CRESUD INC
Form F-3/A
February 19, 2008
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As filed with the Securities and Exchange Commission on February 15, 2008

Registration No. 333-146011

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Pre-Effective Amendment No.2 to

FORM F-3

REGISTRATION STATEMENT

Under

The Securities Act of 1933

CRESUD SOCIEDAD ANÓNIMA COMERCIAL, INMOBILIARIA,

FINANCIERA Y AGROPECUARIA

(Exact name of Registrant as specified in its charter)

CRESUD INC.

(Translation of the Registrant s name in English)

The Republic of Argentina	**Not Applicable**

(Jurisdiction of incorporation)	**(I.R.S. Employer Identification No.)**

Moreno 877, 23rd Floor, (C1091AAQ)

Buenos Aires, Argentina

+54 (11) 4814-7800

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

Puglisi & Associates

850 Library Avenue

P.O. Box 885

Newark, DE 19715

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

Copies to:

David L. Williams	**Howard M. Kleinman**
Simpson Thacher & Bartlett LLP	**White & Case LLP**
425 Lexington Avenue	**1155 Avenue of the Americas**
New York, New York 10017	**New York, New York 10036**
(212) 455-2000	**(212) 819-8200**

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Amount to be registered**	**Proposed maximum aggregate price per common share (1)(4)**	**Proposed maximum aggregate offering price(4)**	**Amount of registration fee**
Common shares, Ps.1.00 par value per share(1)(2)(3)(7)	180,000,000	US$1.834	US$330,120,000	US$10,210.02(6)
Rights to subscribe for common shares (and ADS rights)(3)	320,774,772	None	None	None
Warrants to purchase common shares(4)	180,000,000	None	None	None
Common shares, Ps.1.00 par value per share, issuable upon exercise of warrants(5)(8)	60,000,000	US$1.9257	US$115,542,000	US$4,540.80

(1) Proposed maximum aggregate price per common share calculated, solely for purposes of determining the SEC registration fee, on the basis of the closing price of the Registrant s ADSs on the NASDAQ on February 14, 2008, divided by 10.

(2) Includes common shares that may be offered and sold in the form of American Depositary Shares to holders of ADS rights. This amount also includes common shares that are to be offered in Argentina and elsewhere outside the United States but may be resold from time to time in the United States during the distribution.

(3) American Depositary Shares evidenced by American Depositary Receipts issuable upon deposit of common shares registered hereby have been registered under a separate Registration Statement on Form F-6.

(4) No separate consideration will be received by the Registrant for the rights to subscribe for common shares, the rights to subscribe for ADSs evidencing common shares or the warrants prior to their exercise.

(5) Proposed maximum aggregate price per common share calculated, solely for purposes of determining the SEC registration fee, on the basis of 105% of the closing price of the Registrant s ADSs on the NASDAQ on February 14, 2008, divided by 10.

(6) Previously paid.

(7) For the common shares, Ps.1.00 par value per share, 156,000,000 shares were registered at a proposed maximum aggregate price per common share of US$2.060 with the Form F-3 filing on September 12, 2007 (Registration No. 333-146011) for a proposed maximum aggregate offering price of US$321,360,000. Based on the fee rate of $30.70 per million registered, a fee of $9,865.75 was paid. This Amendment No. 2 registers an additional 24,000,000 shares at a proposed maximum aggregate price per common share of US$1.834 for a proposed maximum aggregate offering price of US$44,016,000. Based on the current fee rate of $39.30 per million registered, a fee of $1,729.82 is being paid in connection with this filing.

(8) For the common shares, Ps.1.00 par value per share, issuable upon exercise of warrants, 52,000,000 shares were registered at a proposed maximum aggregate price per common share of US$2.472 with the Form F-3 filing on September 12, 2007 (Registration No. 333-146011) for a proposed maximum aggregate offering price of US$128,544,000. Based on the prior fee rate of $30.70 per million registered, a fee of $3,946.30 was paid. This Amendment No. 2 registers an additional 8,000,000 shares at a proposed maximum aggregate price per common share of US$1.9257 for a proposed maximum aggregate offering price of US$15,405,600. Based on the current fee rate of $39.30 per million registered, a fee of $605.44 is being paid in connection with this filing.

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

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

Prospectus **Subject to completion, dated , 2008**

Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera Y Agropecuaria

Cresud Inc.

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

We are granting to our common shareholders rights to subscribe for 180,000,000 new common shares, together with the right to receive 180,000,000 warrants to acquire additional common shares. Each common share held of record at 6:00 p.m. (Buenos Aires, Argentina time) on [February 27], 2008 entitles its holder to one right to subscribe for common shares, or common share right. Each common share right will entitle its holder to subscribe for 0.561141 new common shares, to subscribe at the same price for additional common shares remaining unsubscribed after the preemptive rights offering pursuant to its exercise of accretion rights, and to receive free of charge, for each new common share that it purchases pursuant to this offering, one warrant to purchase 0.33333333 additional common shares. The Bank of New York, as our ADS rights agent, will make available to holders of our American Depositary Shares, or ADSs (each of which represents 10 common shares), rights, or ADS rights, to subscribe for new ADSs, together with the right to receive warrants to acquire additional common shares. Each ADS held of record at 5:00 p.m. (New York City time) on [February 27], 2008 entitles its holder to one ADS right. Each ADS right will entitle its holder to subscribe for 0.561141 new ADSs, to subscribe at the same price for additional common shares in the form of ADSs remaining unsubscribed after the preemptive rights offering pursuant to its exercise of accretion rights, and to receive free of charge, for each new ADS that it purchases pursuant to this offering, 10 warrants, each of which will entitle such holder to purchase 0.33333333 additional common shares.

On [February 22, 2008] we will publish in the bulletin of the Buenos Aires Stock Exchange and PR Newswire a non-binding indicative subscription price for each of the new common shares and the new ADSs. We will calculate the non-binding indicative subscription price for our new common shares by multiplying the weighted average trading price of our ADSs on the NASDAQ for the five preceding trading days by the coefficient 0.9, dividing such result by 10, and converting the resulting amount into Argentine Pesos on the basis of the seller s reference exchange rate (*tipo de cambio vendedor*) at the close of business on the prior business day as quoted by *Banco de la Nación Argentina*. We will calculate the non-binding indicative subscription price for our new ADSs by multiplying the average weighted average trading price of our ADSs on the NASDAQ for the five preceding trading days by the coefficient 0.9.

The definitive subscription price for the new common shares and the new ADSs will be established by our board of directors in U.S. dollars, based on a range between the lowest and the highest trading price of our ADSs during a period of not less than 5 days and not more than 180 days prior to the determination of the subscription price on [March 10], 2008. The subscription price for each new common share will be payable in U.S. dollars outside Argentina or in Argentine pesos in Argentina, determined on the basis of the seller s reference exchange rate (*tipo de cambio vendedor*) at the close of business on the subscription price determination date as quoted by *Banco de la Nación Argentina*. The subscription price for each new ADS will be payable in U.S. dollars. The subscription price will be reported to the *Comisión Nacional de Valores* and published in the bulletin of the Buenos Aires Stock Exchange and PR Newswire on the following day prior to the opening of the stock market in Argentina.

Subscriptions for new common shares and new ADSs pursuant to the exercise of the common share rights, the ADS rights and the accretion rights that are submitted based on the indicative subscription price prior to our publication of the definitive subscription price will be binding and irrevocable even though the definitive subscription price will not have been established at the time of such exercise. The definitive subscription price subsequently determined may be higher than the indicative subscription price.

Prior to their expiration on May 22, 2015, the warrants will be exercisable during the six-day period from and including the 17th through the 22nd day of each February, May, September and November (to the extent such dates are business days in New York City and in the City of Buenos Aires), commencing with such period from and including May 17 through to May 22, 2008. The warrants will be freely transferable. We will accept the exercise of warrants to purchase whole new common shares. Three warrants must be exercised in order to purchase one new common share. The exercise price for new common shares to be purchased pursuant to the exercise of warrants will be payable in U.S. dollars and will be determined by our board of directors and published by us on [March 11], 2008 in the bulletin of the Buenos Aires Stock Exchange and PR Newswire. You must pay the exercise price of the warrants in U.S. dollars. ADS holders wishing to obtain additional ADSs upon exercise of their warrants must deposit the common shares acquired under the warrants with The Bank of New York, as our depositary, to obtain ADSs in accordance with the terms of the deposit agreement.

Investing in our common shares, ADSs and warrants involves significant risks. See Risk Factors beginning on page 31.

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

The offering of new common shares and warrants by means of rights to holders of common shares will expire at 1:00 p.m. (Buenos Aires, Argentina time) on [March 18], 2008 (the expiration of the common share subscription period). The offering of new ADSs and warrants by means of ADS rights to holders of ADSs will expire at 5:00 p.m. (New York City time) on [March 13], 2008 (the expiration of the ADS subscription period).

Any holder of common share rights may transfer any whole number of common share rights. Common share rights will be eligible to trade on the Buenos Aires Stock Exchange from [February 28, 2008 to March 14,] 2008. The ADS rights will not be transferable.

Our ADSs are traded on the NASDAQ Global Select Market under the symbol CRESY, and our common shares are traded on the Buenos Aires Stock Exchange under the symbol CRES. On February 14, 2008, the closing prices on the NASDAQ Global Select Market per ADS and on the Buenos Aires Stock Exchange per common share were US$18.34 and Ps.5.85, respectively. We have applied to list the warrants on the Buenos Aires Stock Exchange and we will apply to have the warrants listed on the American Stock Exchange or the NASDAQ.

	Price to the Public	**Proceeds to Company(1)**
Per new common share(2)	US$	US$
Per new ADS(3)	US$	US$
Rights to subscribe for common shares and ADS rights	US$ 0.00	US$ 0.00
Warrants(4)	US$ 0.00	US$ 0.00
Total offering(4)	US$	US$

(1) After payment of transaction expenses by us, currently estimated at approximately US$.

(2) Includes common shares expected to be subscribed in Argentina, based on the closing price of US$18.34 for our ADSs on the NASDAQ on February 14, 2008 divided by 10.

(3) Includes common shares expected to be subscribed in the form of ADSs, each of which represents 10 common shares, based on the closing price of US$18.34 for our ADSs on the NASDAQ on February 14, 2008.

(4) No separate consideration will be received by us for the granting of the rights to subscribe for common shares, the rights to subscribe for ADSs evidencing common shares or the warrants prior to their exercise.

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

Dealer Manager

Citi

, 2008

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

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

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Cresud

This prospectus contains our audited consolidated financial statements as of June 30, 2006 and 2007 and for the years ended June 30, 2005, 2006 and 2007. This prospectus also incorporates by reference our Annual Report on Form 20-F for the year ended June 30, 2007. This prospectus also contains our unaudited financial statements as of December 31, 2006 and 2007 and for the six-month periods ended on such dates. We prepare our consolidated financial statements in Pesos and in conformity with the generally accepted accounting principles in Argentina, as set forth by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (FACPCE) and as implemented, adapted, amended, revised and/or supplemented by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autonoma de Buenos Aires* (CPCECABA) (collectively Argentine GAAP) and the regulations of the *Comisión Nacional de Valores*, which differ in certain significant respects from generally accepted accounting principles in the United States of America (U.S. GAAP). Such differences involve methods of measuring the amounts shown in our consolidated financial statements, as well as additional disclosures required by U.S. GAAP and Regulation S-X of the U.S. Securities and Exchange Commission (SEC). See Note 17 to our audited consolidated financial statements contained elsewhere in this prospectus for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of our net income and shareholders equity.

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

Additionally, after considerable inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government instructed the *Comisión Nacional de Valores* to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the *Comisión Nacional de Valores* issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. We complied with the *Comisión Nacional de Valores* resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were restated until that date, using a conversion factor of 1.1232. Since Argentine GAAP required companies to discontinue inflation adjustments only as from October 1, 2003, the application of the *Comisión Nacional de Valores* resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March to September 2003, such a departure has not had a material effect on our consolidated financial statements.

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IRSA

As of December 31, 2007, we owned a 34.6% equity interest in IRSA Inversiones y Representaciones Sociedad Anónima (IRSA). In compliance with Rule 3-09 of Regulation S-X, also contained in this prospectus are the audited consolidated financial statements of IRSA as of June 30, 2006 and 2007 and for the years ended June 30, 2005, 2006 and 2007. This prospectus also includes IRSA s unaudited consolidated financial statements as of and for the six-month periods ended December 31, 2006 and 2007.

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

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

Additionally, after considerable inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government instructed the *Comisión Nacional de Valores* to issue regulations precluding companies under its supervision from presenting price-level restated financial statements. On April 8, 2003, the *Comisión Nacional de Valores* issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. IRSA complied with the *Comisión Nacional de Valores* resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were restated until that date, using a conversion factor of 1.1232. Since Argentine GAAP required companies to discontinue inflation adjustments only as of October 1, 2003, the application of the *Comisión Nacional de Valores* resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March to September 2003, such a departure has not had a material effect on IRSA s consolidated financial statements.

As of December, 2007, IRSA owned an 11.8% equity interest in Banco Hipotecario that represented 7.0% if IRSA s total consolidated assets at such date. In compliance with Rule 3-09 of Regulation S-X, also included in our annual report on Form 20-F for the year ended June 30, 2007, which is incorporated herein by reference, are the audited consolidated financial statements of Banco Hipotecario as of June 30, 2006 and 2007, and for the twelve months ended June 30, 2005, 2006 and 2007.

Incorporation by Reference

We incorporate by reference the Form 20-F described below and any future filings made by us with the SEC under Section 13(a) or 15(d) of the Exchange Act until the transactions contemplated by this prospectus are consummated or this offering is terminated. Any such information incorporated by reference would be an important part of this prospectus. Any such future filings shall be deemed to automatically update and supersede the information contained herein or in documents previously incorporated by reference to the extent not modified or superseded by documents or reports subsequently filed. As of the date of this prospectus, our annual report on Form 20-F (filed under an English translation of our corporate name, Cresud Inc.) for the year ended June 30, 2007, is incorporated herein by reference.

