17 and Ps. 0.34 respectively.

Donations to Fundación IRSA

From time to time, we donate money to Fundación IRSA, a charitable, non-profit organization of which our Shareholder and President Eduardo S. Elsztain is the President and his wife is the Secretary. We donated Ps. 0.36 million, Ps. 0.02 million and Ps. 0.31 million for the fiscal year ended June 30, 2003, 2002 and 2001, respectively.

Sharing of Corporate Services

In order to reduce administrative expenses, and to achieve a more efficient allocation of corporate resources, as of June 30, 2003 Cresud, IRSA and APSA provided corporate services in the areas of institutional relations, finance, human resources, technology, systems and insurance.

In the future and in order to continue with our policy of achieving a more efficient allocation of corporate resources, we may extend the areas in which we share corporate services with IRSA.

Our chairman and vice-chairman are also chairman and vice-chairman of IRSA and APSA. We believe that the terms and conditions of these transactions are consistent in all material respects with those prevailing in the market at the relevant time for agreements between unaffiliated parties.

Legal services

During the year ended on June 30, 2003 and 2002, we paid the firm Zang, Bergel & Viñes a total amount of approximately Ps. 0.14 million and Ps. 0.30 million for their legal services. Our directors Saúl Zang, Salvador D. Bergel are partners of such 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 and non-detachable warrants to purchase shares of our common stock.

Inversiones Financieras del Sur S.A., an Uruguayan holding company, for which Mr. Eduardo S. Elsztain may be deemed beneficial owner by virtue of his voting power to control that company has subscribed US$ 22.6 million of our Convertible Notes.

In addition, as of November 30, 2003 Inversiones Financieras del Sur S.A. held 33.2% of our common shares. Assuming Inversiones Financieras del Sur S.A. exercises its conversion rights of all of its Convertible Notes and no exercise of such rights by any of our other bondholders, Inversiones Financieras del Sur S.A. would own 60.7% of our common shares. In the case all bondholders exercise their conversion rights and Inversiones Financieras del Sur S.A. exercise them as well, Inversiones Financieras del Sur S.A. would own 43.1% of our common stock.

Acquisition of IRSA Units

During November and December 2002, we purchased 49.7 million Convertible Notes issued by IRSA. The notes, that mature in 2007, bear an 8% annual interest rate and grant the holder at the time of conversion to 49,692,688 options to subscribe common stock.

As of November 20, 2003 we owned 23.4% of IRSA´s common shares. As of such date, no conversion was executed by us. 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 46.4% of IRSA´s common shares. In the case all bondholders exercise their conversion rights and we exercise them as well, we would own 35.8% of IRSA´s common stock.

Assuming we exercise all of our IRSA´s warrants and no exercise of such rights by any other IRSA´s Bondholders as of November 30, 2003, we would own 58.8% or IRSA´s common shares. In the case all bondholders exercise their warrants and we exercise them as well, we would own 40.3% of IRSA´s common stock.

Table of Contents

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

See Item 18 for our Consolidated Financial Statements.

LEGAL OR ARBITRATION PROCEEDINGS

We are not engaged in any material litigation or arbitration and no material litigation or claim is known to us to be pending or threatened against us or our subsidiaries.

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 bylaws, net and realized profits for each fiscal year shall be distributed as follows:

- 5% of such net profits to our legal reserve, until such reserve amounts to 20% of our capital stock;
- a certain amount determined at a shareholders meeting is allocated to compensation of our directors and the members of our supervisory committee; and
- dividends, additional dividends to preferred shares if any, or to optional reserve funds or contingency reserves or to a new account, or for whatever purpose the shareholders meeting determines.

In the past, we paid dividends in cash with an average of Ps. 0.024 per share. At our shareholders meeting held on October 23, 1998, our shareholders approved the distribution of 8.0 million treasury shares to be distributed pro rata among our shareholders indicated in the table below as cash dividends. As the result of the year ended June 30, 2002 was a Ps. 39.6 loss (stated in historic pesos), the shareholders meeting resolved not to distribute dividends for such year.

The shareholders meeting held on October 31, 2003 approved, the distribution of a cash dividend of Ps. 1.5 million, or Ps. 0.012 per share, previous deduction of 5% of our legal reserve.

The following table sets forth the dividend payout ratio and the amounts of total dividends paid on each fully paid share of common stock each year since 1995. Amounts in Pesos are presented in historical Pesos as of the respective payment dates. See Exchange Rates .

Year declared	Total per share
	(Pesos)
1995	
1996	
1997	
1998	0.099
1999	0.092
2000	0.011
2001	0.030
2002	
2003	0.012

(1) Corresponds to per share payments. To calculate the dividends paid per ADS, the payment per share should be multiplied by ten. Amounts in Pesos are presented in historical Pesos as of the respective payment date. See Exchange Rates . Although we hope to distribute cash dividends in the future, we cannot assure you that we will be able to do it.

B. SIGNIFICANT CHANGES

On July 29, 2003, Inversiones Ganaderas S.A. sold to Las Rejas S.A. three properties owned by it located in the district of Santo Domingo, department of La Paz, Province of Catamarca, with a total area of 5,997 hectares, for an amount of US$ 0.4 million, fully paid as of the date of execution of the deed.

On August 22, 2003, the bill sale of our cattle ranch El 41-42, of 6,479 hectares, located in the province of Chaco, was signed for a total of US$ 1.0 million profit, which will be recorded in our next quarter´s balance sheet. This sale generated a profit of Ps. 1.0 million approximately.

On October 31, 2003, the ordinary and extraordinary shareholder´s meeting approved the distribution of dividends in cash for Ps. 1.5 the increase of legal reserve of Ps. 3.3 million and the payment of director´s fees for a total of Ps. 3,733,973, which were duly provided for at the close of the year ended June 30, 2003.

As of December 16, 2003 4,696,370 Convertible Notes were converted into 9,248,449 ordinary shares. During the same period, 150,003 warrants were exercised, resulting in the issuance of 295,396 ordinary shares.

ITEM 9. THE OFFER AND LISTING

A. INFORMATION ON THE LISTING OF OUR STOCK

The following summary provides information concerning our share capital and briefly describes all material provisions of our bylaws and the Argentine Law of Corporations.

Stock Exchanges in which our securities are listed

Our common shares are listed on the *Bolsa de Comercio de Buenos Aires* and NASDAQ.

Our authorized capital stock consists of 133,828,237 shares of common stock, Ps. 1.0 par value per share.

As of December 16, 2003, our outstanding capital stock consisted of 133,828,237 shares of common stock. As of that date (1) we had no other shares of any class or series issued and outstanding and (2) we had 45,303,630 convertible Notes and 49,849,997 warrants outstanding.

Table of Contents

The common stock has one vote per share. All outstanding shares of the common stock are validly issued, fully paid and non assessable. As of December 16, 2003, there were approximately 590 holders of all of our common stock.

The following description of the material terms of our capital stock is subject to our certificate of incorporation and bylaws, which are included as exhibits to the registration statement of which this Form 20-F forms a part, and the provisions of applicable Argentine law.

Price history of our stock on the *Bolsa de Comercio de Buenos Aires*

Our common shares are listed and traded on the *Bolsa de Comercio de Buenos Aires* under the trading symbol CRES . Our shares began trading on the *Bolsa de Comercio de Buenos Aires* on December 12, 1960. The following table shows, for the calendar periods indicated, the high and low closing sales price of our common shares on the *Bolsa de Comercio de Buenos Aires*. On December 16, 2003, the closing price for our common shares on the *Bolsa de Comercio de Buenos Aires* was, approximately, Ps. 4.05 per share.

	Share Price in Pesos	
	High	**Low**
Fiscal Year		
2003	2.80	1.52
2002	2.35	0.64
2001	1.05	0.76
2000	1.14	0.81
1999	1.94	0.95
1998	2.57	1.68
Fiscal Quarter		
2003		
4th quarter	2.74	2.10
3rd quarter	2.80	1.75
2nd quarter	2.42	1.75
1st quarter	2.50	1.52
2002		
4th quarter	2.35	1.88
3rd quarter	1.90	0.75
2nd quarter	0.89	0.64
1st quarter	1.02	0.90
2001		
4th quarter	1.05	0.80
3rd quarter	0.93	0.76
2nd quarter	0.85	0.76
1st quarter	0.89	0.79
2003		
May	2.45	2.30
June	2.74	2.49
July	2.62	2.30
August	2.72	2.40
September	2.70	2.43

October	4.14	2.65
November	4.40	3.60

Source: *Bloomberg*.

Table of Contents

Price history of our stock on Nasdaq National Market

Each of our american depositary shares represents 10 ordinary shares. Our American depositary shares are listed and traded on the Nasdaq National Market under the trading symbol CRESY . Our ADSs began trading on the Nasdaq in March 1997 and were issued by the Bank of New York Inc., acting as ADS Depositary. The following table sets forth, for the calendar periods indicated, the high and low closing sale prices of our ADSs on the Nasdaq. On December 16, 2003, the closing price for our ADSs on the Nasdaq was, approximately US$ 13.55 per ADS.

	U.S. Dollars per ADS	
	High	**Low**
Fiscal Year		
2003	10.00	4.10
2002	10.10	5.18
2001	10.50	7.50
2000	11.38	7.94
1999	17.79	10.00
1998	21.40	10.60
Fiscal Quarter		
2003		
4th quarter	10.00	6.80
3rd quarter	8.63	5.20
2nd quarter	6.25	4.60
1st quarter	6.70	4.10
2002		
4th quarter	6.70	5.18
3rd quarter	6.95	5.75
2nd quarter	9.00	6.15
1st quarter	10.10	9.00
2001		
4th quarter	10.50	8.00
3rd quarter	9.44	7.50
2nd quarter	8.63	7.50
1st quarter	8.94	8.13
2003		
May	8.8	8.0
June	10.0	8.8
July	9.4	7.9
August	9.4	8.2
September	9.5	8.3
October	14.4	9.3
November	15.1	12.7

B. PLAN OF DISTRIBUTION

This item is not applicable.

Table of Contents

C. MARKETS

Argentine Securities Markets

The *Comisión Nacional de Valores* is a separate governmental entity with jurisdiction covering the territory of the Argentine Republic. 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 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 recently 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 *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 solvency of the issuer. 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 *Bolsa de Comercio de Buenos Aires*.

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

The *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 *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.

The securities that may be listed on the *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 *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 *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 *Bolsa de Comercio de Buenos Aires* for simultaneous processing.

The Merval is a self-regulated incorporated business organization. The capital stock of such

Table of Contents

entity is divided into 183 stocks, the holders of which (natural or artificial persons) are thereby entitled to act as individual brokers or brokerage firms; i.e. to execute securities purchase and sale transactions in their own name and on behalf of third parties. Brokers receive a commission for their services.

The primary functions of the Merval are concerned with the settlement, surveillance and guarantee of market trades. This entity is also qualified to take disciplinary actions against individual brokers or brokerage firms who might violate the statutory rules in vigor, and/or the rules and regulations governing the Argentine Stock Market System.

Furthermore, the Merval regulates, coordinates and implements each and every aspect connected with stock exchange trading, types of securities, market mechanisms, terms and conditions of payment, and the like. Jointly with the *Bolsa de Comercio de Buenos Aires* is has implemented stock-watch mechanisms.

The Merval counts with a trading mechanism applicable to corporate securities and government bonds called Concurrent Market, where trades are executed screen-based or in the traditional open out-cry mode on the floor of the *Bolsa de Comercio de Buenos Aires* in an automated order-matching system. The Merval guarantees the settlement of all trades executed in the Concurrent Market.

Also trades on government and corporate bonds may be executed on the Continuous Trading Session (with or without Merval s settlement guarantee).

The cash mechanism (standard maturity) in the Concurrent Market admits the following operating forms:

- Automated trade execution based on orders entered from Sistema Integral de Negociación Asistida por Computadora work-stations or through open out-cry Floor-trade order slips.
- Open out-cry Floor-trade executions are subsequently inputted through order slips.

Open out-cry trades are executed pursuant to the rules applicable to traditional floor trading. Automated-execution trades based on the offers are carried out according to the rules of the electronic system. Both executions entail the registration of trades in a unique price-volume structure, and both modes of entering the system feed a unique order structure per issue.

Among the main features of the open out-cry mechanism carried out on the Floor, the following are highlighted:

- trades are executed open out-cry;
- they are perfected through the preparation of order slips; and

the best-offer rule applies and as in the electronic system, it open out-cry the Mercado de Valores settlement guarantee.

Block trading is allowed in a minimum amount of Ps. 200,000 for leader companies which are listed on the leader panel of the *Bolsa de Comercio de Buenos Aires*, and Ps. 100,000 for the companies listed on the general panel of the *Bolsa de Comercio de Buenos Aires*. Block trading takes place on the floor of the *Bolsa de Comercio de Buenos Aires* and is conducted in Spanish by continuous open outcry. Transaction of more than Ps. 1.0 million are announced on the floor and are put on stand by for approximately 30 minutes. For transactions of more than Ps. 5.0 million, a certificate of the units from Caja de Valores is additionally required.

Table of Contents

As to the electronic system, its outstanding characteristics are:

- trades are executed based on bids and offers entered in work-stations, i.e. computers linked to the Stock Exchange information network,

- trades are executed automatically,

- offers are recorded as per price-time priority, privileging the best of them.

These trades have the Mercado de Valores guarantee.

Brokers and brokerage firms may trade in this segment, either by buying or selling government and corporate bonds for their own account, executing trades with another broker or brokerage firm or any other intermediary, by means of direct negotiations. In this system the best-offer rule does not apply and traders´ compensations as well as stock market and stock exchange fees are implicit in the price agreed upon.

Trades must be reported in real-time for their dissemination, registration and publication. Counterparty trades are settled by Mercado de Valores, and may be channeled through the guaranteed or the non-guaranteed segment.

Over the Counter Market, MAE

The *Mercado Abierto Electronico* (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.

MAE has 82 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 and financial institutions, and mutual funds.

The majority shareholders of the Caja de Valores S.A. are the Bolsa de Comercio de Buenos Aires and the Mercado de Valores de Buenos Aires S.A. (49.98% each).

Table of Contents

Certain information regarding the *Bolsa de Comercio de Buenos Aires*

	As of June 30,		As of December 31,	
	2003	**2002**	**2001** [(1)]	**2000**
Market capitalization (Ps. Billon)	415.9	348.0	192.5	165.8
Average daily trading volume (Ps. Million)	29.5	17.7	30.9	38.8
Number of listed companies	113	114	119	125

Although companies may list all of their capital stock on the *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 *Bolsa de Comercio de Buenos Aires*.

As of June 30, 2003, approximately 113 companies had equity securities listed on the *Bolsa de Comercio de Buenos Aires*. As of June 30, 2003, approximately 25.6% of the total market capitalization of the *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 78% increase through September 30, 2002, measured in Pesos, and a 77% increase trough October 31, 2003, also measured in Pesos. To control volatility, the *Bolsa de Comercio de Buenos Aires* operates a system in which trades of an issuer s stock are suspended for one-half hour when such issuer s share price changes by more than 10% from its opening price.

D. SELLING SHAREHOLDERS

This section is not applicable.

E. DILUTION

This section is not applicable.

F. EXPENSES OF THE ISSUE

This section is not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Our Common Stock

As of December 16, 2003 our authorized capital stock consists of 133,828,237 shares of common stock, Ps. 10 par value per share. As of December 16, 2003, our outstanding capital stock consisted of 133,828,237 shares of common stock. In addition, we have 45,303,630 registered units consisting of US$ 45.3 million of 8% Convertible Notes due November 2007 and 49,849,997 warrants to purchase shares of common stock.

In the event that all the bondholders were to convert their Convertible Notes and exercise their warrants, our share capital would increase from 133,828,237 shares as of December 16, 2003 to approximately 321,212,303 shares.

Table of Contents

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Our Purposes

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 the Inspección General de Justicia (Public Registry of Commerce of the City of Buenos Aires) on February 19, 1937 under number 26, on page 2, book 45 of national bylaws volume. Pursuant to our Bylaws, our term of duration expires on July 6, 2082.

Pursuant to article 4 of our Bylaws 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 21,526 of financial entities;
- Farming and animal husbandry activities, for properties owned by us or by third parties; and
- Agency and advice activities for which there is not required a specific qualifying title.

Board of Directors

Voting of proposals in which directors have material interest

The Argentine Law of Corporations Nº 19,550 establishes in Section 271 that directors may contract with the company when the contract is related to the regular activities of the company and its terms and conditions are established on market terms. All other contracts with directors must be approved by the shareholders.

Notwithstanding that, Section 272 of the Law of Corporations Nº 19,550 provides that when a director has a conflict of interest with the company, he should notify the board of directors and the supervisory committee and refrain to vote on that matter. The violation of this provision results in the director being jointly and severally unlimitedly liable.