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

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Adoption by the Comisión Nacional de Valores of CPCECABA standards

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

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

General

Certain amounts which appear in this prospectus (including percentage amounts) may not sum due to rounding. Solely for the convenience of the reader, we have translated certain Peso amounts into U.S. dollars at the exchange rate quoted by the Central Bank for December 31, 2007 which was Ps.3.1490 = US$1.00. We make no representation that the Peso or U.S. dollar amounts actually represent or could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all. See Exchange Rates and Exchange Controls. Total may not sum due to rounding.

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

The summary consolidated income statement data for the years ended June 30, 2003 and 2004 and the summary consolidated balance sheet data as of June 30, 2003, 2004 and 2005 have been derived from our Annual Report on Form 20-F for the year ended June 30, 2007 which is incorporated by reference herein.

In this prospectus where we refer to Peso, Pesos, or Ps. we mean Argentine pesos, the lawful currency in Argentina; when we refer to U.S. dollars, or US$ we mean United States dollars, the lawful currency of the United States of America; and when we refer to Central Bank we mean the Argentine Central Bank (*Banco Central de la República Argentina).*

Market Data

Market data used throughout this prospectus were derived from reports prepared by unaffiliated third-party sources. Certain market data which appear herein (including percentage amounts) may not sum due to rounding.

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SUMMARY

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

Our Company

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

As of December 31, 2007, we owned 17 farms with approximately 445,075 hectares. Approximately 25,534 hectares of the land we own are used for crop production, approximately 97,942 hectares are for beef cattle production, 3,951 hectares are for milk production and approximately 3,243 hectares are leased to third parties for crop and beef cattle production. The remaining 314,405 hectares of land reserve are primarily natural woodlands. In addition, through Agropecuaria Cervera S.A. we have the rights to 162,000 hectares of land for a 35-year period that can be extended for another 29 years. Also, during the six months ended December 31, 2007, we leased 31,174 hectares from third parties for crop production and 32,494 hectares for beef cattle production.

During the fiscal years ended June 30, 2005, 2006 and 2007, and the six months ended December 31, 2007, we had consolidated sales of Ps.78.2 million, Ps.112.3 million, Ps.110.3 million and Ps.68.1 million, production income of Ps.67.5 million, Ps.65.4 million, Ps.102.8 million and Ps.35.7 million, and consolidated net income of Ps.76.8 million, Ps.32.9 million, Ps.49.4 million and Ps.14.5 million, respectively. During the period from June 30, 2005 to December 31, 2007, our total consolidated assets increased 60.2% from Ps.743.4 million to Ps.1,191 million, and our shareholders equity increased 62.7% from Ps.523.1 million to Ps.851.0 million.

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

	At June 30,			At December 31,
	2005(1)	2006(1)	2007(1)(2)	2007(1)(2)
	(in hectares)			
Grains(3)	39,831	41,283	53,579	66,987
Cattle	96,380	129,946	114,097	130,436
Milk	1,776	1,698	2,609	3,951
Natural woodlands(4)	263,177	258,477	325,728	314,405
Owned farmlands leased to others	9,978	14,229	13,771	8,375
Total	411,142	445,633	509,784	524,154

(1) Includes 35.7% of approximately 8,299 hectares owned by Agro Uranga S.A., an affiliated Argentine company in which we own a non-controlling 35.7% interest. See Cresud s Business Subsidiaries and Affiliated Companies.
(2) Includes 24.0% of approximately 170 hectares owned by Cactus Argentina S.A., an affiliated Argentine company in which we have a non-controlling 24.0% interest. See Cresud s Business Subsidiaries and Affiliated Companies.
(3) Includes wheat, corn, sunflower, soybean, sorghum and others.
(4) We use part of our land reserves to produce fence posts, rods and a small amount of charcoal.

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We are also indirectly engaged in the Argentine real estate business through our holding of 34.6% of the common shares of IRSA, one of Argentina s largest real estate companies. IRSA is engaged in a range of diversified real estate activities including residential properties, office buildings, shopping centers and luxury hotels in Argentina. A majority of our directors are also directors of IRSA, and we are under common control by the same group of controlling shareholders. As of December 31, 2007, our investment in IRSA represented approximately 43.2% of our total consolidated assets, and during the six months ended December 31, 2007, our gain from our investment in IRSA was Ps.7.2 million.

In September 2005, we, together with certain Brazilian partners, founded BrasilAgro, a startup company organized to exploit opportunities in the Brazilian agricultural sector. In April 2006, BrasilAgro increased its capital through a global and domestic offering of common shares, and as of December 31, 2007, we owned approximately 8.3% of the outstanding common shares of BrasilAgro. As of December 31, 2007, our investment in BrasilAgro represented approximately 7.1% of our total consolidated assets.

Our Strategy

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

Focus on maximizing value of our agricultural real estate assets

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

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

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

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

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International expansion. Although most of our properties are located in different areas of Argentina, we are actively analyzing various expansion opportunities in other Latin American countries. We believe that an attractive opportunity exists to acquire and develop agricultural properties outside Argentina, and our objective is to replicate our business model in such other countries which include, among others, Brazil, Bolivia, Paraguay and Uruguay. For example, in 2005 we and several Brazilian partners founded BrasilAgro, a startup company organized to exploit opportunities in the Brazilian agricultural sector. As of June 30, 2007, Brasilagro had acquired and committed purchases for over 80,000 hectares of land.

Increase and optimize production yields

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

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

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

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

In connection with our milk production, we plan to continue developing our activities through the use of state-of-the-art technology and advanced feeding and techniques relating to animal health. For example, in May 2007 we opened one of the most modern dairy production facilities in Argentina, achieving a daily production capacity of more than 40,000 litres.

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

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

Leasing productive properties to supplement our expansion strategy, using our liquidity to make productive investments in our principal agricultural activities. We believe that leasing enhances our ability to diversify our production and geographic focus, in particular in areas not offering attractive prospects for appreciation of land value.

Developing productive properties in areas where agricultural production is not developed to its full potential. As of June 30, 2007, we owned land reserves in excess of 329,828 hectares, which is located in under-utilized areas where agricultural production is not yet fully developed. We believe that technological tools are available to improve the productivity of such land and enhance its long-term value. However, existing or future environmental regulations may prevent us from completely developing our land reserves, requiring us to maintain a portion of such land as unproductive land reserves.

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Diversifying market and weather risk by expanding our product and land portfolio. We seek to continue diversifying our operations to produce a range of different agricultural commodities in different markets, either directly or in association with third parties. We believe that a diversified product mix mitigates our exposure to seasonality, commodity price fluctuations, extreme weather conditions and other factors affecting the agricultural sector. To achieve this objective in Argentina, we expect to continue to own and lease farmlands in various regions with differing weather patterns and to continue to seed a range of diversified products. Moreover, we believe that continuing to expand our agricultural operations outside of Argentina will enhance our ability to produce new agricultural products, further diversifying our mix of products, and mitigate further our exposure to regional weather conditions and country-specific risks.

Preservation of long-term value of our investment in IRSA

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

Recent Developments

Exercise of our warrants and conversion of our convertible notes. The term for the exercise of our outstanding warrants and the conversion of our outstanding convertible notes issued on November 21, 2002 expired on November 14, 2007. Throughout the conversion and exercise periods, holders of our warrants and convertible notes exercised an aggregate of 49,867,018 warrants and converted an aggregate of 49,910,874 convertible notes, respectively, increasing our capital stock to 320,774,772 issued and outstanding shares. As of the date of this prospectus, there are no outstanding warrants or convertible notes to acquire our shares.

Exercise of IRSA s Warrants and Conversion of Convertible Notes. Between September 25, 2007 and October 25, 2007, we acquired an additional 82.5 million common shares of IRSA by (i) exercising all of our warrants to acquire 60.5 million IRSA common shares for an aggregate purchase price of US$39.6 million and (ii) converting US$12.0 million of IRSA s 8% convertible notes due 2007 into 22.0 million common shares. As a result, our investment in IRSA s common shares increased from 25% on June 30, 2007 to 34.6% on December 31, 2007. The term for the exercise of IRSA s remaining warrants and the conversion of its outstanding convertible notes expired on November 14, 2007. After the exercise of warrants and conversion of convertible notes described above, we have no further warrants or convertible notes of IRSA.

Solares de Santa María, City of Buenos Aires (formerly Santa María del Plata). Solares de Santa María is a mixed-use development project which IRSA intends to develop on a 70-hectare property facing the Río de la Plata in the southern port of Puerto Madero, 10 minutes from downtown Buenos Aires. This proposed project is currently expected to have residential complexes, as well as offices, stores, hotels, sport and nautical clubs, schools, supermarkets and parking lots. We initially sought approval for this project in late 1997, and on November 9, 2007, the Executive Branch of the City of Buenos Aires issued Decree No. 1584/2007, approving this project. Notwithstanding such Decree, several operational and implementation issues remain to be approved by the City of Buenos Aires. In addition, a member of the Legislative Branch of the City of Buenos Aires recently initiated a lawsuit (acción de amparo) challenging such Decree, alleging that it did not meet certain procedural requirements and requesting an injunction to suspend construction until the resolution of the legal challenge. As of the date of this prospectus, the injunction has been granted, but we have not been notified of any decision with respect to the merits of the pending claim.

Partial sale of La Nación building. On January 8, 2008, IRSA sold to Techint Compañía Técnica Internacional Sociedad Anónima Comercial e Industrial an undivided 29.9% interest in an office building known as Edificio La Nación located at Bouchard 551, in the City of Buenos Aires. The sale price for such undivided interest was US$34.4 million which was paid in cash prior to closing. The portion of Edificio La Nación sold represents a surface area of 9,946 square meters and 133 parking spaces.

Acquisition of Shopping Center. On December 28, 2007, IRSA s subsidiary, Alto Palermo S.A. or Alto Palermo , executed a bill of sale for a partial bulk transfer with INC S.A., pursuant to which Alto Palermo agreed to acquire a shopping center known as Soleil Factory which is located in the greater Buenos Aires metropolitan area. Closing of this transaction is subject to certain conditions set forth in the deed of

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transfer, including the approval of the *Argentine Comisión National de Defensa de la Competencia,* or Antitrust Authority . The purchase price was US$20.7 million, of which Alto Palermo paid into escrow US$8.1 million upon the execution of the bill of sale. The unpaid balance is US$12.6 million which accrues interest at an annual rate of 5% (plus value added tax) and is to be paid in 7 years, together with the seventh and last annual installment of the accrued interest. On January 22, 2008, Alto Palermo requested the Antitrust Authority s clearance of the transfer of the Soleil Factory shopping center to Alto Palermo, and as of the date of this prospectus, the Antitrust Authority has not reached a decision.

In addition, Alto Palermo executed a letter of intent for the acquisition, development and exploitation of a new shopping center on a parcel of land owned by INC S.A. in the City of San Miguel de Tucumán, Province of Tucumán, for an amount of US$1.3 million, of which Alto Palermo paid US$0.05 million on January 2, 2008. This transaction is subject to certain conditions set forth in the letter of intent, including Alto Palermo s acquisition of the Soleil Factory shopping center.

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

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THE OFFERING

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

Offering of Common Share Rights and ADS Rights	We are granting to our common shareholders rights, or common share rights, to subscribe for 180,000,000 new common shares and 180,000,000 warrants to acquire additional common shares. Each common share held of record at 6:00 p.m. (Buenos Aires, Argentina time) on [February 27], 2008 entitles its holder to one common share right. Each common share right will entitle its holder to subscribe for 0.561141 new common shares and to receive free of charge, for each new common share that it purchases pursuant to this offering, one warrant to purchase 0.33333333 additional common shares.

The Bank of New York, as our ADS rights agent, will make available to holders of ADSs, rights or ADS Rights, to subscribe for new ADS and warrants to acquire additional common shares which may be delivered in the form of ADSs. Each ADS held of record at 5:00 p.m. (New York City time) on [February 27], 2008 entitles its holder to one ADS right. Each ADS right will entitle its holder to subscribe for 0.561141 new ADS and to receive free of charge, for each new ADS that it purchases pursuant to this offering, 10 warrants, each of which will entitle such holder to purchase 0.33333333 additional common.

Purchases by holders of rights	On [February 28, 29 and March 3], 2008, the three business days prior the beginning of the subscription period referred to below, we will publish a notice in the Official Gazette of Argentina, a newspaper of general circulation in Argentina *(La Nación, Ámbito Financiero, or both*) and PR Newswire, announcing the statutory preemptive right of each existing holder of common shares or ADSs to subscribe for 0.561141 new common shares for every common share held of record, or 0.561141 new ADS for every ADSs held of record, as the case may be.

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Subscription period for the common share rights and ADS rights	From [March 4], 2008, through [1:00] p.m. (Buenos Aires, Argentina time) on [March 18], 2008, in the case of the common share rights (the common shares subscription period) and from [March 4], 2008, through 5:00 p.m. (New York City time) on [March 13], 2008, in the case of the ADS rights (the ADS subscription period).

To exercise common share rights, you must deliver to our common shares agent, a properly completed subscription form accompanied by a certificate of ownership issued by the *Caja de Valores* or evidence of assignment of the common share rights in your favor by 1:00 p.m. on [March 18], 2008, or your common share rights will lapse and will have no further value. Deposit in the mail will not constitute delivery to us.

To exercise the ADS rights, you must deliver to the ADS rights agent a properly completed ADS rights subscription form and pay the amount specified below for each ADS subscribed or sought pursuant to accretion rights by 5:00 p.m. New York City time on [March 13], 2008, or your ADS rights will lapse and will have no further value, except the right to receive a cash payment if the Depositary receives U.S. dollars in respect of a sale of unexercised common share rights. Deposit in the mail will not constitute delivery to the ADS rights agent.

The amount you pay will based on (i) the non-binding indicative subscription price or (ii) the definitive subscription price at all times plus, in each case, the Depository s issuance fee of US$0.05 per new ADS. See non-binding indicative subscription price for a description of applicable procedures if amounts paid prior to our publication of the definitive subscription price are different from the definitive subscription price.