Approval of compensation of directors and supervisory committee

Our bylaws do not establish the compensation to be paid to members of the Board of Directors and the Supervisory Committee. Therefore pursuant to Section 261 of the Law of Corporations Nº 19,550, it must be approved by the shareholders. The maximum amount that may be paid as compensation to members of the Board of Directors, may not exceed 25% of the realized and net earnings of the company and 5% when there is no distribution of dividends. If the company does not distribute the total earnings, the amount of the compensation should be proportional to that distribution and within the mentioned limits. These limits may only be surpassed by express approval of the shareholders.

Borrowing powers of directors

Our bylaws establish, in Section 18, that the board of directors have full and broad powers to organize, manage and direct Cresud, aimed at fulfilling the corporate purpose.

Table of Contents

Retirement of directors

Our bylaws do not establish any requirements or provisions regarding age limits for directors retirement.

Rights, preferences and restrictions attaching to our shares

Dividend rights

The Law of Corporations No. 19,550 establishes that the distribution and payment of dividends to shareholders is valid only if dividends result from realized and net earnings of the company pursuant to the annual financial statements approved by the shareholders. The approval, amount and payment of dividends are subject to the approval of the Annual Ordinary Shareholders´ Meeting. That approval requires the affirmative vote of the majority of the shares present at the meeting with right to vote.

Dividends are paid pro rata according to the interests held by shareholders.

Under applicable *Comision Nacional de Valores* regulations, cash dividends must be paid to shareholders within 30 days of the decision approving their distribution. In the case of stock dividends, shares are required to be delivered within three months of the shareholders meeting approving the dividend. The right to collect dividends expires three years after the dividends were made available to shareholders.

To the extent that we declare and pay dividends on our stock, owners of ADSs on the relevant record date will be entitled to receive any dividends payable in respect of the common stock underlying the ADSs. Cash dividends will be paid in Pesos and, except in certain circumstances, will be converted by the Depositary into U.S. dollars at the prevailing exchange rate on the date of conversion and paid to the owners of the ADSs net of any applicable dividend distribution fees, costs, and expenses of conversion, taxes and governmental charges.

The shareholders meeting may authorize payment of dividends on a quarterly basis provided no applicable regulations are violated. In that case, all and each of the members of the Board of Directors and the Supervisory Committee will be jointly 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.

Voting rights and Staggered Elections

Our capital stock is composed of book-entry common shares with par value of Ps. 1 per share and entitled to one vote each.

All directors and alternate directors are elected for a three-year term.

Our bylaws do not consider staggered elections.

Rights to share in our profits

The holders of our common shares have the right to participate in our net and realized profits on a pro rata basis.

Pursuant to the Law of Corporations No. 19,550 and Section 29 of our bylaws, liquid and realized profits of each fiscal year shall be distributed as follows:

allocate 5% of such net profits to legal reserve, until the amount of such reserve equals 20% of the capital stock;

the amount established by the shareholders meeting as remuneration of the Board of Directors and the supervisory committee;

dividends, additional dividends to preferred shares if any, or to optional reserve funds or contingency reserves or to a new account, or for whatever purpose the shareholders meeting determines.

Rights to share in any surplus in the event of liquidation

Section 30 of our bylaws determine that, in the event of our liquidation, dissolution or winding-up, the assets (i) will be applied to satisfy liabilities and (ii) will be proportionally distributed among holders of preferred stock if there are any and in accordance with the terms of the preferred stock. If any surplus remains, the holders of common shares are entitled to receive and share on a pro rata basis in all net assets remaining for distribution.

Procedure to change the rights of holders of our stock

The rights of holders of our stock are established in the Law of Corporations No. 19,550 and in our bylaws. The rights of shareholders provided for by the Law of Corporations No. 19,550 may not be diminished by the bylaws. Section 235 of the Law of Corporations No. 19,550 establishes that the amendment of the bylaws should be approved by the shareholders of the company at an Extraordinary Shareholders´ Meeting.

On October 31, 2003 the Company resolved in the Ordinary and Extraordinary Annual Shareholders Meeting not to adhere to the Régimen Estatutario Optativo de Oferta Pública de Adquisición Obligatoria (Optional Statutory Body of Public Offering of Compulsory Acquisition) provided under Decree No. 677/2001, consequently, shareholders decided to incorporate that provision under section 1 of the by-laws.

Ordinary and extraordinary shareholders meeting

Our bylaws establish that any meeting must be called by the Board of Directors or by the Supervisory Committee in the assumptions provided for by law or at the request of the holders of shares representing no less than 5% of the share capital. Any meetings requested by shareholders must be held within 30 days after the request is made. Annual meetings may be called simultaneously for the first and second call as set forth in section 236 of the Law of Corporations No. 19,550, regardless of the provisions contained therein for the case of unanimous meetings. Upon failure to give simultaneous call, the meeting on second call, due to failure to constitute quorum on first call, must be held within 30 days after such meeting, complying with all notices required by applicable regulations.

Any shareholder may appoint any person as his duly authorized representative at whatever meeting, by granting a proxy with duly certified signature. Co-owners of shares must have single representation.

In order to attend a shareholders meeting, shareholders should deposit with the company the share certificate issued by the registrar agent, at least 3 business days prior to the date of the respective shareholders´ meeting. We will deliver the respective receipt which will be required for admission to the shareholders´ meeting. On the day of the meeting, the shareholders or their representatives will have to fill in their addresses, identity document and number of votes and will sign the Shareholders Meetings Attendance Book.

Table of Contents

The meetings shall be presided over by the Chairman of the Board of Directors.

The first call of the ordinary shareholders meeting requires the attendance of shareholders representing a majority of the shares with voting rights. The second call does not require a minimum of shares with right to vote. In both cases, resolutions shall be adopted by the absolute majority of the votes that may be cast in the relevant decision.

The first call of the extraordinary shareholders meeting requires the attendance of shareholders representing 60% of the shares with voting rights. The second call does not require a minimum of shares with right to vote. In both cases, resolutions shall be adopted by the absolute majority of the votes that may be cast in the relevant decision.

Limitations to own securities by non-resident or foreign shareholders

There are no legal limitations an ownership of securities or exercise of voting rights, by non-resident or foreign shareholders.

Ownership threshold above which ownership should be disclosed

The *Comisión Nacional de Valores* regulations require that transactions which cause a person s holdings of capital stock of a registered Argentine company, to be 5% or more of the voting power, must be immediately reported to the *Comisión Nacional de Valores*. Thereafter, every change in the holdings that represents a multiple of 5% of the voting power must also be reported.

Directors, senior managers, executive officers, members of the supervisory committee, and controlling shareholders of an Argentine company whose securities are publicly offered, must notify the *Comisión Nacional de Valores* on a monthly basis, their beneficial ownership of shares, debt securities, and call and put options related to securities of such companies and their controlling, controlled or affiliated companies.

Further, the *Comisión Nacional de Valores* must be immediately notified of transactions which cause a person s holdings of capital stock of an Argentine company whose securities are publicly offered to be 5% or more of the voting power and every change in the holdings that represents a multiple of 5% of the voting power. Holders of more than 50% of the common shares or who otherwise control decision making in shareholders meetings, as well as directors, officers and members of the supervisory committee, must provide the *Comisión Nacional de Valores* with annual reports of their holdings in the capital stock of such companies and monthly reports of any change in their holdings.

C. MATERIAL CONTRACTS

We do not have any material contract entered into outside the ordinary course of business.

D. EXCHANGE CONTROLS

Currency exchange regulation

Pursuant to Decree No. 260/2002 enacted by the Executive Power on February 8th, 2002, the dual exchange rate system in force since January 2002 has been eliminated. This dual system established an official exchange rate of Ps.1.40 equal to 1 U.S. dollar and a free exchange rate, and was replaced by a unique and free exchange market. All foreign currency exchange transactions must be carried out in the free exchange market, in which the Argentine Central Bank participates by purchasing and selling foreign currency.

Table of Contents

Import and export of capital

Import of capital

At present, there are no laws, executive orders or regulations nor any exchange controls in force in Argentina limiting the import of capital.

Pursuant to the Argentine Foreign Investment Law No. 21.382, and Decree No. 1853, enacted in 1993, the purchase by foreign investors (any natural or legal person domiciled out of Argentina or an Argentine company of foreign capital) of capital participation in a company existing in Argentina (according to the Foreign Investment Act) shall constitute a foreign investment.

At present there are no restrictions on foreign investment in industries other than public broadcasting media, and no prior authorization is required to make foreign investments.

Therefore, no prior authorization is required for the purpose of purchasing securities of our Company.

See Item 3: Key Information B. Exchange Rates

Export of capital including the availability of cash or cash equivalents.

From 1989 to December 3, 2001, there were no exchange controls restricting the peso-U.S. dollar translation or the remittance of U.S. dollars abroad. In compliance with the economic measures set forth by the Government by means of Decree No. 1570/2001 dated December 1, 2001 and subsequent amendments thereto, aimed at protecting the integrity of the Argentine financial system, money could not be transferred abroad, unless expressly authorized by the Argentine Central Bank.

Effective May 6, 2003, the prior authorization by the Argentine Central Bank to remit funds abroad in order to pay principal and/or interest is no longer required, provided certain conditions are met (such as a certificate evidencing compliance with the Argentine Central Bank regulations in connection with application of funds to repay debts).

The Argentine Central Bank issued Communication A 3944 and other similar measures for the purpose of managing the value of the Argentine peso in relation to the U.S. dollar. It cannot be anticipated whether the Argentine Central Bank will be able to achieve the referred purpose in the short term. In addition, it cannot be foreseen whether the Argentine Central Bank will introduce new amendments to exchange control regulations in order to control the quotation of the Argentine peso. Any amendment to the referred Communication restricting payments in foreign currency abroad will prevent us from meeting our liabilities abroad in foreign currency.

Nowadays, exchange transactions can be freely performed in Argentina, however, the Argentine Central Bank has recently imposed particular restrictions on certain exchange transactions.

Remission of Dividends, interests or other payments to holders of securities in our Company, to non residents.

In compliance with the economic measures set forth by the Argentine Government by means of Decree No. 1570/2001 dated December 1st, 2001, as amended by Decree No. 1606/2001 and Law No. 25,557, aimed at protecting the integrity of the Argentine financial system, some limitations have been imposed on export of capital. See: Export of Capital, including the availability of cash or cash equivalents.

The Argentine exchange market was subject to controls up to December 1989, when a floating exchange rate for all foreign currency transactions was established. From 1989 to December 3, 2001, there were no exchange controls restricting the peso-U.S. dollar translation or the remittance of U.S.

Table of Contents

dollars abroad. From December 3, 2001 to January 2, 2003, remittances of foreign currency, except for certain transactions, should be authorized by the Argentine Central Bank, including payments made by Argentine debtors in connection with financial debts principal. Although, in general, exchange transactions can be freely performed in Argentina, recently, the Argentine Central Bank imposed restrictions on certain exchange transactions.

E. TAXATION

United States taxation

The following summary describes the material United States federal income tax consequences of the ownership of shares and ADSs as of the date hereof. The discussion set forth below is applicable to U.S. Holders (as defined below). Except where noted, this discussion deals only with U.S. Holders (as defined below) that purchase the shares or ADSs as capital assets and that do not have a permanent establishment in Argentina, are not residents of Argentina, are not domiciled in Argentina, are not organized in Argentina, do not have a local branch in Argentina, do not carry on certain commercial activities, do not fall within the legal presumption for non-Argentine legal entities with respect to the Argentine Personal Assets Tax, do not own an Argentine bank account and are not physically present in Argentina for 183 days or more within a calendar year. This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a bank;
- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax exempt organization;
- a person holding the shares or ADSs as part of a hedging, integrated or conversion transaction, constructive sale or straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person liable for alternative minimum tax;

a person who owns more than 10% of the voting stock of our company;

an investor in a pass-through entity; or

a United States person whose functional currency is not the U.S. dollar.

Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in federal income tax

Table of Contents

consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depositary (the Depositary) to us and assumes that the deposit agreement governing the ADSs, and all other related agreements, will be performed in accordance with their terms. **IF YOU ARE CONSIDERING THE PURCHASE, OWNERSHIP OR DISPOSITION OF SHARES OR ADSS YOU SHOULD CONSULT YOUR OWN TAX ADVISOR CONCERNING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO YOU AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION.**

U.S. Holder means a beneficial owner of a share, or ADS that is for United States federal income tax purposes:

- a citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States or any political subdivision of the United States;
- an estate the income of which is subject to United States federal income taxation regardless of its source;
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons has authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership holds shares or ADSs, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding shares or ADSs, you should consult your tax advisors.

ADSs

In general, for United States federal income tax purposes, U.S. Holders of ADSs will be treated as the owners of the underlying shares that are represented by the ADSs. However, the United States Treasury has expressed concerns that parties to whom depositary shares are pre-released may be taking actions that are inconsistent with the claiming of foreign tax credits by the holders of ADSs. Accordingly, the analysis of the creditability of Argentine taxes described herein could be affected by future actions that may be taken by the United States Treasury. Deposits or withdrawals of shares by U.S. Holders for ADSs will not be subject to United States federal income tax.

Distributions on Shares or ADSs

Subject to the discussion under Passive Foreign Investment Company Rules below, distributions on the shares or ADSs, (including net amounts withheld to reflect Argentine withholding taxes, if any) will be taxable as dividends to the extent of our current and accumulated earnings and profits (as determined under United States federal income tax principles). Such income will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of shares, or by the ADS depositary, in the case of ADSs. Such dividends will not be eligible for the dividends-received deduction.

The amount of any dividend paid in Pesos will equal the U.S. dollar value of the Pesos received calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by you in the case of shares, or by the ADS depositary, in the case of ADSs, regardless of whether the Pesos are converted into U.S. dollars. If the Pesos received are not converted into U.S. dollars on the day of receipt, you will have a basis in the Pesos equal to their U.S. dollar value on the date of receipt. Any gain or loss you realize on a subsequent conversion or other disposition of the Pesos will be treated as United States source ordinary income or loss.

Subject to certain significant conditions and limitations, Argentine tax withheld from dividends, if any, may be treated as foreign income tax eligible for credit or deduction against your United States federal income tax liability. For purposes of the foreign tax credit, dividends paid on the shares will be treated as income from sources outside the United States and will generally constitute passive income or, in the case of certain United States Holders, financial services income. The rules governing the foreign tax credit are complex. Investors are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Taxation of Capital Gains

Subject to the discussion under Passive Foreign Investment Company Rules below, upon the sale, exchange or other disposition of shares or ADSs, you generally will recognize capital gain or loss equal to the difference between the U.S. dollar value of the amount realized upon the sale, exchange or other disposition and the adjusted tax basis of the shares or ADSs, determined in U.S. dollars. The capital gain or loss will be long-term capital gain or loss if at the time of sale, exchange or other disposition you have held the shares or ADSs for more than one year. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation depending upon the holding period of such capital assets. The deductibility of capital losses is subject to limitations. Any gain or loss you recognize will generally be treated as United States source gain or loss.

Passive Foreign Investment Company Rules

Although it is an inherently uncertain factual issue, we may be a PFIC for the current or future taxable years.

In general, we will be a PFIC for any taxable year in which, either (i) at least 75% of the gross income of our company for the taxable year is passive income or (ii) at least 50% of the value (determined on the basis of a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income generally includes dividends, interest, royalties, rents (other than rents and royalties derived in the active conduct of a trade or business and not derived from a related person), annuities and gains from assets that produce passive income. If we own at least 25% by value of the stock of another corporation, we will be treated for purposes of the PFIC tests as owning a proportionate share of the assets of the other corporation, and as receiving directly a proportionate share of the other corporation s income.

The determination of whether we are a PFIC is made annually. If we are a PFIC for any taxable year during which you hold shares or ADSs in our company, unless you make the mark-to-market election discussed below, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our shares or ADSs, you will be subject to special tax rules with respect to any excess distribution received and any gain realized from a sale or other disposition, including a pledge, of such shares or ADSs. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the equity interests will be treated as excess distributions. Under these special tax rules (i) the excess distribution or gain will be allocated ratably over your holding period for the equity interests, (ii) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and (iii) the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method provided that such stock is regularly traded on a qualified exchange. Under current law, the mark-to-market election is only available for stock traded on certain designated United States exchanges and foreign exchanges which meet certain trading, listing, financial disclosure and other requirements to be treated as a qualified exchange under applicable United States Treasury regulations. Consequently, the mark-to-market election may be available to you with respect to the ADSs because the ADSs will be listed on the Nasdaq, which constitutes a qualified exchange under the regulations, although there can be no assurance that the ADSs will be regularly traded. You should note that only the ADSs and not the shares are listed on the Nasdaq. The shares are listed on the *Bolsa de Comercio de Buenos Aires*. Consequently, the *Bolsa de Comercio de Buenos Aires* would need to meet the trading, listing, financial disclosure and other requirements of the United States Treasury regulations. The ADSs or shares would need to be regularly traded on such exchanges in order for the ADSs or shares to be potentially eligible for the mark-to-market election.

If we are a PFIC in any taxable year in which you hold our shares or ADSs, but you do not make a mark-to-market election until a subsequent taxable year, you will be subject to special rules in the taxable year of the election. You should consult your own tax advisors regarding the application of the mark-to-market election in your particular situation.