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

Accretion rights	Concurrently with the exercise of their common share rights, holders of common shares may exercise their statutory accretion rights with respect to common shares not subscribed for by other holders of common shares in the exercise of their respective preemptive rights, by indicating the maximum number of additional common shares they would like to purchase pursuant to their accretion rights, which shall not exceed the amount of common shares subscribed by such holder in the exercise of its preemptive rights. Common shares relating to such accretion rights will be allocated pro rata to each exercising holder of common shares that has requested additional shares through

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the exercise of accretion rights based on the ratio of the number of new common shares available after exercise of the common share rights to the aggregate number of new common shares to be subscribed for pursuant to accretion rights.

	Concurrently with the exercise of their preemptive rights, ADS holders that subscribe for new ADSs pursuant to their ADS rights may indicate on their subscription forms a number of additional ADSs for which they would be willing to subscribe pursuant to their accretion rights which shall not exceed the number of new ADSs subscribed by such holder in the exercise of its preemptive rights. If accretion rights are allocated to the depositary, the ADS rights agent will allocate additional ADSs to ADS holders that requested them. If the amount of additional ADSs available pursuant to accretion rights are insufficient to satisfy all requests, we will allocate the available additional ADSs ratably among requesting ADS holders in proportion to the number of additional ADSs they requested.
	On [March 19], 2008, which is one business day after the end of the common shares subscription period, we will notify holders of our common shares and our ADS holders who have indicated that they wish to exercise their accretion rights of the aggregate number of unsubscribed common shares and ADSs, as applicable, by publication of a notice in the bulletin of the Buenos Aires Stock Exchange and the CNV web site. Based on this notice, we will allocate unsubscribed common shares to holders of common shares and ADSs to ADS holders, as applicable, in accordance with their accretion rights.
Results of the offering	On [March 25], 2008, which is the third Argentine business day after the end of the common shares subscription period, we will notify holders of our common shares and ADS holders by publication of a notice in the bulletin of the Buenos Aires Stock Exchange and PR Newswire of the final results of the offering pursuant to common share rights and ADS rights.
Non-binding indicative subscription price	On [February 22], 2008, we will publish in the bulletin of the Buenos Aires Stock Exchange, the website of the Comisión Nacional de Valores and PR Newswire a non-binding indicative subscription price for each of the new common shares and ADSs.

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We will calculate the non-binding indicative subscription price for our new common shares by multiplying the weighted average trading price of our ADSs on the NASDAQ for the five preceding trading days by the coefficient 0.9, dividing such result by 10, and converting the resulting amount into Argentine Pesos on the basis of the seller s reference exchange rate *(tipo de cambio vendedor)* at the close of business on the prior business day as quoted by *Banco de la Nación Argentina.*

We will calculate the non-binding indicative subscription price for our new ADSs by multiplying the average weighted average trading price of our ADSs on the NASDAQ for the five preceding trading days by the coefficient 0.9.

The non-binding indicative subscription price for our common shares and ADSs shall not exceed, in each case, the price range between the lowest and the highest trading price of our common shares during a period of not less than 5 days and not more than 180 days prior to the determination of the subscription price, established at our shareholders meeting dated October 10, 2007.

Subscriptions for new common shares and new ADSs pursuant to the exercise of the common share rights, the ADS rights and the accretion rights that are submitted based on the indicative subscription price prior to our publication of the definitive subscription price will be binding and irrevocable even though the definitive subscription price will not have been established at the time of such exercise. The definitive subscription price subsequently determined may be higher than the indicative subscription price.

If the non-binding indicative subscription price delivered in connection with a subscription form is less than the definitive subscription price plus the applicable fees, the ADS rights agent will notify the subscriber of the shortfall and will not deliver the new ADSs subscribed for until the shortfall is paid. Any such subscriber will have no more than two days to pay such shortfall to the ADS rights agent prior to the expiration of the subscription period on March 13, 2008. If a shortfall is not paid by the date specified in the notice, the ADS rights agent may sell a portion of the new ADSs to pay for the shortfall.

If the amount paid with a subscription is more than the definitive subscription price plus applicable fees, the ADS rights agent will notify the subscriber of the excess and will return such excess to the relevant subscriber as promptly as practicable after completion of this offering.

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Definitive subscription price	The definitive subscription price for the new common shares and the new ADSs will be established by our board of directors in U.S. dollars, based on a range between the lowest and the highest trading price of our ADSs during a period of not less than 5 days and not more than 180 days prior to the determination of the subscription price on [March 10], 2008. The subscription price will be reported to the *Comisión Nacional de* Valores, and published in the bulletin of the Buenos Aires Stock Exchange and PR Newswire on the following business day, prior to the opening of the Buenos Aires Stock Exchange.

The subscription price for each new ADS will be payable in U.S. dollars. Holders of new ADSs must also pay an amount sufficient to cover the fee of the depositary that is US$0.05 per new ADS.

The subscription price for each new common share will be payable in U.S. dollars outside Argentina or in Argentine pesos in Argentina, determined on the basis of the seller s reference exchange rate *(tipo de cambio vendedor)* at the close of business on the subscription price determination date as quoted by *Banco de la Nación Argentina.*

The definitive subscription price will be determined within the price range established at our shareholders meeting held on October 10, 2007.

Payment for exercise of preemptive rights	The new common shares subscribed pursuant to the common share rights must be paid in cash or by wire transfer to the common shares agent no later than 1:00 p.m. on [March 18], 2008, which is the last business day of the common shares subscription period.

The new ADSs subscribed pursuant to the ADS rights must be paid by wire transfer or by certified or official bank check or money order to the ADS rights agent no later than 5:00 p.m. on [March 13], 2008, which is the last business day of the ADS subscription period.

Payment for exercise of accretion rights	The new common shares subscribed pursuant to the accretion rights must be paid by wire transfer or by certified or official bank check or money order to the common share rights agent no later than 1:00 p.m. on [March 25], 2008 which is the second business day after the end of the common shares subscription period.

The new ADSs subscribed pursuant to the accretion rights must be paid in cash, by wire transfer or by certified or official bank check or money order to the ADS rights agent no later than 5:00 p.m. on [March 13], 2008 which is the last business day of the ADS subscription period.

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Fractional common shares and ADSs	We will accept subscriptions for whole new common shares and new ADSs only and will round down any subscription submitted for fractional new common shares and fractional new ADSs to the nearest whole number of new common shares or new ADSs, as applicable.
Use of unsubscribed ADSs and common shares	After expiration of the common shares subscription period and the ADS subscription period, we may cancel the unsubscribed common shares or sell them to third parties at such times as our board of directors may determine. The price for such sales may not be more favorable to the purchaser than the price offered herein. We currently intend to offer any unsubscribed common shares to the public promptly after completion of this offering.
Issuance and delivery of new common shares and new ADSs	The new common shares and warrants acquired pursuant to the preemptive rights will be issued and made available on the next Argentine business day following the expiration of the common shares subscription period.

The new ADSs and warrants acquired pursuant to the preemptive rights will be issued and made available as soon as practicable after the new common shares are deposited with the Depositary s custodian in Argentina.

The new common shares acquired pursuant to the accretion rights will be issued and made available on the second Argentine business day following the expiration of the common shares subscription period.

The new ADS acquired pursuant to the accretion rights will be issued and made available as soon as practicable after the new common shares are deposited with the Depositary s custodian in Argentina.

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

ADRs, if applicable, evidencing new ADSs, and the related warrants, will be made available to subscribing ADS holders as soon as practicable upon receipt by the depositary (or its agents) of the new common shares subscribed for.

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Transferability	Any holder of common share rights may transfer its common share rights. Common share rights will be eligible to trade on the Buenos Aires Stock Exchange from [February 28, 2008 to March 14], 2008 but will not be eligible to trade on any securities exchange in the United States.

The ADS rights will not be transferable.

The Depositary may, to the extent permitted by applicable law, sell the common shares rights underlying the unexercised ADS rights on the Buenos Aires Stock Exchange. The proceeds from the sale of common shares rights underlying the unexercised ADS rights will be, to the extent permitted by applicable law, distributed to the ADS holders in U.S. dollars pursuant to the deposit agreement.

Combined offering	In connection with this rights offering, we intend to offer the unsubscribed common shares, if any, in the form of ADSs in the United States and other jurisdictions outside Argentina, provided certain conditions are met and our board of directors approves such subsequent offering. The price for such sale may not be more favorable for the purchaser than the price offered herein.
No exchanges of common share rights or ADS rights	You may not surrender ADS rights for the purpose of withdrawing rights to subscribe for common shares or deposit common share rights to obtain ADS rights.
Listing of common shares	The common shares are listed on the Buenos Aires Stock Exchange under the symbol CRES. We have requested authorization to list the new common shares rights underlying the rights on the Buenos Aires Stock Exchange.
Listing of ADSs	The ADSs are listed on the NASDAQ Global Select Market under the symbol CRESY. We have requested authorization to list the new ADSs issuable pursuant to the ADS rights on the NASDAQ.
ADS rights agent	The Bank of New York
Common share rights agent	Raymond James Argentina Sociedad de Bolsa S.A.
Depositary	The Bank of New York

The Warrants

Maximum number of warrants	We will issue up to a maximum of 180,000,000 warrants, assuming all of the common shares and ADS available for purchase in this rights offering are purchased.

We will issue, free of charge:

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

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

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Exercise of the warrants	To exercise the warrants, you must deliver to the warrant agent a properly completed purchase form, accompanied by a certificate of ownership, if any, and full payment of the exercise price by 5:00 p.m. (New York City time) during the exercise periods referred to below.

Upon exercise, each warrant will entitle the holder thereof to purchase 0.33333333 of our common shares. Prior to their expiration, the warrants will be exercisable during the six-day period from and including the 17th through the 22nd day of each February, May, September and November (to the extent that such dates are business days in New York City and in Buenos Aires), commencing with such period from and including May 17 through May 22, 2008.

ADS holders wishing to obtain additional ADSs upon exercise of their warrants must deposit the common shares acquired under the warrants with the Bank of New York, as our depositary, to obtain ADSs in accordance with the terms of the deposit agreement.

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

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

Exercise price	Each warrant will entitle its holder to purchase 0.33333333 additional common shares for an exercise price that will be payable in U.S. dollars and will be determined by our board of directors. The exercise price for each new common share to be purchased pursuant to the exercise of the warrants will consist of the definitive subscription price of the new shares subscribed for pursuant to the common share rights offering plus a premium equal to not more than 100% of such subscription price and will be published on [March 11], 2008, in the bulletin of the Buenos Aires Stock Exchange and PR Newswire. Three warrants must be exercised to purchase each common share.

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

Expiration of warrants	The warrants will expire automatically and become void on May 22, 2015.
Transferability	Any holder of warrants may transfer its warrants at any time after the date of issuance. Warrants will be eligible to trade on the Buenos Aires Stock Exchange and we will apply to have the warrants listed on the American Stock Exchange or the NASDAQ.
Shelf registration	We have agreed that until the earlier to occur of the exercise or expiration of all the warrants, we will keep a registration statement current with respect to the issuance of our common shares from time to time upon exercise of the warrants.
Listing	We have applied to have the warrants listed on the Buenos Aires Stock Exchange. We intend to have the warrants listed on the American Stock Exchange or the NASDAQ.
Warrant agent	The Bank of New York.
Representative of the warrant agent in Argentina	Banco Santander Río S.A.

General

Use of proceeds	We currently estimate that the net proceeds of this offering will be approximately US$299.8 million, after deducting estimated fees and expenses, based on the assumptions that (i) all of the common shares and ADSs available for purchase in this rights offering are purchased, (ii) none of the warrants are exercised upon consummation of this offering and (iii) the subscription price per common share will be Ps.5.37. Such estimated subscription price is based on historic stock prices which may not be representative of the definitive subscription price for this offering which will be determined as set forth elsewhere in this prospectus. *The amount of net proceeds set forth above represents only an estimate (based on the stated assumptions) and may differ significantly from the net proceeds we actually receive from this offering.*

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

Approximately US$[100] million to US$[200] million to finance the growth of our core business through new investments in agricultural activities in Latin America. We intend to focus primarily on investments in Argentina, Brazil, Uruguay, Paraguay and Bolivia but may make limited investments in other countries to the extent we believe such investments are consistent with our business strategy.

Approximately one third of the net proceeds for additional investments in IRSA, through market purchases of outstanding shares and/or subscriptions of preemptive and accretion rights issued in connection with future capital increases of IRSA; and

Approximately US$[40] million for working capital and other general corporate purposes.

The amount of proceeds we will receive from this offering will depend not only on the definitive subscription price but also on the extent to which our shareholders elect to exercise their rights to subscribe for new common shares. The extent to which our shareholders elect to do so is beyond our control and cannot be predicted with certainty. If a significant percentage of our shareholders do not exercise their rights to subscribe for new common shares, our net proceeds could be materially less than the amount indicated above (which assumes that 100% of the common shares and ADSs available for purchase will be purchased).

Although we are constantly evaluating investment opportunities, at this time we do not have any binding commitment to make any material investments not identified in this prospectus. Because several of the proposed investments above are uncertain at this time, the net proceeds from this offering may not be fully used in the short term. Until those investments are made, we intend to invest the net proceeds of this offering in high quality, liquid financial instruments. The allocation of the net proceeds from this offering will be influenced by prevailing market conditions from time to time, and as a result, we reserve the right to reallocate all or a portion of such anticipated uses to other uses we deem consistent with our strategy.

Outstanding common shares immediately before and after the preemptive rights offering	Immediately prior to this preemptive rights offering, our outstanding capital stock consists of approximately 320,774,772 common shares.

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Immediately after this preemptive rights offering, a total of 500,774,772 common shares are expected to be outstanding (assuming all of the new common shares and ADSs available for purchase in this rights offering are purchased, and that none of the warrants are immediately exercised upon consummation of this offering).

Dividends	Under Argentine law, the declaration, payment and amount of dividends on the common shares are subject to the approval of the our shareholders and to certain requirements of Argentine law. Pursuant to the deposit agreement, holders of ADSs will be entitled to received dividends, if any, declared on the common shares represented by such ADSs to the same extent as the holders of the common shares. Cash dividends will be paid in Pesos and will be converted by the depositary into U.S. dollars at the prevailing exchange rate on the date of conversion and paid to the holders of ADSs net of any dividend distribution fees, currency conversion expenses taxes or governmental charges. See Dividends and Dividend Policy, Description of Capital Stock and Description of American Depositary Receipts.
Voting Rights	Holders of our common shares are entitled to one vote for each common share at any of our shareholders meeting. See Description of Capital Stock. Pursuant to the deposit agreement and subject to Argentine law and our bylaws, holders of ADSs are entitled to instruct the depositary to vote or cause to be voted the number of common shares represented by such ADSs. See Description of American Depositary Receipts.
Principal shareholders	Inversiones Financieras del Sur S.A., or IFISA, our largest shareholder and a company of which our director, Eduardo Elsztain, is the largest beneficial owner, has indicated to us that it intends to exercise all of its statutory preemptive rights and possibly some of its accretion rights in connection with this offering. See Related Party Transactions.
Information	Any questions or requests for assistance may be directed to: Citigroup Global Markets, Inc., as dealer manager, at 388 Greenwich Street, 33rd Floor, New York, New York 10013, or by calling 1-212-816-4346. The Bank of New York, as ADS rights agent, at 101 Barclay Street, New York, New York 10281, or by calling 1-800-507-9357, in the case of holders of ADSs, or Raymond James Argentina Sociedad de Bolsa S.A., our common share rights agent, at San Martin 344, 22nd Floor, Buenos Aires, Argentina, or by calling +54 (11) 4850-2500 collect, in the case of holders of our common shares, or

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

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

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

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Timetable for the Offering

Publication of non-binding indicative subscription price	[February 22], 2008
Common shares record date 6:00 p.m. (Buenos Aires, Argentina time)	[February 27], 2008
ADS record date 5:00 p.m. (New York City time)	[February 27], 2008
Common share rights commence trading on the Buenos Aires Stock Exchange	[February 28], 2008
Common shares subscription period	[March 4], 2008 to [March 18], 2008
ADS subscription period	[March 4], 2008 to [March 13], 2008
Publication of the definitive subscription price for the new common shares and the new ADSs	[March 11], 2008
Expiration date for holders of ADS rights	[March 13], 2008
End of common share rights trading on the Buenos Aires Stock Exchange	[March 14], 2008
Expiration date of common shares subscription period	[March 18], 2008
Allocation of accretion rights	[March 19], 2008
Delivery date for new common shares pursuant to common share preemptive rights	On or about [March 19], 2008
Delivery date for new common shares pursuant to common share accretion rights	On or about [March 25], 2008
Delivery date for the new ADS pursuant to ADS preemptive rights	On or about [March 25], 2008
Delivery date for the new ADS pursuant to ADS accretion rights	On or about [March 25], 2008

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following summary consolidated financial data has been derived from our consolidated financial statements as of the dates and for each of the periods indicated below. This information should be read in conjunction with and is qualified in its entirety by reference to our consolidated financial statements and the discussion in Cresud s Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. The summary consolidated statement of income data for the six months ended December 31, 2006 and 2007 and the summary consolidated balance sheet data as of December 31, 2006 and 2007 have been derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The summary consolidated statement of income data for the years ended June 30, 2005, 2006 and 2007 and the summary consolidated balance sheet data as of June 30, 2006 and 2007 have been derived from our consolidated financial statements included elsewhere in this prospectus. The summary consolidated income statement data for the years ended June 30, 2003 and 2004 and the summary consolidated balance sheet data as of June 30, 2003, 2004 and 2005 have been derived from our Annual Report on Form 20-F for the year ended June 30, 2007 which is incorporated by reference herein.

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

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

Additionally, after considerable inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government instructed the *Comisión Nacional de Valores* to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the *Comisión Nacional de Valores* issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. We complied with the *Comisión Nacional de Valores* resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were restated until that date, using a conversion factor of 1.1232. Since Argentine GAAP required companies to discontinue inflation adjustments only as from October 1, 2003, the application of the *Comisión Nacional de Valores* resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March to September 2003, such a departure has not had a material effect on our consolidated financial statements.

As of December 31, 2007 we owned a 34.6% equity interest in IRSA that represented 43.2% of our total consolidated assets of such date. In compliance with Rule 3-09 of Regulation S-X, also contained in this prospectus are the audited consolidated financial statements of IRSA as of June 30, 2006 and 2007 and for the years ended June 30, 2005, 2006 and 2007. This prospectus also includes IRSA s unaudited consolidated financial statements as of and for the six months ended December 31, 2006 and 2007.

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Summary Consolidated Financial and Other Information for Cresud

	As of and for the year ended June 30,						As of and for the six months ended December 31,		
	2003(1)	2004	2005	2006	2007	2007(2)	2006	2007	2007(2)
	(in Ps., except for ratios)					(in US$, except for ratios)	(in Ps., except for ratios)		(in US$, except for ratios)
							(unaudited)		
INCOME STATEMENT DATA									
Argentine GAAP									
Production income:									
Crops	24,883,609	24,369,232	44,052,970	37,005,907	72,426,012	22,992,385	6,586,411	12,840,230	4,077,558
Beef cattle	16,584,204	20,637,512	19,993,923	20,452,655	19,462,410	6,178,543	11,125,808	13,528,391	4,296,091
Milk	2,414,992	3,191,948	3,463,144	7,892,462	10,911,397	3,463,936	5,478,723	9,339,925	2,965,997
Total production income	43,882,805	48,198,692	67,510,037	65,351,024	102,799,819	32,634,864	23,190,942	35,708,546	11,339,646
Cost of production:									
Crops	(18,770,450)	(17,616,790)	(34,463,844)	(35,799,706)	(52,401,684)	(16,635,455)	(8,007,741)	(10,454,611)	(3,319,978)
Beef cattle	(8,813,155)	(15,112,209)	(17,012,337)	(18,780,372)	(15,050,438)	(4,777,917)	(8,258,522)	(9,746,041)	(3,094,964)
Milk	(1,483,172)	(1,307,962)	(2,094,975)	(5,845,360)	(8,476,391)	(2,690,918)	(3,537,970)	(6,252,352)	(1,985,504)
Total cost of production	(29,066,777)	(34,036,961)	(53,571,156)	(60,425,438)	(75,928,513)	(24,104,290)	(19,804,233)	(26,453,004)	(8,400,446)
Gross income from production	14,816,028	14,161,731	13,938,881	4,925,586	26,871,306	8,530,574	3,386,709	9,255,542	2,939,200
Sales:									
Crops	50,167,010	26,838,376	30,893,216	61,659,566	53,401,376	16,952,818	13,239,915	35,118,126	11,152,152
Beef cattle	20,566,175	27,723,604	36,826,885	33,713,479	31,966,582	10,148,121	15,400,961	14,697,505	4,667,356
Milk	2,414,992	3,191,948	3,463,144	7,892,462	9,730,929	3,089,184	4,603,474	8,958,759	2,844,954
Feed lot	4,453,320	7,120,335	2,129,838	2,721,377	3,102,229	984,835	3,102,229		
Other	1,985,004	4,778,545	4,859,931	6,353,777	12,116,372	3,846,467	5,072,774	9,349,281	2,968,968
Total sales	79,586,501	69,652,808	78,173,014	112,340,661	110,317,488	35,021,425	41,419,353	68,123,671	21,633,430
Cost of sales:									
Crops	(47,129,107)	(23,941,415)	(30,460,110)	(53,286,035)	(50,434,966)	(16,011,100)	(13,761,324)	(32,477,083)	(10,313,459)
Beef cattle	(19,450,110)	(26,478,681)	(35,810,780)	(32,993,523)	(30,272,710)	(9,610,384)	(14,732,739)	(13,518,741)	(4,293,027)
Milk	(2,414,992)	(3,191,948)	(3,463,144)	(7,892,462)	(9,730,929)	(3,089,184)	(4,603,474)	(8,958,759)	(2,844,954)
Feed lot	(4,193,288)	(6,185,771)	(1,855,278)	(2,318,102)	(2,823,865)	(896,465)	(2,784,316)		
Other	(1,387,411)	(1,196,060)	(1,546,204)	(2,093,332)	(5,870,058)	(1,863,510)	(1,519,840)	(4,868,595)	(1,546,077)
Total cost of sales	(74,574,908)	(60,993,875)	(73,135,516)	(98,583,454)	(99,132,528)	(31,470,644)	(37,401,693)	(59,823,178)	(18,997,516)
Gross income from sales	5,011,593	8,658,933	5,037,498	13,757,207	11,184,960	3,550,781	4,017,660	8,300,493	2,635,914
Gross profit	19,827,621	22,820,664	18,976,379	18,682,793	38,056,266	12,081,354	7,404,369	17,556,035	5,575,114
Selling expenses	(6,115,048)	(5,740,115)	(6,599,566)	(10,151,452)	(9,971,891)	(3,165,680)	(2,639,664)	(5,069,107)	(1,609,751)
Administrative expenses	(4,567,091)	(4,957,250)	(7,271,279)	(11,560,307)	(16,628,088)	(5,278,758)	(8,550,529)	(9,000,360)	(2,858,164)
Net gain on sale of farms	4,869,484	1,668,751	19,987,989	9,897,186	22,255,710	7,065,305		3,233,104	1,026,708
Gain from valuation of other assets at net realization value								17,424,454	5,533,329
Unrealized gain on inventories:									
Beef cattle	12,402,776	2,236,255	11,620,779	2,847,711	5,102,943	1,619,982	1,469,238	2,657,122	843,799
Crops	1,590,397	1,783,574	(456,710)	1,391,209	(805,910)	(255,844)	1,935,168	(4,389,461)	(1,393,922)

Operating income	28,008,139	17,811,879	36,257,592	11,107,140	38,009,030	12,066,359	(381,418)	22,411,787	7,117,112
Financial results, net	(11,065,223)	(18,969)	63,751,386	12,373,958	(10,457,994)	(3,319,998)	(4,343,286)	(7,275,790)	(2,310,508)
Gain on equity investees	67,706,143	26,669,884	28,087,632	22,140,997	40,198,825	12,761,532	22,953,379	9,005,199	2,859,701
Other expense, net	(2,091,884)	(363,761)	(5,065,386)	(3,367,594)	(4,250,800)	(1,349,460)	(1,205,586)	(2,413,581)	(766,460)
Management fee	(7,224,996)	(3,567,003)	(8,533,213)	(3,836,470)	(5,484,697)	(1,741,174)	(2,108,111)	(1,582,959)	(502,686)
Income before income tax and minority interest	75,332,179	40,532,030	114,498,011	38,418,031	58,014,364	18,417,258	14,914,978	20,144,656	6,397,160
Income tax expense	(10,531,263)	(8,570,269)	(37,787,594)	(5,431,831)	(8,375,095)	(2,658,760)	2,140,134	(5,631,806)	(1,788,443)
Minority interest	224,045	141,261	88,501	(102,924)	(277,000)	(87,937)	(16,557)	(40,194)	(12,764)
Net income	65,024,961	32,103,022	76,798,918	32,883,276	49,362,269	15,670,562	17,038,555	14,472,656	4,595,953

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	2003(1)	2004	2005	2006	2007	2007(2)	2006	2007	2007(2)
	As of and for the year ended June 30, (in Ps., except for ratios)					(in US$, except for ratios)	As of and for the six months ended December 31, (in Ps., except for ratios) (unaudited)		(in US$, except for ratios)
U.S. GAAP									
Total sales	71,878,218	62,179,287	75,582,982	105,371,504	104,493,979	33,172,692			
Total cost of sales	(50,578,787)	(40,330,843)	(52,000,895)	(83,441,671)	(62,333,457)	(19,788,399)			
Gross profit	21,299,431	21,848,444	23,582,087	21,929,833	42,160,522	13,384,293			
Administrative expenses	(9,025,339)	(4,561,060)	(16,466,503)	(14,298,716)	(21,878,033)	(6,945,407)			
Operating income	6,159,044	11,547,269	516,018	(2,520,335)	10,346,605	3,284,637			
Financial results, net	(27,336,810)	(8,998,813)	54,964,547	2,017,841	(18,181,646)	(5,771,951)			
Gain on equity investees	67,342,113	3,455,098	47,201,959	21,758,975	40,562,309	12,876,923			
Income before income tax and minority interest	48,941,947	7,197,759	117,631,326	27,864,275	50,856,515	16,144,925			
Income tax expense	(2,646,951)	(3,945,940)	(31,025,373)	(272,575)	(1,244,203)	(394,985)			
Minority interest	83,008	35,483	88,501	(102,924)	(277,000)	(87,937)			
Net income	46,378,004	3,287,302	86,694,454	27,488,776	49,335,312	15,662,003			
BALANCE SHEET DATA									
Argentine GAAP									
Current assets:									
Cash and banks and investments	23,363,232	14,624,161	74,446,153	32,221,149	86,772,082	27,546,693	22,846,991	7,231,016	2,296,290
Inventories	23,305,421	35,441,885	46,293,640	28,932,135	52,460,289	16,654,060	49,476,568	92,485,202	29,369,705
Trade and other receivables, net	13,639,837	24,221,264	32,002,331	33,829,580	77,542,466	24,616,656	26,902,554	58,098,594	18,449,855
Other Assets								19,802,484	6,288,499
Non-current assets:									
Other receivables	672,817	101,758	6,480,334	36,005,292	43,236,560	13,725,892	41,210,720	38,589,842	12,254,634
Inventories	37,796,987	44,740,030	53,223,179	62,712,423	68,345,438	21,696,964	66,616,712	71,183,737	22,605,188
Investments	338,604,025	393,382,176	394,899,782	505,423,985	541,328,760	171,850,400	520,682,569	759,183,241	241,087,088
Negative goodwill, net	(19,347,598)	(25,869,346)	(30,430,822)	(76,825,838)	(67,306,386)	(21,367,107)	(72,145,013)	(134,678,152)	(42,768,546)
Property and equipment, net	150,932,466	160,026,473	166,497,596	224,775,512	245,919,561	78,069,702	236,440,473	255,890,648	81,260,923
Intangible assets, net	369,637			23,581,646	23,581,646	7,486,237	23,581,646	23,581,646	7,488,614
Total assets	569,336,824	646,668,401	743,412,193	870,655,884	1,071,880,416	340,279,497	915,613,220	1,191,368,258	378,332,251