If you make an effective mark-to-market election, you will include in income each year as ordinary income, rather than capital gain, the excess, if any, of the fair market value of your PFIC shares or ADSs at the end of the taxable year over your adjusted tax basis in the shares or ADSs and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of such shares or ADSs over their fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. Your basis in the shares or ADSs will be adjusted to reflect any such income or loss amounts. Any gain or loss on the sale of the shares or ADSs will be ordinary income or loss, except that such loss will be ordinary loss only to the extent of the previously included net mark-to-market gain.

If you make a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the shares or ADSs are no longer regularly traded on a qualified securities exchange or the IRS consents to the revocation of the election. Under proposed Treasury regulations, mark-to-market inclusions and deductions will be suspended during taxable years in which are not a PFIC, but would resume if they subsequently become a PFIC. You are urged to consult your own tax advisor about the availability of making such a mark-to-market election.

Alternatively, a United States Holder of shares or ADSs in a PFIC can sometimes avoid the rules described above by electing to treat the company as a qualified electing fund under section 1295 of the Code. This option is not available to you because we do not intend to comply with the requirements necessary to permit you to make this election.

A United States Holder who owns shares or ADSs during any year that we are a PFIC must file IRS Form 8621.

You should consult your own tax advisors concerning the United States federal income tax consequences of holding the shares or ADSs if we are considered a PFIC in any taxable year.

Table of Contents

Argentine Personal Assets Taxes

Amounts paid on account of the Argentine Personal Assets Taxes, if any, will not be eligible as a credit against your United States federal income tax liability, but may be deductible subject to applicable limitations in the Code.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to distributions on shares or ADSs and to the proceeds of sale of a share or ADS paid to United States Holders other than certain exempt recipients (such as corporations). Backup withholding may apply to such payments if you fail to provide a correct taxpayer identification number or certification of foreign or other exempt status or fail to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided you furnish the required information to the IRS.

Argentine Taxation

The following discussion is a summary of certain Argentine tax considerations associated with an investment in, ownership or disposition of, the shares or the ADSs by an individual holder that is not domiciled or resident in Argentina and a legal entity that is not organized under the laws of Argentina and does not have a permanent establishment in Argentina or is not otherwise doing business in Argentina on a regular basis (a Foreign Holder). The discussion is for general information only and is based on current Argentine tax laws. Moreover, while this summary is considered to be a correct interpretation of existing laws in force as of the date of this 20-F Form, no assurance can be given that the courts or administrative authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws or interpretations will not occur. **PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES ARISING UNDER ANY TAXING JURISDICTION**.

Taxation of Dividends

Dividends, either in cash, shares or kind approved by our shareholders are currently exempt from Argentine withholding or other taxes.

Notwithstanding the foregoing, according to Argentine law, income tax will be applied to the amount of dividends distributed in excess of a company s net taxable income determined in accordance with general income tax regulations for the fiscal years preceeding 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

Gains on sales or other dispositions of shares or ADSs by non-resident individuals and foreign entities without a permanent establishment in Argentina are currently exempt from taxation. Notwithstanding, if the foreign entity qualifies as an Offshore Taxable Entity and shares or ADS s are not listed, sales or other dispositions of such shares or ADSs are taxable at the rate of 17,5%.

Table of Contents

An Offshore Taxable Entity is a foreign entity without permanent establishment in Argentina which (i) pursuant to its bylaws or to the applicable regulatory framework has its principal investing activity outside the jurisdiction of its incorporation and/or (ii) cannot perform in the jurisdiction of its incorporation certain transactions and/or investments expressly indicated in its bylaws or in the applicable regulatory framework.

Gains on sales or other dispositions of listed shares or ADSs by resident individuals are currently exempt from taxation. In the case of non listed shares or ADS s its sale or other dispositions are taxable at the rate of 9% up to 15%, but the losses generated by such transactions may only be offset against income from the same type of transactions.

Gains on the sale or other dispositions of shares or ADSs by Argentine entities are subject to Argentine income tax at the fixed rate of 35% but the losses generated by such transaction may only be offset against income from the same type of transactions.

Notwithstanding the foregoing, on July 3, 2003, the Attorney of the Argentine Republic Treasure has passed Judgment N° 351/03 in which interprets that, as from the enactment of Law No. 25,556, the above-mentioned regime is no longer in force. No assurance can be given on the applicable regime, as of today, no official interpretation of this judgment has been made.

WE RECOMMEND PROSPECTIVE INVESTORS TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES CONCERNING THE SALE OR OTHER DISPOSITIONS OF THE SHARES OR ADS´s.

Value Added Tax

The sale, exchange, disposition, or transfer of shares or ADSs is not subject to Value Added Tax.

Personal Assets Tax

Law No. 25,585 issued on April 24, 2002 and published in the Official Gazette on May 15, 2002 (and applicable to personal assets held as of December 31, 2002) introduces amendments to Law No. 23,966 and imposes the personal assets tax on shares and ADSs held by individuals and undivided estates domiciled or located in Argentina or abroad and legal entities not domiciled in Argentina, separately from other assets.

This amendment imposes the obligation to pay the personal assets tax on the Argentine private issuer of the shares and ADSs, and authorizes it to seek recovery of the amount so paid, without limitation, by way of withholding or by foreclosing on the assets that gave rise to such payment. The tax is levied on the shares proportional equity value of the shares as reflected in the most recent balance sheet closed as of December 31 of the taxable year, at the rate of 0.5% without any non-taxable minimum being applicable.

Tax on Minimum Notional Income (Impuesto a la Ganancia Minima Presunta, IGMP)

Companies domiciled in Argentina, partnerships, foundations, sole proprietorships, trusts, certain mutual funds organized in Argentina, and permanent business establishments owned by foreign persons, among other taxpayers, shall apply a 1% rate to the total value of assets held by such persons, above an aggregate nominal amount of Ps. 200,000. Nevertheless, shares and ADSs issued by entities subject to such tax, are exempt from paying the IGMP.

Table of Contents

Gross Income Tax

The gross income tax is local in nature; therefore, the rules of the relevant provincial jurisdiction should be considered, which may levy this tax on the purchase and sale of shares and/or the collection of dividends. In the particular case of the city of Buenos Aires, any transaction involving shares and/or the collection of dividends and revaluations is exempt from this tax.

There is no gross income tax withholding system applicable to the payments made to foreign beneficiaries. Those investors who customarily perform, or who are deemed to perform, transactions in any jurisdiction in which they obtain their income from the sale of shares and/or the collection of dividends are subject to this tax at an averagerate of 3%, unless an exemption is applicable to them.

Stamp Tax

The stamp tax is a local tax that is generally levied on the instrumentation of onerous acts executed within a certain territorial jurisdiction or outside a certain territorial jurisdiction but with effects in such jurisdiction.

In the city of Buenos Aires, the stamp tax has been repealed for all those acts that do not imply an onerous conveyance of real property. However, most provincial tax authorities maintain this tax in effect for all acts in general; therefore, the instruments which implement onerous transactions (including issuance, subscription, placement and transfer) involving the shares or ADSs, executed in other jurisdictions, or with effects in those jurisdictions, could be deemed to be subject to this tax.

Court and Other Taxes

In the event that it becomes necessary to institute legal actions in relation to the shares or ADS´s in Argentina, a court tax (currently at a rate of 3.0%) will be imposed on the amount of any claim brought before the Argentine courts sitting in the city of Buenos Aires.

Argentina imposes neither an estate nor gift tax on a decedent, donor, legatee or donee. No Argentine tax is imposed on the deposit or withdrawal of shares in exchange for ADSs. Other than the taxes discussed above, no other Argentine taxes are applicable to an investment in shares or ADSs. At present, there is no national tax specifically applicable to the transfer of securities.

Tax Treaties

Argentina has entered into tax treaties with several countries. There is currently no tax treaty or convention in effect between Argentina and the United States.

F. DIVIDENDS AND PAYING AGENTS

This section is not applicable.

G. STATEMENT BY EXPERTS

This section is not applicable.

H. DOCUMENTS ON DISPLAY

We file annual, quarterly and other information with the SEC. You may read and copy any document that we file at the public reference rooms of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. Our Internet address is http://www.cresud.com.ar. It should be noted that nothing on our website should be considered part of this annual report on Form 20-F. You may request a copy of these filings at no cost, by writing or calling the office at +54 (11)-4814-7800.

I. SUBSIDIARY INFORMATION

This section is not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are exposed to commodity price, interest rate and exchange rates risks, primarily related to our integrated crop production activities and changes in exchanges rates and interest rates. We manage our exposure to these risks through the use of various financial instruments, none of which are entered into for trading purposes. We have established policies and procedures governing the use of financial instruments, specifically as it relates to the type and volume of financial instruments entered into Financial instruments can only be used to hedge an economic exposure.