Current liabilities:									
Trade accounts payable	8,002,449	10,840,177	17,894,529	26,438,528	30,935,851	9,820,905	38,330,776	41,017,073	13,025,428
Short-term debt	1,425,499	8,090,261	11,499,782	66,421,573	122,749,734	38,968,169	139,817,661	217,809,995	69,167,988
Other liabilities, taxes, charges, salaries and social security payable	7,158,058	10,370,898	36,585,829	9,048,990	14,006,121	4,446,388	9,532,913	21,584,718	6,854,467
Non-current liabilities:									
Long-term debt	137,995,607	125,920,201	114,798,751	99,550,449	27,085,386	8,598,535	25,988,936	2,093,796	664,908
Taxes payable	22,749,374	26,213,217	39,285,385	42,770,882	51,312,237	16,289,599	40,516,058	56,945,343	18,083,628
Total liabilities	177,330,987	181,434,754	220,064,276	244,230,422	246,089,329	78,123,596	254,186,344	339,450,925	107,796,419
Minority interest	206,712	65,451	276,947	559,871	836,872	265,674	576,428	934,075	296,626
Shareholders equity	391,799,125	465,168,196	523,070,970	625,865,591	824,954,215	261,890,227	660,850,448	850,983,258	270,239,205
U.S. GAAP									
Non-current assets:									
Inventories	11,158,969	14,371,493	16,950,827	26,348,869	32,297,175	10,253,071			
Investments	206,463,936	236,526,965	289,309,184	444,010,858	597,100,979	189,555,866			
Total assets	423,698,035	478,020,170	625,764,749	843,456,953	1,158,910,758	367,908,177			
Non-current liabilities:									
Long-term debt	82,925,903	76,346,451	74,810,412	69,708,185	4,722,857	1,499,320			
Taxes payable	54,668,735	53,809,128	60,714,471	59,020,118	60,586,895	19,233,935			
Total liabilities	151,247,284	155,443,201	199,627,882	228,821,956	233,001,458	73,968,717			
Shareholders equity	272,349,817	322,511,158	425,859,920	614,066,773	925,072,428	293,673,787			

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	As of and for the year ended June 30,						As of and for the six months ended December 31,		
	2003(1)	2004	2005	2006	2007	2007(2)	2006	2007	2007(2)
	(in Ps., except for ratios)					(in US$, except for ratios)	(in Ps., except for ratios)		(in US$, except for ratios)
								(unaudited)	
ASH FLOW ATA									
rgentine AAP									
et cash ovided by sed in) perating tivities	12,435,796	(280,751)	(10,100,935)	(21,470,041)	(56,140,794)	(17,822,474)	(5,817,210)	(11,191,401)	(3,553,954)
et cash ovided by sed in) vesting tivities	(200,614,009)	(25,089,388)	62,734,033	(110,865,934)	(866,877)	(275,199)	(10,501,262)	(136,718,341)	(43,416,431)
et cash ovided by sed in) nancing tivities	165,644,376	16,670,247	1,691,457	92,250,539	115,813,757	36,766,272	10,288,190	68,982,621	21,906,199
S. GAAP(9)									
et cash (used) provided by perating tivities	14,521,304	(13,156,027)	54,735,816	(3,839,611)	(62,359,968)	(19,796,815)			
et cash (used) provided by vesting tivities	(194,782,124)	(12,983,501)	(1,918,881)	(133,000,622)	5,295,891	1,681,235			
et cash ovided by sed in) nancing tivities	165,644,376	16,670,247	1,691,457	92,250,539	115,813,757	36,766,272			
ffects of change rate anges	(13,656,319)	1,272,280	(183,837)	4,504,528	56,406	17,907			
ffects of flation counting	4,863,453								
THER INANCIAL ATA									
rgentine AAP									
asic net income r share(3)	0.54	0.23	0.49	0.19	0.20	0.06	0.08	0.05	0.01
iluted net come per are(4)	0.19	0.13	0.25	0.13	0.16	0.05	0.06	0.05	0.01
asic net income r ADS(3)(5)	5.40	2.30	4.90	1.93	2.00	0.63	0.77	0.46	0.15
iluted net come per	1.90	1.30	2.50	1.32	1.60	0.51	0.57	0.46	0.15

DS(4)(5)									
eighted average umber of ommon shares utstanding	121,388,429	137,137,783	155,343,629	170,681,455	247,149,373		221,502,597	313,743,488	313,743,488
eighted average umber of ommon shares utstanding plus ssumed onversion(6)	246,526,666	321,214,392	321,214,392	321,214,392	321,214,392		321,214,392	313,743,488	313,743,488
ividends aid(7)	1.50	3.00	10.00	5.50	8.25	3.00			
ividends per hare	0.012	0.020	0.059	0.024	0.026	0.008			
ividends per DS(5)	0.12	0.20	0.59	0.24	0.26	0.08			
epreciation and mortization	3,825,546	3,937,141	4,169,139	5,112,088	4,333,122	1,375,594	2,155,559	2,384,843	757,333
apital xpenditures(8)	31,129,070	15,189,386	25,959,614	55,770,620	29,326,622	9,310,039	13,844,652	14,051,592	4,462,239
ross argin(10)	45.2%	47.3%	28.1%	28.6%	37.0%	37.0%	31.9%	49.2%	49.2%
perating argin(11)	63.8%	37.0%	53.7%	17.0%	37.0%	37.0%	(1.6)%	62.8%	62.8%
et margin(12)	148.2%	66.6%	113.8%	50.3%	48.0%	48.0%	73.5%	40.5%	40.5%
atio of current ssets to current abilities	3.64	2.54	2.31	0.93	1.29	1.29	0.53	0.63	0.63
atio of hareholders quity to total abilities	2.21	2.56	2.38	2.56	3.35	3.35	2.60	2.51	2.51
atio of non urrent assets to tal assets	0.89	0.89	0.79	0.89	0.80	0.80	0.89	0.85	0.85
.S. GAAP									
asic net income er share(3)	0.38	0.02	0.56	0.16	0.20	0.06			
iluted net come per hare(4)	0.19	0.02	0.34	0.15	0.18	0.06			
asic net income er ADS(3)(5)	3.80	0.24	5.58	1.61	2.00	0.63			
iluted net come per DS(4)(5)	1.90	0.24	3.38	1.54	1.80	0.57			
eighted verage number f common hares utstanding	121,388,429	137,137,783	155,343,629	170,681,455	247,149,373				
eighted verage number f common hares utstanding plus ssumed onversion(6)	194,235,230	137,137,783	283,140,627	282,836,274	308,253,058				
ross argin(10)	29.6%	35.1%	31.2%	20.8%	40.3%	40.3%			

perating margin(11)	8.6%	18.6%	0.7%	(2.4%)	9.9%	9.9%
et margin(12)	64.5%	5.3%	114.7%	26.1%	47.2%	47.2%

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

(2) Solely for the convenience of the reader, we have translated Peso amounts into U.S. dollars at the exchange rate quoted by *Banco de La Nación Argentina* for December 31, 2007 which was Ps.3.149 = US$1.00. We make no representation that the Peso or U.S. dollar amounts actually represent, could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all. See Exchange Rates and Exchange Controls.

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

(4) Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common shares assuming the total conversion of outstanding notes. See Notes 13 and 17.II.f) to our audited consolidated financial statements included elsewhere in this prospectus for details on the computation of earning per share under Argentine GAAP and U.S. GAAP, respectively.

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

(6) Assuming the (i) conversion into common shares of all of our outstanding convertible notes due 2007 and (ii) exercise of all outstanding warrants to purchase our common shares. The term for the exercise of our outstanding warrants and the conversion of our outstanding convertible notes issued on November 21, 2002 expired on November 14, 2007. During the conversion and exercise periods, holders of our warrants and convertible notes exercised an aggregate of 49,867,018 warrants and converted an aggregate of 49,910,874 convertible notes, respectively. As a result, as of December 31, 2007 the number of common shares outstanding was 320,774,772.

(7) On October 10, 2007, our shareholders held their ordinary annual meeting at which the payment of a cash dividend of Ps.8.25 million was approved.

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

(9) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of SFAS No. 95 under U.S. GAAP. See Note 17.II.e) to our audited consolidated financial statements included elsewhere in this prospectus for details of the differences in classifications affecting the categories of cash flows.

(10) Gross profit divided by the sum of production income, except for information under U.S. GAAP, where the ratio is gross profit divided by sales.

(11) Operating income divided by the sum of production income, except for information under U.S. GAAP, where the ratio is gross profit divided by sales.

(12) Net income divided by the sum of production income, except for information under U.S. GAAP, where the ratio is gross profit divided by sales.

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION FOR IRSA

The following table presents IRSA s summary consolidated financial and other information as of and for each of the periods indicated. This data is qualified in its entirety by reference to, and should be read together with IRSA s audited consolidated financial statements and the notes thereto and IRSA s Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. The summary consolidated income statement data for the six months ended December 31, 2006 and 2007 and the summary consolidated balance sheet data as of December 31, 2007 have been derived from IRSA s unaudited interim consolidated financial statements as of December 31, 2007 and for the six months ended December 31, 2006 and 2007 included elsewhere in this prospectus. The summary consolidated balance sheet data as of December 31, 2006 have been derived from IRSA s unaudited interim consolidated financial statements as of December 31, 2005 and 2006 which are not included in this prospectus. The summary consolidated income statement data for the fiscal years ended June 30, 2005, 2006 and 2007 and the summary consolidated balance sheet data as of June 30, 2006 and 2007 have been derived from IRSA s audited consolidated financial statements as of June 30, 2006 and 2007, and for the three years in the period ended June 30, 2007 included elsewhere in this prospectus.

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

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

The summary consolidated balance sheet data as of June 30, 2003 have been derived from IRSA s consolidated financial statements as of June 30, 2003 and 2004 and for the three years in the period ended June 30, 2004 which are not included in this prospectus. The accountants report on the consolidated financial statements as of June 30, 2003 and 2004 and for the three years in the period ended June 30, 2004, stated that IRSA had a significant investment in Banco Hipotecario, which represented approximately 7.3% of IRSA s total consolidated assets as of June 30, 2004 and further stated that the accountants report of the consolidated financial statements of Banco Hipotecario (which IRSA accounted for under the equity method of accounting) included an explanatory paragraph describing that the quality of Banco Hipotecario s financial condition and results of operations depended to a significant extent on macroeconomic and political conditions prevailing from time to time in Argentina. Further, the accountants report described that the political and economic crisis of late 2001 and early 2002 and the Argentine government s actions to address such crisis had a significant adverse effect on Banco Hipotecario s business activity and that Banco Hipotecario was significantly dependent on the Argentine government s ability to perform its obligations to Banco Hipotecario, and to the entire financial and banking system in Argentina, in connection with federal secured loans, federal government securities and on its obligations to approve and deliver government securities under various laws and regulations. The accountants report stated that these uncertainties could have had an adverse effect in the valuation of the investment in Banco Hipotecario. We have made certain reclassifications to Banco Hipotecario s consolidated financial statements as of June 30, 2003 and 2004 and for the three years in the period ended June 30, 2004, as originally issued, to conform to its consolidated financial statements as of June 30, 2006 and 2007 and for the three years in the period ended June 30, 2007, included in our annual report on Form 20-F for the year ended June 30, 2007, which is incorporated by reference herein.

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

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IRSA currently owns 11.8% of Banco Hipotecario, Argentina s leading mortgage lender in terms of outstanding mortgage loans. Banco Hipotecario s consolidated financial statements as of June 30, 2006 and 2007 and for the twelve months ended June 30, 2005, 2006 and 2007, are included in our annual report on Form 20-F for the year ended June 30, 2007, which is incorporated by reference herein. Banco Hipotecario maintains its financial books and records in pesos and prepares its financial statements in conformity with the Central Bank s policies which prescribe the reporting and disclosure requirements for banks and financial institutions in Argentina (Central Bank accounting rules). These rules differ in certain significant respects from Argentine GAAP. A narrative description of significant differences between Central Bank accounting rules and Argentine GAAP are set forth in Note 6 to Banco Hipotecario s audited consolidated financial statements included in our annual report on Form 20-F for the year ended June 30, 2007 which is incorporated by reference herein. Central Bank accounting rules and Argentine GAAP also differ in certain significant aspects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in such consolidated financial statements, as well as additional disclosures required by U.S. GAAP and regulations of the SEC. See Note 37 to Banco Hipotecario s audited consolidated financial statements for a description of the principal differences between Central Bank accounting rules and U.S. GAAP as they relate to Banco Hipotecario, and a reconciliation to U.S. GAAP of Banco Hipotecario s net income and shareholders equity.