The following discusses our exposure to these risks. This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors including those set forth in the risk factors section of this Form 20-F. Uncertainties that are either nonfinancial or nonquantifiable, such as political, economic, tax, other regulatory, or credit risks, are not included in the following assessment of our market risks.

Interest Rate Risk

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including both government and corporate obligations and money market funds. Under U.S. GAAP, these securities are generally classified as available for sale and consequently are recorded on the balance sheet at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income, net of estimated tax.

Investments in both fixed rate and floating rate interest earning instruments carry varying degrees of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates. In general, longer dated securities are subject to greater interest rate risk than shorter dated securities. While floating rate securities are generally subject to less interest rate risk than fixed rate securities, floating rate securities may produce less income than expected if interest rates decrease. Due in part to these factors, our investment income may fall short of expectations or we may suffer losses in principal if securities that have declined in market value due to changes in interest rates are sold. To date, we have not utilized derivative financial instruments to hedge interest rate risk, however, there can be no assurance as to the employment of hedging strategies in the future.

Foreign Exchange Exposure

From April 1, 1991, until the beginning of 2002, Convertibility Law No. 23,928 was applicable to Argentina. This law established a fixed exchange rate, under which the Argentine Central Bank was obliged to sell U.S. dollars to any person at a fixed rate of one Peso per U.S. dollar. Accordingly, the foreign currency fluctuations were reduced to a minimum level, during this period.

Table of Contents

The primary economic change implemented by the current Argentine government in January 2002 was the announcement of the devaluation of the Peso. Due to the end of the Convertibility Plan, our foreign exchange exposure has increased considerably.

Foreign currency exchange rate fluctuations could impact our cash flow in Pesos, since some of our products and inputs are payable in U.S. dollars. Although most of our liabilities are denominated in Pesos, a small percentage are 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 *Bolsa de Comercio de Buenos Aires*, and as a result would likely affect the market price of our ADSs in the United States.

Derivative Financial Instruments

We use a variety of commodity-based derivative instruments, as hedges to manage our exposure to price volatility stemming from our integrated crop production activities. These instruments consist mainly of crop futures 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. We do not hold or issue these derivative instruments for trading purposes and are not a party to any instruments with leverage or prepayment features. 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 do not expect any losses as a result of counterparty defaults.

Derivative financial instruments involve, to a varying degree, elements of market and credit risk not recognized in the financial statements. The market risk associated with these instruments resulting from price movements is expected to offset the market risk of the underlying transactions, assets and liabilities, being hedged. The counterparties to the agreements relating to our futures and options contracts consist of a number of major institutions with high credit ratings. We do not believe that there is a significant risk of nonperformance by these counterparties because we continually monitor the credit rating of such counterparties, and limit the financial exposure and the amounts of agreements entered into with any one financial institution. While the contract or notional amounts of derivative financial instruments provide one measure of the volume of these transactions, they do not represent the amount of our exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of counterparties to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparties obligations under the contracts exceed our obligations to the counterparties.

Table of Contents

At June 30, 2003, we had outstanding futures and options as follows:

Crop	Tons	Deposit/Cost (Ps.)	Premium Paid (Collected) (Ps.)	Option Market Value as of 06/30/03 (Ps.)	Market Value (Loss) Gain as of 06/30/03 (Ps.)
FUTURES					
Purchase					
Corn	400	7,560			
Sale					
Soybean	700	18,900			(3,100)
Wheat	1,900	35,910			(12,107)
OPTIONS					
Call Buy					
Corn	5,080		132,023	40,498	(91,525)
Soybean	10,880		437,153	400,724	(36,429)
Wheat	10,880		275,2454	132,225	(143,019)
Put Buy					
Corn	2,540		31,387	46,573	15,186
Call sale					
Corn	8,890		(98,410)	(21,599)	76,811
Soybean	16,320		(261,752)	(205,084)	56,668
Wheat	11,880	16,200	(151,121)	(66,928)	84,193
Total	**69,470**	**78,570**	**364,524**	**326,409**	**(53,322)**

The deposits/cost on open futures and options as of June 30, 2003 were Ps. 78,570, futures generated an unrealized loss of Ps. 15,207. The premiums paid for open options as of June 30, 2003 amounted to Ps. 364,524, the market value of such options was of Ps. 326,409. The options resulted in an unrealized loss of Ps. 38,115. The total unrealized loss on open futures and options was Ps. 53,322 as of June 30, 2003.

Set forth below is the information regarding changes in the fair market value of future and option contracts at June 30, 2003:

Fair market value of contracts outstanding at the beginning of the year	Ps. 237,657
Contracts realized or otherwise settled during the year	(237,657)
Fair value of contracts when entered into during the year	443,094
Other changes in fair value	(53,322)
Fair value of contracts outstanding at the end of the year(a)	389,772

(a) As of June 30, 2003, the maturity dates of all futures and option contracts are less than one year.

Our futures and option contracts are not exchange traded. We do not hold or issue derivative instruments for trading purposes and are not a party to any instruments with leverage or pre-payment features. The fair value of our futures and options contracts is determined calculating the market value of futures contracts, the market value of options acquired and sold and the margin deposits of these contracts. We do not use valuation models and none of the happened changes in fair market value is consequence of changes in valuation method.

We enter into future contracts to manage our commodity price risk, with the further objective of maintaining specified gross margins. In this regard, the hypothetical loss in earnings is calculated considering a hypothetical 10% increase in commodity prices. In order to calculate the hypothetical loss, the relevant parameters of the future contracts are the type of commodities and the delivery price; due to the short period before expiration, time value is ignored. As set forth in the chart below, the hypothetical loss is estimated to be Ps. 0.27 million.

Table of Contents

We use the options operations to combine them with the futures operations, only as a means to reduce the exposure towards the increase of the prices, as the fact of being a producer implies the position of being bought, up to the moment that the grains are harvested and sold.

Futures and Options

Crop	Tons	Future Price (Ps.)	Total Amount (Ps.)	Strike Price (Ps.)	Premium Cost (Ps./Ton)	Unrealized Gain Increase (Ps.)	Unrealized Loss Earnings (Ps.)
Corn							
Futures							
Buy	400	226.13	90,452			248.74	9,045
Options							
Call Buy	5,080			244.48	25.99	261.63	(132,023)
Put Buy	2,540			244.48	12.36	261.63	(31,386)
Call Sale	8,890			285.47	(11.07)	261.63	98,410
Soybean							
Futures							
Sale	700	445.12	311,584			489.63	31,159
Options							
Call Buy	10,880			535.73	40.18	602.94	(437,154)
Call Sale	16,320			615.09	(16.04)	602.94	261,752
Wheat							
Futures							
Sale	1,900	283.88	539,372			312.27	53,937
Options							
Call Buy	10,880			337.31	25.30	349.75	(275,245)
Call Sale	11,880			370.71	(12.72)	330.26	151,121
			941,408				(270,384)

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

This item is not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Defaults and partial waivers and debt agreements with IRSA´s creditors

Nowadays, IRSA, pursuant to a restructuring and reorganization plan is setting forth the necessary measures to restore its liquidity position. Consequently, it is currently in payment of its outstanding debts.

Table of Contents

However, IRSA´s subsidiary Hoteles Argentinos, owner of the Hotel Sheraton Libertador, has not paid yet principal installments for a total of US$ 2.4 million, that were due between July 29, 2002 and October 29, 2003 and interest installments for a total amount of US$846,000, under the US$ 12.0 million loan. Although Hoteles Argentinos Management is renegotiating its debt with its creditors, IRSA cannot assure you that an agreement will be reached.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Within the 90 days prior to the date of this report, we carried out an evaluation of the controls and procedures of our company with the participation of our Chief Executive Officer and Chief Financial Officer to determine the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in all material respects to ensure that the information we file and submit under the U.S. Securities and Exchange Act of 1934 is recorded, processed, summarized and reported as and when required.

Furthermore, the evaluation found no significant changes in our internal controls or other factors that could significantly affect these controls, including any corrective actions with regards to significant deficiencies and material weaknesses.

ITEM 16

A. AUDIT COMMITTEE FINANCIAL EXPERT

In our annual ordinary shareholders meeting held on October 31, 2003, the audit committee plan was unanimously approved. Pursuant to this plan, the Board of Directors shall appoint the members of the audit committee who shall have expertise in corporate administration, finance and accounting. This committee shall be constituted before May 28, 2004.

Therefore, after appointment of the members of this committee, our Board of Directors of the Company will determine if there is an audit committee financial expert serving on the audit committee according with the rules adopted by the SEC.

B. CODE OF ETHICS

One of the responsibilities of our audit committee will be to assist the Board of Directors in the conduct and ethic of our business and the preparation or modification of a Code of Ethics or Conduct for our principal executive officer, principal financial officer, principal accounting officer or controller and other persons performing similar functions.

Therefore, we expect that after appointment of the members of the audit committee this entity will start working in the preparation and implementation of the code.

C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

This section is not applicable.

D. EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

This section is not applicable.

Table of Contents

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of responding to this Item.

ITEM 18. FINANCIAL STATEMENTS

The following consolidated financial statements are filed as part of this Form 20-F.

ITEM 19. [INDEX OF EXHIBITS]

Exhibit No.	Description of Exhibit
3.1*	*Estatutos* of the registrant, which serve as the registrant s articles of incorporation and bylaws, and an English translation thereof.
4.1**	Unit Agreement between the registrant and the Bank of New York.
4.2**	Indenture between the registrant and the Bank of New York.
4.2**	Warrant Agreement between the registrant and the Bank of New York, as warrant agent.
4.3*	Consulting Agreement among Cresud S.A.C.I.F. y A. and Dolphin Fund Management S.A. dated October 25, 1994.
21.1**	Subsidiaries of the registrant

* Incorporated herein by reference to the exhibit to the registrant s registration statement on Form F-1 (File No. 333-06548)
** Incorporated herein by reference to the same-numbered exhibit to the registrant s registration statement on Form F-3 (File No. 333-90476)

Table of Contents

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to signed this annual report on its behalf.

CRESUD S.A.C.I.F. Y A.

/s/ Alejandro G. Elsztain

By: Alejandro G. Elsztain

Position: Director and Chief Executive Officer

December 29, 2003.

Table of Contents

SECTION 302 CERTIFICATION

I, Alejandro G. Elsztain, certify that:

1. I have reviewed this annual report on Form 20-F of Cresud Sociedad Anónima Comercial Inmobiliaria Financiera y Agropecuaria;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us and others within those entities, particularly during the period in which this report is being prepared;

   (b) evaluated the effectiveness of the registrant s disclosure controls and procedures within 90 days prior to the filing date of this annual report (the Evaluation Date); and

   (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent function):

   (a) all significant deficiencies in the design or operation of internal controls and procedures which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls;

6. The registrant s other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ ALEJANDRO G. ELSZTAIN

Alejandro G. Elsztain
Chief Executive Officer
Cresud Sociedad Anónima Comercial Inmobiliaria
Financiera y Agropecuaria

Dated: December 29, 2003.

Table of Contents

I, Clarisa D. Lifsic, certify that:

1. I have reviewed this annual report on Form 20-F of Cresud Sociedad Anónima Comercial Inmobiliaria Financiera y Agropecuaria;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

    (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us and others within those entities, particularly during the period in which this report is being prepared;

    (b) evaluated the effectiveness of the registrant s disclosure controls and procedures within 90 days prior to the filing date of this annual report (the Evaluation Date); and

    (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant s auditors and the audit committee of the registrant s board of directors (or persons performing the equivalent function):

    (a) all significant deficiencies in the design or operation of internal controls and procedures which could adversely affect the registrant s ability to record, process, summarize and report financial data and have identified for the registrant s auditors any material weaknesses in internal controls; and

    (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant s internal controls;

Table of Contents

6. The registrant s other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ M. CLARISA D. LIFSIC

Clarisa D. Lifsic
Chief Financial Officer
Cresud Sociedad Anónima Comercial Inmobiliaria
Financiera y Agropecuaria

Dated: December 29, 2003.

Table of Contents

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of Cresud Sociedad Anónima Comercial Inmobiliaria Financiera y Agropecuaria (the Company) for the year ended June 30, 2002 as filed with the U.S. Securities and Exchange Commission on the date hereof (the Report), Alejandro G. Elsztain, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that

(1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities and Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Alejandro G. Elsztain

By: Alejandro G. Elsztain
Chief Executive Officer

December 29, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except as to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended.

Table of Contents

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 20-F of Cresud Sociedad Anónima Comercial Inmobiliaria Financiera y Agropecuaria (the Company) for the year ended June 30, 2002 as filed with the U.S. Securities and Exchange Commission on the date hereof (the Report), Clarisa D. Lifsic, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that,

(1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities and Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Clarisa D. Lifsic

By: Clarisa D. Lifsic
Chief Financial Officer

December 29, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except as to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

Report of Independent Auditors

To the Board of Directors and Shareholders of Cresud Sociedad

Anónima, Comercial, Inmobiliaria, Financiera y Agropecuaria:

In our opinion, the accompanying consolidated financial statements 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, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2003 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 auditing standards generally accepted in the United States of America, which 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.

As discussed in Note 3.d) to the consolidated financial statements, effective July 1, 2002 the Company adopted new accounting pronouncements related to valuation and disclosure criteria. As required by accounting principles generally accepted in Argentina, the Company has restated its prior period financial statements presented for comparative purposes to reflect the adopted changes in accounting principles, except for certain valuation and disclosure criteria that in accordance with the transition provisions have been applied prospectively.

Accounting principles generally accepted in Argentina vary in certain significant respects from the accounting principles generally accepted in the United States of America and as allowed by Item 18 to Form 20-F. Information relating to the nature and effect of such differences is presented in Note 16 to the consolidated financial statements.

PRICE WATERHOUSE & Co.

By (Partner)

Carlos Martín Barbafina

Buenos Aires, Argentina

September 8, 2003

Table of Contents

Cresud Sociedad Anónima Comercial, Inmobiliaria,

Financiera y Agropecuaria and Subsidiaries

Consolidated Balance Sheets

as of June 30, 2003 and 2002

(In Argentine Pesos, except as otherwise indicated)

	2003	2002 As restated
ASSETS		
Current Assets		
Cash and banks (Notes 5.a) and 17.f))	Ps. 16,995,803	Ps. 44,336,454
Investments (Notes 5.b), 8, 17.c) and 17.f))	5,459,835	94,461
Trade accounts receivable, net (Notes 5.c), 8 and 17.f))	6,899,952	19,138,189
Other receivables (Notes 5.d), 8 and 17.f))	6,231,659	8,730,539
Inventories (Note 5.e))	22,841,977	38,202,209
	58,429,226	110,501,852
Non-Current Assets		
Other receivables (Notes 5.d) and 8)	542,193	2,473,397
Inventories (Note 5.e))	37,796,987	29,414,567
Investments (Notes 5.b) and 17.f))	341,481,798	121,785,625
Property and equipment, net (Note 17.a))	148,510,846	128,232,309
Intangible assets, net (Note 17.b))	369,637	841,653
Subtotal	528,701,461	282,747,551
Negative goodwill, net	(19,347,598)	(13,370,988)
Total Assets	Ps. 567,783,089	Ps. 379,878,415
LIABILITIES		
Current Liabilities		
Trade accounts payable (Notes 5.f), 8 and 17.f))	Ps. 7,321,416	Ps. 19,471,843
Short-term debt (Notes 5.g), 8 and 17.f))	1,425,499	7,468,233
Salaries and social security payable (Notes 5.h) and 8)	1,096,627	930,914
Taxes payable (Notes 5.i) and 8)	1,887,453	7,133,579
Other liabilities (Notes 5.j) and 8)	3,345,832	792,159
	15,076,827	35,796,728
Non-Current Liabilities		
Long-term debt (Notes 5.g), 8 and 17.f))	137,951,054	
Taxes payable (Notes 5.i) and 8)	22,749,374	21,033,814
	160,700,428	21,033,814

Total Liabilities	175,777,255	56,830,542
Minority interest	206,709	430,755
SHAREHOLDERS EQUITY	391,799,125	322,617,118
Total Liabilities and Shareholders Equity	Ps. 567,783,089	Ps. 379,878,415

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 Income

for the years ended June 30, 2003, 2002 and 2001

(In Argentine Pesos, except as otherwise indicated)