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Summary Consolidated Financial and Other Information for IRSA

	As of and for the year ended June 30,						As of and for the six months ended December 31,		
	2003	**2004**	**2005**	**2006**	**2007**	**2007(1)**	**2006**	**2007**	**2007(1)**
	(in thousands Ps.(2), except ratios)					(in thousands US$, except ratios)	(in thousands Ps.(2), except ratios) (unaudited)		(in thousands US$, except ratios)
INCOME STATEMENT DATA									
Argentine GAAP									
Revenues:									
Development and sale of properties	46,616	30,257	32,311	103,966	75,751	24,056	30,753	63,011	20,010
Office and other non-shopping center rental properties	17,770	15,144	19,431	30,565	55,683	17,683	22,989	44,823	14,234
Shopping centers	88,819	113,216	165,529	215,003	270,266	85,826	133,224	172,567	54,801
Credit card operations	24,935	30,034	64,558	122,969	212,965	67,629	89,296	139,901	44,427
Hotel operations	57,730	71,295	87,120	103,763	122,681	38,959	62,651	75,974	24,126
Financial operations and others	625	859	940	1,414	1,410	448	1,418	340	108
Total revenues	236,495	260,805	369,889	577,680	738,756	234,600	340,331	496,616	157,706
Costs	(154,667)	(147,416)	(168,074)	(243,831)	(311,647)	(98,967)	(142,749)	(209,659)	(66,580)
Gross profit (loss):									
Development and sale of properties	89	4,408	14,769	49,766	17,928	5,693	(73)	15,594	4,952
Office and other non-shopping center rental properties	8,677	6,871	11,685	21,578	38,984	12,380	18,303	29,809	9,466
Shopping centers	30,061	52,734	95,748	137,621	179,154	56,892	94,167	124,082	39,404
Credit card operations	16,605	18,069	41,456	79,036	136,714	43,415	55,553	82,831	26,304
Hotel operations	26,357	31,246	38,196	45,792	53,721	17,060	28,968	34,554	10,973
Financial operations and others	39	61	(39)	56	608	193	664	87	28
Total gross profit	81,828	113,389	201,815	333,849	427,109	135,633	197,582	286,957	91,126
Gain from recognition of inventories at net realizable value			17,317	9,063	20,737	6,585	6,965	1,382	439
Selling expenses	(28,555)	(21,988)	(36,826)	(60,105)	(113,709)	(36,110)	(43,034)	(61,382)	(19,493)
Administrative expenses	(46,493)	(51,400)	(70,670)	(96,882)	(141,427)	(44,912)	(62,333)	(85,376)	(27,112)
Gain on purchasers rescissions of sales	9								
Net (loss) income from retained interest in securitized receivables	(4,077)	261	423	2,625	3,254	1,033	5,514	320	102
Gain from operations and holdings of real estate assets, net	21,507	63,066	27,938	12,616	2,568	815			

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	As of and for the year ended June 30,						As of and for the six months ended December 31,		
	2003	2004	2005	2006	2007	2007(1)	2006	2007	2007(1)
	(in thousands Ps.(2), except ratios)					(in thousands US$, except ratios)	(in thousands Ps.(2), except ratios)		(in thousands US$, except ratios)
							(unaudited)		
Operating income (loss):									
Development and sale of properties	2,262	183	20,566	44,277	6,177	1,962	(2,889)	4,164	1,322
Office and other non-shopping center rental properties	1,688	29,685	13,220	11,862	19,626	6,232	10,424	17,481	5,551
Shopping centers	18,709	58,771	81,638	105,583	124,832	39,642	68,732	94,813	30,109
Credit card operations	(4,616)	4,490	13,546	24,836	32,636	10,364	17,775	13,823	4,390
Hotel operations	6,176	10,138	11,066	14,552	14,653	4,653	9,988	11,533	3,662
Financial operations and others		61	(39)	56	608	193	664	87	28
Total operating income	24,219	103,328	139,997	201,166	198,532	63,046	104,694	141,901	45,062
Amortization of goodwill	(6,631)	(2,904)	(1,663)	(1,080)	(1,472)	(467)	(498)	616	196
(Loss) gain on equity investees	(14,701)	26,653	67,207	41,657	40,026	12,711	15,034	(9,066)	(2,879)
Financial results, net	315,645	12,203	(11,848)	(40,926)	4,099	1,302	12,305	(54,853)	(17,419)
Other income (expenses), net	96	(12,856)	(14,089)	(18,263)	(14,100)	(4,478)	(6,327)	(4,500)	(1,429)
Income before taxes and minority interest	318,628	126,424	179,604	182,554	227,085	72,113	125,208	74,098	23,531
Income tax and minimum presumed income tax	3,529	(25,720)	(53,207)	(58,791)	(87,539)	(27,799)	(37,878)	(46,451)	(14,751)
Minority interest	(35,712)	(12,842)	(23,152)	(27,190)	(32,449)	(10,305)	(21,210)	(21,863)	(6,943)
Net income	286,445	87,862	103,245	96,573	107,097	34,010	66,120	5,784	1,837
U.S. GAAP									
Revenues	280,690	327,424	426,499	621,012	867,452	275,469			
Costs	(208,149)	(216,742)	(235,341)	(321,788)	(413,957)	(131,457)			
Gross profit	72,541	110,682	191,158	299,224	453,495	144,012			
Gain from recognition of inventories at net realizable value									
Selling expenses	(28,555)	(23,937)	(36,255)	(66,278)	(104,997)	(33,343)			
Administrative expenses	(50,139)	(57,928)	(77,451)	(97,956)	(142,714)	(45,320)			
Gain on purchasers rescissions of sales	9								
Net income (loss) from retained interest in securitized receivables	1,392	(1,526)	4,591	(12,274)	(115)	(37)			
Operating (loss) income	(4,752)	27,291	82,043	121,716	205,669	65,312			
(Loss) gain on equity investees	(5,621)	(20,161)	138,560	64,697	42,957	13,641			
Financial results, net	265,753	21,195	(31,072)	(50,854)	(43,705)	(13,879)			
Other incomes (expenses), net	9,880	(4,026)	(10,271)	(7,338)	(13,433)	(4,266)			
Income before taxes and minority interest	265,260	24,299	179,259	128,221	191,488	60,808			
Income tax and minimum presumed income tax	3,020	(12,528)	(34,747)	(18,678)	(39,176)	(12,441)			

Minority interest	(33,154)	(8,946)	(15,114)	(19,597)	(49,090)	(15,589)
Net income	235,126	2,825	129,398	89,946	103,222	32,778

	As of and for the year ended June 30,						As of and for the six months ended 31		
	2003	**2004**	**2005**	**2006**	**2007**	**2007(1)**	**2006**	**2007**	**2007(1)**
	(in thousands Ps.(2), except ratios)					(in thousands US$, except ratios)	(in thousands Ps.(2), except ratios)		(in thousands US$, except ratios)
								(unaudited)	
BALANCE SHEET DATA									
Argentine GAAP									
Cash and banks and current investments	232,001	163,900	211,934	233,438	856,707	272,057	288,741	575,100	182,629
Inventories	23,854	29,711	99,811	162,110	256,203	81,360	141,765	156,204	49,604
Mortgages and lease receivables, net	39,181	37,267	73,246	147,955	212,065	67,344	219,014	253,336	80,450
Non-current investments(3)	412,789	519,499	542,863	647,981	673,273	213,805	618,534	692,542	219,924
Fixed assets, net	1,235,223	1,274,675	1,445,551	1,413,212	2,027,311	643,795	1,682,841	2,340,503	743,253
Total current assets	297,476	261,651	389,735	481,788	1,175,790	373,385	583,165	982,900	312,131
Total assets	2,081,956	2,208,326	2,524,426	2,740,121	4,144,899	1,316,259	3,099,306	4,155,974	1,319,776
Short-term debt(4)	96,159	143,126	130,728	142,140	214,193	68,019	409,607	87,619	27,824
Total current liabilities	188,738	256,022	310,977	419,228	652,082	207,076	756,968	558,219	177,269
Long-term debt(5)	592,104	468,807	422,412	295,282	1,222,423	388,194	228,129	1,099,243	349,077
Total non-current liabilities	629,988	522,213	515,381	385,138	1,395,693	443,218	350,768	1,263,996	401,396
Minority interest	454,044	470,237	445,839	449,989	450,410	143,033	414,993	458,672	145,656
Shareholders equity	809,186	959,854	1,252,229	1,485,766	1,646,714	522,932	1,576,577	1,875,087	595,455
U.S. GAAP									
Cash and banks and current investments	231,293	163,435	212,855	233,032	856,318	271,933			
Inventories	23,584	25,374	46,702	61,720	160,961	51,115			
Mortgages and lease receivables, net	39,181	37,267	72,577	145,718	205,267	65,185			
Other receivables and prepaid expenses	80,799	127,114	113,395	131,502	241,656	76,741			
Non-current investments(3)	281,583	327,883	436,063	599,679	590,646	187,566			
Fixed assets, net	1,221,859	1,230,020	1,392,626	1,360,136	1,912,457	607,322			
Intangible assets, net	1,629	666	712	468	22,226	7,058			
Total current assets	313,595	270,883	386,051	471,053	1,183,147	375,721			
Total assets	1,874,299	1,923,456	2,291,808	2,503,812	3,997,217	1,269,361			
Trade accounts payable	30,432	46,414	68,372	136,362	293,522	93,211			
Other liabilities	40,382	46,524	90,106	94,655	101,764	32,316			
Short-term debt(4)	83,217	135,661	111,994	120,172	216,829	68,856			
Total current liabilities	202,679	260,521	314,939	431,422	669,983	212,761			
Long-term debt(5)	600,616	465,099	413,812	298,570	1,225,212	389,080			
Total non-current liabilities	801,806	696,791	698,344	558,951	1,603,747	509,288			

Minority interest	367,012	378,404	357,062	355,385	366,381	116,348			
Shareholders equity	502,803	587,740	921,718	1,158,364	1,358,739	431,483			
CASH FLOW DATA									
Argentine GAAP									
Net cash provided by operating activities	93,945	74,691	93,490	194,685	163,099	51,794	93,615	114,916	36,493
Net cash used in investing activities	(40,603)	(97,186)	(126,682)	(136,567)	(510,774)	(162,202)	(209,172)	(359,528)	(114,172)

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	As of and for the year ended June 30,						As of and for the six months ended 31		
	2003	2004	2005	2006	2007	2007(1)	2006	2007	2007(1)
	(in thousands Ps.(2), except ratios)					(in thousands US$, except ratios)	(in thousands Ps.(2), except ratios)		(in thousands US$, except ratios)
								(unaudited)	
Net cash provided by (used in) financing activities	109,439	(47,649)	52,868	(36,767)	892,258	283,346	143,972	(21,129)	(6,710)
U.S. GAAP(6)									
Net cash provided by operating activities	55,135	92,378	105,655	192,589	111,936	35,547			
Net cash used in investing activities	(52,260)	(105,061)	(141,746)	(128,687)	(470,318)	(149,355)			
Net cash provided by (used in) financing activities	109,439	(47,649)	52,868	(36,767)	900,907	286,093			
Effect of exchange rate changes on cash and cash equivalents	51,743	(8,081)	2,899	(5,784)	2,058	654			
Effect of inflation accounting	(1,472)								
OTHER FINANCIAL DATA									
Argentine GAAP									
Capital expenditures(7)	10,991	26,908	79,997	116,201	428,026	135,924	247,152	362,530	115,125
Depreciation and amortization(8)	69,437	65,491	74,091	80,979	96,996	30,802	41,490	58,560	18,596
Ratio of current assets to current liabilities	1.576	1.022	1.253	1.149	1.803	1.803	0.770	1.761	1.761
Ratio of shareholders equity to total liabilities	0.988	1.233	1.515	1.847	0.804	0.804	1.423	1.029	1.029
Ratio of non-current assets to total assets	0.857	0.882	0.846	0.824	0.716	0.716	0.812	0.763	0.763
Working capital(9)	108,738	5,629	78,758	62,560	523,708	166,309	(173,803)	424,681	134,862

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(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 December 31, 2007 which was Ps.3.149 per US$1.00. We make no representation that the Peso or U.S. dollar amounts actually represent, could have been or could be converted into Dollars at the rates indicated, at any particular rate or at all. See Exchange Rates and Exchange Controls . Sums may not total due to rounding.
(2) In thousands of constant Pesos of December 31, 2007. Includes adjustment for inflation through February 28, 2003. Sums may not total due to rounding.
(3) Includes IRSA s 11.8% investment in Banco Hipotecario and IRSA s investments in undeveloped parcels of land.
(4) Includes short-term debt (including the current portion of seller financing) and current mortgages payable.
(5) Includes long-term debt (including the non-current portion of seller financing) and non-current mortgages payable.
(6) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of SFAS No. 95 under U.S. GAAP. See Note 28 to IRSA s audited consolidated financial statements included elsewhere in this prospectus for details of the differences in classifications affecting the categories of cash flows.
(7) Includes the purchase of fixed assets (including facilities and equipment), undeveloped parcels of land and renovation and remodeling of hotels and shopping centers.
(8) Corresponds to depreciation and amortization included in operating income.
(9) Working capital is calculated by subtracting consolidated current liabilities from consolidated current assets.

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RISK FACTORS

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

Risks Relating to Argentina

Argentina s current growth and stabilization may not be sustainable.

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

The Argentine economy remains fragile for the following reasons:

- unemployment remains high;
- the availability of long-term fixed rate credit is limited;
- investment as a percentage of GDP remains low;
- the current fiscal surplus could become a fiscal deficit;
- inflation has risen recently and threatens to accelerate;
- the country s public debt remains high and international financing is limited; and
- the recovery has depended to some extent on high commodity prices, which are volatile and outside the control of the country, and excess capacity, which has reduced considerably.

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

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

After several years of price stability, the devaluation of the Peso in January 2002 imposed pressures on the domestic price system that generated high inflation throughout 2002. In 2003, inflation substantially stabilized. However, inflationary pressures have since reemerged with consumer prices increasing by 6.1% during 2004 and increasing by 12.3% in 2005. As a result of the execution of fixed price agreements and restrictions on, and in certain cases, suspension of, exports, consumer prices only increased by 9.8% in 2006. According to the Argentine statistics and census agency (Instituto Nacional de Estadisticas y Censos), or INDEC, the consumer price index increased by 8.5% during 2007.

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

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

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

In the first half of 2005, Argentina restructured part of its sovereign debt that had been in default since the end of 2001. As of September 30, 2007, the Argentine government announced that as a result of the restructuring, it had approximately US$137.1 billion in total outstanding debt remaining. Of this amount, approximately US$28.1 billion are defaulted bonds owned by creditors who did not participate in the restructuring of the external financial debt.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The stability of the Argentine banking system is uncertain.

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

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

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

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

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

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors perception of the events occurring in one country may substantially affect capital flows into and securities from issuers in other countries, including Argentina. The Argentine economy was adversely impacted by the political

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and economic events that occurred in several emerging economies in the 1990s, including Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation in January 1999. In addition, Argentina continues to be affected by events in the economies of its major regional partners. Furthermore, the Argentine economy may be adversely affected by events in developed economies which are trading partners or that impact the global economy.

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

Risks Relating to Brazil

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

Our business is dependent to some extent on the economic conditions in Brazil. As of December 31, 2007, approximately 7.1% of our consolidated assets were located in Brazil through our affiliate BrasilAgro.

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

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

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

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

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

Brazil has experienced high and generally unpredictable rates of inflation for many years in the past. Inflation itself, as well as governmental policies to combat inflation, have had significant negative effects on the Brazilian economy in general. Inflation, government efforts to control inflation, and public speculation about future governmental actions have had, and can be expected to continue to have, significant impact on the

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Brazilian economy and on our operations in Brazil. As measured by the Brazilian *Índice Nacional de Preços au Consumido*r (National Consumer Price Index), or INPC, inflation in Brazil was 6.1%, 5.1%, 2.8%, 2.1% and 5.16% in 2004, 2005, 2006 and 2007, respectively. We cannot assure you that levels of inflation in Brazil will not increase in future years and have a material adverse effect on our business, financial condition or results of operations. Inflationary pressures may lead to further government intervention in the economy, including the introduction of government policies that could adversely affect the results of operations of BrasilAgro and consequently our financial condition and results of operations and the market price of our common shares and ADSs.

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

Brazil s rate of inflation and the government s actions to combat inflation have also affected the exchange rate between the real and the U.S. dollar. As a result of inflationary pressures, the Brazilian currency has been devalued periodically during the last four decades. Throughout this period, the Brazilian federal government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini devaluations (during which the frequency of adjustments has ranged from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets. During 2005, 2006 and 2007 the real appreciated 11.8%, 8.7% and 17.2%, respectively, against the U.S. dollar. Despite the recent appreciation there can be no assurance that the real will not depreciate against the U.S. dollar in the future, or that the rate of exchange between the real and the dollar will not fluctuate significantly. In the event of a devaluation of the real, the financial condition and results of operations of our Brazilian subsidiary could be adversely affected.

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

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

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

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

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

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

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

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

Risks Relating to Our Region

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

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

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

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

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

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

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

- exchange rates and exchange control policies;
- inflation rates;
- interest rates;
- tariff and inflation control policies;
- import duties on information technology equipment;
- liquidity of domestic capital and lending markets;
- electricity rationing;
- tax policies; and
- other political, diplomatic, social and economic developments in or affecting the countries where we intend to operate.

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

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

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

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

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

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

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

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

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

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

Risks Relating to Our Business

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

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

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

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

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demand for and supply of competing commodities and substitutes.

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

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

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

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

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

Our cattle are subject to diseases.

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

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

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

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

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

In order to prevent inflation and variations in the exchange rate from adversely affecting prices of primary and manufactured products (including agricultural products), and to increase tax collections and reduce Argentina s fiscal deficit, the Argentine government has imposed new taxes on exports. Pursuant to Resolution No. 11/02 of the Ministry of Economy and Production, as amended by Resolution 35/02, 160/2002, 307/2002 and 530/2002, effective as of March 5, 2002, the Argentine government imposed a 20%, 10% and 5% export tax on primary and manufactured products. On November 12, 2005, pursuant to Resolution No. 653/2005, the Ministry of Economy and Production increased the tax on beef cattle exports from 5% to 10%, and on January 2007 increased the tax on soybean exports from 23.5% to 27.5%. Pursuant to Resolutions No. 368/07 and 369/07, both dated November 12, 2007, the Ministry of Economy and Production further increased the tax on soybean exports from 27.5% to 35.0% and also the tax on wheat and corn exports from 20.0% to 28.0% and from 20.0% to 25.0%, respectively.

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

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

The Argentine government has set certain industry market conditions and prices in the past. In order to prevent a substantial increase in the price of basic products as a result of inflation, the Argentine government is adopting an interventionist policy. In March 2002, the Argentine government fixed the price for milk after a conflict among producers and the government. During 2005, the Argentine government adopted measures in order to increase the domestic availability of beef and reduce domestic prices. The Argentine government increased the withholding rate and established a minimum weight requirement for animals to be slaughtered. In March 2006, the foreign sales of cuts of beef cattle were momentarily suspended. The latter measure was softened once prices decreased. Moreover, on December 27, 2007, the Ministry of Economy enacted Resolution No. 24/2007 requiring prior governmental authorization for exports of beef until March 31, 2008. There can be no assurance that the Argentine government will not interfere in other areas by setting prices or regulating other market conditions. Accordingly, we cannot assure you that we will be able to freely negotiate all our products prices in the future or that the prices or other market conditions that the Argentine government could impose will allow us to freely negotiate the price of our products.

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

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

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

We store a significant portion of our grain production during harvest due to the seasonal drop in prices that normally occurs at that time. Currently, we have approximately 15,341 tons of storage capacity at various farms and plan to further increase our storage capacity. We do not maintain insurance on our storage facilities. Although our storage capacity is in several different locations, and it is unlikely that a natural disaster affects all of our silos simultaneously, a fire or other natural disaster which damages the stored grain, particularly if such event occurs shortly after harvesting, could have an adverse effect on our operating results and financial condition.

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

We experience substantial worldwide competition in each of our markets and in many of our product lines. The market for cereals, oil seeds and by-products is highly competitive and also sensitive to changes in industry capacity, producer inventories and cyclical changes in the world s economies, any of which may significantly affect the selling prices of our products and thereby our profitability. Due to the fact that many of our products are agricultural commodities, they compete in the international markets almost exclusively on the basis of price. Many other producers of these products are larger than us, and have greater financial and other resources. Moreover, many other producers receive subsidies from their respective countries while we do not receive any

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such subsidies from the Argentine government. These subsidies may allow producers from other countries to produce at lower costs than us and/or endure periods of low prices and operating losses for longer periods than we can. Any increased competitive pressure with respect to our products could materially and adversely affect our financial condition and results of operations.

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

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

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

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

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

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

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

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

As of December 31, 2007, our largest beneficial shareholder, Mr. Eduardo S. Elsztain, was the beneficial owner of 32.1% of our common shares. As of December 31, 2007, such beneficial ownership consisted of 102,876,754 of our common shares owned through Inversiones Financieras del Sur S.A., or IFISA, a company of which, our director, Mr. Elsztain is the largest beneficial owner. As a result of his significant influence over us, Mr. Elsztain, through IFISA, has been able to elect a majority of the members of our board of directors, direct our management and determine the result of substantially all resolutions that require shareholders approval, including fundamental corporate transactions and our payment of dividends by us.

The interests of our principal shareholder and management may differ from, and could conflict with, those of our other shareholders. From time to time we engage in transactions with related parties on terms we consider arm s length. For example, pursuant to a consulting agreement we pay a management fee equal to 10% of our annual net income to Consultores Asset Management S.A., formerly known as Dolphin Fund Management

S.A. (Consultores Asset Management), a company whose capital stock is 85% owned by Eduardo Elsztain and 15% owned by Saúl Zang, the first vice-chairman of our board of directors. This performance based fee could be viewed as an incentive for Consultores Asset Management to favor riskier or more speculative investments than would otherwise be the case. In addition, as of December 31, 2007 Mr. Elsztain was the beneficial owner, due to his indirect shareholding through Cresud of approximately 36.3% of the common shares of IRSA, an Argentine company that currently owns approximately 62.5% of the common shares of its subsidiary Alto Palermo whose chief executive officer is Mr. Alejandro G. Elsztain, Mr. Eduardo Elsztain s brother and our chief executive officer of Cresud. We cannot assure you that our principal shareholders will not cause us to forego business opportunities that their affiliates may pursue or to pursue other opportunities that may not be in our interest, all of which may adversely affect our business, results of operations and financial condition and the value of our common shares and the ADSs.

We depend on our chairman and senior management.

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

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

The Investment Company Act may limit our future activities.

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

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

In recent years we have made a significant minority investment in the capital stock of IRSA, an Argentine company engaged in a range of real estate activities. As of December 31, 2007, we owned approximately 34.6% of IRSA s outstanding shares. As of December 31, 2007, our total investment in IRSA represented approximately 43.2% of our total assets. Although we believe we are not an investment company for purposes of the Investment Company Act, our belief is subject to substantial uncertainty, and we cannot give you any assurance that we would not be determined to be an investment company under the Investment Company Act. As a result, the uncertainty regarding our status under the Investment Company Act may adversely affect our ability to offer and sell securities in the United States or to U.S. persons. The United States capital markets have historically been an important source of funding for us, and our future financing ability may be adversely affected by a lack of access to the United States capital markets. If an exemption under the Investment Company Act is unavailable to us in the future and we desire to access the U.S. capital markets, our only recourse would be to file an application to the SEC for an exemption from the provisions of the Investment Company Act which is a lengthy and highly uncertain process.

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

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

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

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

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

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

We currently own 34.6% of IRSA s outstanding shares. As of June 30, 2007, we owned 25.0% of IRSA s outstanding shares which represented an investment of Ps.344.6 million through the purchase of shares and the conversion of convertible notes. In addition, as of such date, we owned 12.5 million of IRSA s warrants. As of December 31, 2007, our investment in IRSA was Ps.514.5 million, representing 43.2% of our total 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 which could adversely affect our financial condition and results of operations.

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While IRSA s share price increased during fiscal years 2005, 2006 and 2007, we cannot assure you that the share price will not decline in the future. Given the relative size of our investment in IRSA, any decline could have a material adverse effect on our financial condition and results of operations.

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

As of December 31, 2007, our investment in BrasilAgro represented 7.1% of our total consolidated assets. BrasilAgro was formed on September 23, 2005 to exploit opportunities in the Brazilian agricultural sector. BrasilAgro seeks to acquire and develop future properties to produce a diversified range of agricultural products (which may include sugarcane, grains, cotton, forestry products and livestock). BrasilAgro is a recently incorporated company that has been operating for one and a half years. As a result, it has a developing business strategy and limited track record. BrasilAgro s business strategy may not be successful, and if not successful, BrasilAgro may be unable to successfully modify its strategy. BrasilAgro s ability to implement its proposed business strategy may be materially and adversely affected by many known and unknown factors. If we were to write-off our investments in BrasilAgro, this would likely materially and adversely affect our business. As of June 30, 2007 we owned 7.4% of the outstanding common shares of BrasilAgro. As of December 31, 2007 we owned 8.25% of the outstanding common shares of BrasilAgro.

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

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

We will be subject to extensive environmental regulation.

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

As of December 31, 2007, we owned land reserves in excess of 314,405 hectares, most of which is located in under-utilized areas where agricultural production is not fully developed. Existing or future environmental regulations may prevent us from completely developing our land reserves, requiring us to maintain a portion of such land as unproductive land reserves. For example, on November 28, 2007, the National Congress passed Law No. 26,331, known as the Forests Law which establishes minimum budgets for provincial expenditures to promote protection, restoration, conservation and sustainable use of native forests. The Forests Law prevents the owners of lands, including native forests, from deforesting or converting forested areas into non-forest lands for other commercial uses without a prior permit from each local government granting of such permit requires the preparation, evaluation and approval of an environmental impact report. The Forests Law

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further provides that each province must adopt a plan for the implementation of the Forest Law within one year and that no deforestation is permitted during such one-year period. In addition, the Forests Law also establishes a national policy for the sustainable use of native forests which purports to afford the preferential use rights to aboriginal and farming communities that reside near such forest. In this case, the relevant provincial authority is not to grant permits without formal public hearings and the written consent of such communities.

We cannot assure you that current or future development applications will be approved, and if so, to what extent we will be allowed to develop our land.

Increased energy prices could adversely affect our operations.

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

Risks Relating to IRSA s Business

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

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

- downturns in the national, regional and local economic climate;
- volatility and decline in discretionary spending;
- competition from other office, industrial and commercial buildings;
- local real estate market conditions, such as oversupply or reduction in demand for office, or other commercial or industrial space;
- changes in interest rates and availability of financing;
- the exercise by its tenants of their legal right to early termination of their leases;
- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-lease space;
- increased operating costs, including insurance expense, utilities, real estate taxes, state and local taxes and heightened security costs;
- civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses;

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

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

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

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

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

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

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

- abandonment of development opportunities and renovation proposals;

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

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

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

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

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

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

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

The real estate industry in Argentina is increasingly competitive.

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

Furthermore, the Argentine real estate industry is generally highly competitive and fragmented and does not have high-entry barriers restricting new competitors from entering the market. The main competitive factors in the real estate development business include availability and location of land, price, funding, design, quality, reputation and partnerships with developers. A number of residential and commercial developers and real estate services companies compete with IRSA in seeking land for acquisition, financial resources for development and prospective purchasers and tenants. Other companies, including joint ventures of foreign companies and local companies, have become increasingly active in the real estate business in Argentina, further increasing this

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competition. To the extent that one or more of IRSA s competitors are able to acquire and develop desirable properties, as a result of greater financial resources or otherwise, IRSA s business could be materially and adversely affected. If IRSA is not able to respond to such pressures as promptly as its competitors, or the level of competition increases, IRSA s financial condition and results of its operations could be adversely affected.

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

IRSA faces risks associated with property acquisitions.

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

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

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

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

Acquired properties may subject IRSA to unknown liabilities.

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

liabilities for clean-up of undisclosed environmental contamination;

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

liabilities incurred in the ordinary course of business.

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

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

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

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

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

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

Real estate investments are relatively illiquid and this tends to limit IRSA s ability to vary its portfolio promptly in response to changes in economic or other conditions. In addition, significant expenditures associated with each equity investment, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment. If income from a property declines while the related expenses do not decline, IRSA s business would be adversely affected. A significant portion of IRSA s properties are mortgaged to secure payment of indebtedness, and if IRSA is unable to meet its mortgage payments, IRSA could lose money as a result of foreclosure on the properties by the various

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mortgagees. In addition, if it becomes necessary or desirable for IRSA to dispose of one or more of the mortgaged properties, it might not be able to obtain a release of the lien on the mortgaged property without payment of the associated debt. The foreclosure of a mortgage on a property or inability to sell a property could adversely affect IRSA s business. In transactions of this kind, IRSA may also agree, subject to certain exceptions, not to sell the acquired properties for significant periods of time.