	2003	2002 As restated	2001 As restated
Sales			
Crops	Ps. 51,424,261	Ps. 48,515,035	Ps. 42,218,955
Beef cattle	17,311,212	27,609,516	29,332,417
Milk	2,414,992	2,258,210	2,614,583
Others	799,374	1,871,419	2,730,359
Total sales	71,949,839	80,254,180	76,896,314
Cost of sales			
Crops	(39,425,551)	(13,817,006)	(32,078,174)
Beef cattle	(8,746,014)	(22,778,110)	(24,389,078)
Milk	(1,483,172)	(3,561,830)	(2,266,888)
Others	(1,387,410)	(2,122,473)	(2,380,039)
Total cost of sales (Note 17.e))	(51,042,147)	(42,279,419)	(61,114,179)
Gross profit	20,907,692	37,974,761	15,782,135
Selling expenses (Note 17.g))	(6,045,309)	(10,248,016)	(11,103,948)
Administrative expenses (Note 17.g))	(4,309,119)	(8,368,493)	(8,436,876)
Net gain on the sale of farms	4,869,484	16,573,853	5,729,612
Inventory holding gain (loss)	12,224,813	(19,603,010)	(1,489,269)
Operating income	27,647,561	16,329,095	481,654
Financial results, net: (Note 5.k))			
Financial (expense) income generated by assets	(51,269,561)	(15,301,181)	13,553,872
Financial income (expense) generated by liabilities	40,329,234	16,807,986	(1,307,333)
Total financial results, net	(10,940,327)	1,506,805	12,246,539
Equity gain (loss) from related companies	68,008,820	(41,217,930)	(378,329)
Other (expense) income, net:			
Gain on sale of other property and equipment	32,734	30,422	94,918
Others	(124,622)	134,651	(13,751)
Donations	(2,000,000)		(421,084)

Total other (expense) income, net	(2,091,888)	165,073	(339,917)
Management fee	(7,224,996)		(935,742)
Income (loss) before income tax and minority interest	75,399,170	(23,216,957)	11,074,205
Income tax expense	(10,598,255)	(18,824,012)	(4,255,985)
Minority interest	224,046	348,884	397,526
Net income (loss) for the year	Ps. 65,024,961	Ps. (41,692,085)	Ps. 7,215,746
Earnings per share (Notes 4.s) and 14):			
Basic net income (loss) per common share	Ps. 0.54	Ps. (0.35)	Ps. 0.06
Diluted net income (loss) per common share	0.19	(0.35)	0.06

The accompanying notes are an integral part of these consolidated financial statements.

F-4

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, 2003, 2002 and 2001

(In Argentine Pesos, except as otherwise indicated)

	Shareholders contributions							
Items	**Common stock (Note 6)**	**Treasury stock**	**Inflation adjustment of common stock and treasury stock**	**Additional paid-in-capital**	**Total**	**Legal reserve**	**Retained earnings (Accumulated deficit)**	**Total**
Balances as of June 30, 2000	Ps. 119,669,749	Ps. 4,614,643	Ps. 166,218,124	Ps. 89,784,877	Ps. 380,287,393	Ps. 5,263,335	Ps (18,246,812)	Ps 367,303,916
Appropriation of earnings resolved by the shareholders meeting held on October 30, 2000:								
- Legal reserve						148,743	(148,743)	
- Cash dividends (Ps. 0.02 per share)							(2,826,114)	(2,826,114)
Net income for the year as restated							7,215,746	7,215,746
Balances as of June 30, 2001	Ps. 119,669,749	Ps. 4,614,643	Ps. 166,218,124	Ps. 89,784,877	Ps. 380,287,393	Ps. 5,412,078	Ps. (14,005,923)	Ps. 371,693,548
Appropriation of earnings resolved by the shareholders meeting held on October 19, 2001:								
- Legal reserve						421,085	(421,085)	
- Cash dividends (Ps. 0.06 per share)							(8,000,584)	(8,000,584)
Subscription of treasury stock	2,353	(2,353)					3,916	3,916
Exercise of stock options	480,000	(480,000)					612,323	612,323
Net loss for the year as restated							(41,692,085)	(41,692,085)
Balances as of June 30, 2002	Ps 120,152,102	Ps 4,132,290	Ps 166,218,124	Ps. 89,784,877	Ps. 380,287,393	Ps. 5,833,163	Ps (63,503,438)	Ps 322,617,118
	3,559,853	(3,559,853)					3,564,008	3,564,008

Exercise of stock options								
Conversion of notes into common stock	386,140			206,898	593,038			593,038
Net income for the year							65,024,961	65,024,961
Balances as of June 30, 2003	Ps 124,098,095	Ps 572,437	Ps 166,218,124	Ps 89,991,775	Ps 380,880,431	Ps 5,833,163	Ps 5,085,531	Ps 391,799,125

The accompanying notes are an integral part of these consolidated financial statements.

Cresud Sociedad Anónima Comercial, Inmobiliaria,

Financiera y Agropecuaria and Subsidiaries

Consolidated Statements of Cash Flows

for the years ended June 30, 2003, 2002 and 2001

(In Argentine Pesos, except as otherwise indicated)

	2003	2002 As restated	2001 As restated
Cash flows from operating activities:			
Net income (loss) for the year	Ps. 65,024,961	Ps. (41,692,085)	Ps. 7,215,746
Adjustments to reconcile net income (loss) to net cash flow provided by operating activities:			
Income tax expense	10,598,255	18,824,012	4,255,985
Depreciation	3,081,851	3,501,449	3,589,416
Amortization of intangible assets	472,016	470,122	117,531
Minority interest	(224,046)	(348,884)	(397,526)
Equity (gain) loss from related companies	(68,008,820)	41,217,930	378,329
Unrealized gain on equity investments	(83,099)	(63,931)	(9,175,019)
Inventory holding (gain) loss	(12,224,813)	19,603,010	1,489,269
Gain on the sale of farms	(4,869,484)	(16,573,853)	(5,729,612)
Gain on sale and withdrawal from business of other property and equipment	(32,734)	(30,422)	(94,918)
Retirement of other property and equipment			104,289
Accrual for management fees	3,204,773		935,742
Allowance for doubtful accounts and accrued expenses	2,524,001	260,946	142,760
Financial results	(9,430,204)	(4,687,087)	
Gain on the sale of investments of available-for-sale securities			(3,192,260)
Changes in operating assets and liabilities:			
Decrease in current investments	5,701,037	8,803,665	
Decrease (increase) in trade accounts receivable	10,158,710	(9,272,618)	(6,651,988)
Decrease in other receivables	655,669	1,977,516	6,729,925
Decrease (increase) in inventory	18,992,074	(3,697,701)	11,971,935
(Decrease) increase in trade accounts payable	(10,470,891)	(1,584,162)	10,185,084
(Decrease) increase in salaries and social security payable and taxes payable	(10,845,802)	1,457,081	(4,473,079)
Increase of intangible assets			(1,055,652)
Increase in interest payable	8,399,579	3,640,890	500,256
Dividends collected	1,478,533	1,708,820	398,046
(Decrease) increase in other liabilities	(2,672,093)	4,342,723	67,377
Net cash provided by operating activities	**11,429,473**	**27,857,421**	**17,311,636**
Cash flows from investing activities:			
Net proceeds from sale of other property and equipment	736,979	322,060	473,502
Net proceeds from sale of farms	12,013,619	55,489,538	15,398,795
Collection of secured receivables from sale of farms	2,543,257	776,176	1,918,137
Acquisition of farms and other property and equipment	(30,998,217)	(933,548)	(3,154,260)
Acquisition of convertible notes	(176,627,072)		

Acquisition of investments	(8,151,725)	(21,863,150)	(77,769,642)
Collateralized loans granted to third parties			(1,112,087)
Net cash (used in) provided by investing activities	**(200,483,159)**	**33,791,076**	**(64,245,555)**
<u>Cash flows from financing activities:</u>			
Capital contributions from minority interests in controlled subsidiaries		245,939	800,641
Cash dividends paid		(8,000,584)	(2,826,114)
Proceeds from the exercise of stock options and subscription of treasury shares	3,564,008	616,239	
Proceeds from short-term and long-term debt	177,457,104	39,324,931	46,807,889
Payments of short-term debt	(13,659,222)	(53,730,431)	(17,385,956)
Debt issuance costs	(1,717,514)		
Payments of seller financing			(800,718)
Net cash provided by (used in) financing activities	**165,644,376**	**(21,543,906)**	**26,595,742**
Net (decrease) increase in cash and cash equivalents	(23,409,310)	40,104,591	(20,338,177)
Cash and cash equivalents as of the beginning of the year	44,339,538	4,234,947	24,573,124
Cash and cash equivalents as of year-end	Ps. 20,930,228	Ps. 44,339,538	Ps. 4,234,947

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 Cash Flows

for the years ended June 30, 2003, 2002 and 2001 (continued)

(In Argentine Pesos, except as otherwise indicated)

	2003	2002 As restated	2001 As restated
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	Ps. 1,072,233	Ps. 2,872,988	Ps. 719,975
Income tax	Ps. 8,706,633	Ps. 175,335	Ps.
Non-cash transactions:			
Inventory transferred to property and equipment	Ps. 210,551		