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

IRSA has had, and expects to continue to have, substantial liquidity and capital resource requirements to finance its business. As of December 31, 2007, IRSA s consolidated financial debt was Ps.1,186.6 million (including accrued and unpaid interest and deferred financing costs). The fact that IRSA is leveraged may affect its ability to refinance existing debt or borrow additional funds to finance working capital, acquisitions and capital expenditures. This would require IRSA to allocate a substantial portion of cash flow to repay principal and interest, thereby reducing the amount of money available to invest in operations, including acquisitions and capital expenditures. IRSA s leverage could place IRSA at a disadvantage compared to its competitors who are less leveraged and limit its ability to react to changes in market conditions, changes in the real estate industry and economic downturns. Although IRSA has successfully restructured its debt, we cannot assure you that IRSA will not relapse and become unable to pay its obligations.

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

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

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

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

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

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

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

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

IRSA s subsidiary Alto Palermo owns an 80% interest in Tarshop S.A. (Tarshop), a credit card company that originates credit card accounts to promote sales from Alto Palermo s tenants and other selected retailers. During the six months ended December 31, 2007, Tarshop had net revenues of Ps.139.9 million, representing 44.2% of Alto Palermo s revenues and 28.2% of IRSA s consolidated revenues for such period. Credit card businesses such as Tarshop are adversely affected by defaults or late payments by card holders on credit card accounts, difficulties enforcing collection of payments, fraudulent accounts and the writing off of past due receivables. The present rates of delinquency, collection proceedings and loss of receivables may vary and be affected by numerous factors beyond IRSA s control, which, among others, include:

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

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

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

Tarshop S.A., an Alto Palermo subsidiary, is a credit card company that originates credit card accounts to promote sales from Alto Palermo s tenants and other selected retailers. Tarshop s accounts receivables, which consist of cash flows from consumer financing and personal loans, are placed into a number of trust accounts that securitize those receivables. Tarshop sells beneficial interests in these trust accounts through the sale of debt certificates, but remains a beneficiary of these trust accounts by holding Ps. 116.9 million in debt certificates as of December 31, 2007.

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

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IRSA is subject to risks affecting the hotel industry.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Eviction proceedings in Argentina are difficult and time consuming.

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

Historically, delinquency regarding IRSA s office rental space has been very low, approximately 2%, and IRSA has usually attempted to negotiate the termination of lease agreements with defaulting tenants after the first few months of non-payment in order to avoid legal proceedings. Delinquency may increase significantly in the future, and such negotiations with tenants may not be as successful as they have been in the past. Moreover, new Argentine laws and regulations may forbid or restrict eviction proceedings, and in such case, they would likely have a material and adverse effect on IRSA s financial condition and results of operation.

IRSA s assets are concentrated in the Buenos Aires area.

IRSA s principal properties are located in the City of Buenos Aires and the Province of Buenos Aires and a substantial portion of its revenues are derived from such properties. For the six months ended December 31, 2007, more than 83% of IRSA s consolidated revenues were derived from properties in the Buenos Aires metropolitan area including the City of Buenos Aires. Although IRSA owns properties and may acquire or develop additional properties outside Buenos Aires, IRSA expects to continue to depend to a large extent on economic conditions affecting those areas, and therefore, an economic downturn in those areas could have a material adverse effect on its financial condition and results of operations.

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

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

Investments in Brazil and other Latin American countries are subject to significant risks including sovereign risks and risks affecting these countries real estate sectors. These risks include competition by well-established as well as new developers, unavailability of financing or financing on terms that are not acceptable to

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IRSA, exchange rate fluctuations, lack of liquidity in the market, rising construction costs and inflation, extensive and potentially increasing regulation and bureaucratic procedures to obtain permits and authorizations, political and economic instability that may result in sharp shifts in demand for properties, risks of default in payment and difficulty evicting defaulting tenants.

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

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

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

The time for producing evidence in relation to these legal proceedings has expired. The parties have submitted their closing arguments and are awaiting a final judgment. However, the judge has delayed his decision until a final judgment in the criminal proceedings against the former Defense Minister and former directors of Indarsa has been delivered. We cannot give you any assurance that IRSA will prevail in this proceeding, and if the plaintiff s claim is upheld by the courts, all of the assets of Puerto Retiro would likely be used to pay Indarsa s debts and IRSA s investment in Puerto Retiro, valued at Ps.54.8 million as of December 31, 2007. As of December 31, 2007, IRSA had not established any reserve in respect of this contingency.

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

IRSA develops and acquires properties in joint ventures with other persons or entities when it believes circumstances warrant the use of such structures. For example, in the Shopping Center segment, as of December 31, 2007, IRSA owned 62.5 % of Alto Palermo, while Parque Arauco S.A. owned 29.6 %. In the Development and Sale segment, as of December 31, 2007, IRSA held majority ownership interests in various properties, including 100% ownership of Pereiraola S.A. and 100% of Caballito. IRSA also held an ownership interest of 50% in Puerto Retiro and Cyrsa. In the Hotel operations segment, IRSA owns 50% of the Llao Llao Hotel, while another 50% is owned by the Sutton Group. IRSA owned 80% of the Hotel Libertador, while 20% is owned by Hoteles Sheraton de Argentina S.A. as of December 31, 2007. In the financial services sector, IRSA owned 11.8% of Banco Hipotecario, while the Argentine government has a controlling interest in it.

IRSA could become engaged in a dispute with one or more of its joint venture partners that might affect its ability to operate a jointly-owned property. Moreover, IRSA s joint venture partners may, at any time, have business, economic or other objectives that are inconsistent with its objectives, including objectives that relate to the timing and terms of any sale or refinancing of a property. For example, the approval of certain of the other investors is required with respect to operating budgets and refinancing, encumbering, expanding or selling any of

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these properties. In some instances, IRSA s joint venture partners may have competing interests in its markets that could create conflicts of interest. If the objectives of IRSA s joint venture partners are inconsistent with its own objectives, IRSA will not be able to act exclusively in its interests.

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

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

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

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

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

Law No. 26,167 enacted in November 2006 established a special proceeding to replace ordinary trials regarding the enforcement of mortgage loans. Such special proceedings give creditors ten days to inform the debtor of the amounts owed to them and later agree with the debtor on the amount and terms of payment. If the parties fail to reach an agreement, payment conditions are to be determined by the judge.

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

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

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

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

IRSA s largest beneficial owner is Mr. Eduardo S. Elsztain, through his indirect shareholding through us and he exercises substantial influence over IRSA. As of December 31, 2007, such beneficial ownership consisted of: (i) 199,312,028 shares held by us, (ii) 10,823,022 shares held by IFISA, (iii) 234,400 shares held by Consultores Venture Capital Limited, a stock corporation organized under the laws of Uruguay, (iv) 1,154,279 held by Dolphin Fund PLC, a limited liability company organized under the laws of Isle of Man and (v) 311,367 shares held directly by Mr. Elsztain.

Conflicts of interest between IRSA s management, IRSA and IRSA s affiliates may arise in the performance of IRSA s respective business activities. As of December 31, 2007, Mr. Elsztain also beneficially owned (i) approximately 32.1% of Cresud s common shares and (ii) approximately 62.5% of the common shares of IRSA s subsidiary Alto Palermo. We cannot assure you that IRSA s principal shareholders and their affiliates will not limit or cause IRSA to forego business opportunities that their affiliates may pursue or that the pursuit of other opportunities will be in IRSA s interest.

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

As of December 31, 2007, the majority of IRSA s liabilities, such as IRSA s 8.5% notes due 2017, Alto Palermo s Series I Notes, the mortgage loan to IRSA s subsidiary Hoteles Argentinos S.A., Alto Palermo s convertible notes are denominated in U.S. dollars while IRSA s revenues and most of its assets as of December 31, 2007, are denominated in Pesos. This currency gap exposes IRSA to a risk of exchange rate volatility, which would negatively affect its financial results if the dollar were to appreciate against the Peso. Any further depreciation of the Peso against the U.S. dollar will correspondingly increase the amount of IRSA s debt in Pesos, with further adverse effects on its results of operation and financial condition and may increase the collection risk of IRSA s leases and other receivables from its tenants and mortgage debtors, most of whom have Peso-denominated revenues.

Risks Relating to IRSA s Investment in Banco Hipotecario

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

As of December 31, 2007, IRSA owned 11.8% of Banco Hipotecario which represented 7.0% of IRSA s consolidated assets at such date. As of December 31, 2007 such ownership remains constant. Substantially all of Banco Hipotecario s operations, properties and customers are located in Argentina. Accordingly, the quality of its loan portfolio, its financial condition and results of operations depend to a significant extent on economic and political conditions prevailing in Argentina. The political and economic crisis in Argentina during 2002 and 2003 and the Argentine government s actions to address it have had and may continue to have a material adverse effect on Banco Hipotecario s business, financial condition and results of operations.

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

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

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

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

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

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

In the past years Banco Hipotecario has made several investments that are designed to enable it to develop retail banking activities. Banco Hipotecario must overcome significant challenges to achieve this goal including, among others, its lack of experience and client relationships outside the mortgage sector, the existence of large, well-positioned competitors and significant political, regulatory and economic uncertainties in Argentina. As a result, we cannot give you any assurance that Banco Hipotecario will be successful in developing significant retail banking activities in the foreseeable future, if at all. If Banco Hipotecario is unable to diversify its operations by developing its retail banking activities and other non-mortgage banking activities, the value of IRSA s substantial investment in Banco Hipotecario would likely be materially and adversely affected.

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

In accordance with Emergency Decree No. 214/02 and its implementing regulations, pesified assets and liabilities were adjusted for inflation as of February 3, 2002 by application of the Coeficiente de Estabilización de Referencia, or CER, a consumer price inflation coefficient. On May 6, 2002, the Executive Branch issued a decree providing that mortgages originally denominated in U.S. dollars and converted into Pesos pursuant to Decree No. 214/2002 and mortgages on property constituting a borrower s sole family residence may be adjusted for inflation only pursuant to a coefficient based on salary variation, the CVS, which during 2002 was significantly less than inflation as measured by the wholesale price index, or WPI. Through December 31, 2002, the WPI and the CVS posted cumulative increases of 118.2% and 0.2%, respectively, and the CER increased 41.4%. During 2003, inflation rose by 4.3% as measured by the WPI, 3.7% as measured by the CER and 15.8% as measured by the CVS. As a result, only 10% of Banco Hipotecario s mortgage loans are adjusted for inflation in accordance

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with the CER, 30% are adjusted in accordance with the CVS and 60% remain entirely unindexed. Additionally, pursuant to Law No. 25,796, Section 1, repealed effective April 1, 2004, the CVS as an indexation mechanism applied to the relevant portion of Banco Hipotecario s mortgages loans. The CVS increased until it was repealed by 5.3%, whereas the increase in CER was 5.5% as of December 31, 2004 and the WPI increased by 7.9%. During 2005 the CER was 11.75% and the WPI 10.7%, while in 2006 the CER and WPI increased by 10.3% and 7.1%, respectively. In 2007 CER and WPI increased by 8.5% and 14.4% respectively.

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

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

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

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

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

On November 29, 2006, Law No. 26,177 created the *Unidad de Reestructuración*, a government agency responsible for the revision of each of the mortgage loans granted by the state-owned Banco Hipotecario Nacional, the predecessor of Banco Hipotecario, before the enactment of the Convertibility Law in 1991. The

Unidad de Reestructuración also makes non-binding recommendations to facilitate the restructuring of such mortgage loans. If no agreement is reached, the *Unidad de Reestructuración* will submit a proposal to the National Congress, which may recommend forgiveness or other write-off of such loans, extensions of their scheduled maturities or other subsidies that adversely affect Banco Hipotecario s ability to foreclose on such mortgage loans.

The government recently enacted Law No. 26,313 which established a mandatory restructuring of certain mortgage loans that were granted by the former Banco Hipotecario Nacional prior to April 1, 1991 for the purchase, improvement, construction and/or expansion of single family residences, or for the repayment of loans that were used for any of these purposes. The language of this law is to a certain degree unclear with respect to its scope of application. Neither the Ministry of Economy nor the Central Bank have issued corresponding regulations explaining the application of the law as yet. Banco Hipotecario interprets this new law as being applicable only to non-performing mortgage loans granted before April 1, 1991 which were already restructured pursuant to former regulations. However, if the regulations to be issued under the law were interpreted to require that the new recalculation be applied to all mortgage loans granted prior to April 1, 1991, including performing loans, Banco Hipotecario S.A., as legal successor to the former Banco Hipotecario Nacional, may suffer a material financial loss because this new law does not contemplate the payment of any damages or compensation to Banco Hipotecario for losses arising of such mandatory restructuring.

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

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

As a result of Banco Hipotecario s strategy to diversify its banking operations and develop retail and other non-mortgage banking activities, in recent years its portfolio of non-mortgage loans has grown rapidly. During the period between December 31, 2005 and December 31, 2007, Banco Hipotecario s portfolio of non-mortgage loans grew 141.3% from Ps.816.7 million to Ps.1,970.6 million. A substantial portion of its portfolio of non-mortgage loans consists of loans to low- and middle-income individuals and, to a lesser extent, middle-market companies. These individuals and companies are likely to be more seriously affected by adverse developments in the Argentine economy than high income individuals and large corporations. Consequently, in the future Banco Hipotecario may experience higher levels of past due non-mortgage loans that would likely result in increased provisions for loan losses. In addition, large-scale lending to low- and middle-income individuals and middle-market companies is a new business activity for Banco Hipotecario, and as a result its experience and loan-loss data for such loans are necessarily limited. Therefore, we cannot assure you that the levels of past due non-mortgage loans and resulting charge-offs will not increase materially in the future.

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

Banco Hipotecario prepares its financial statements in accordance with Central Bank accounting rules which differ in certain material respects from Argentine GAAP. During 2002, Central Bank accounting rules were modified in several respects that materially increased certain discrepancies between Central Bank accounting rules and Argentine GAAP. In accordance with Central Bank accounting rules, Banco Hipotecario s consolidated balance sheet as of December 31, 2007 includes US$680.4 million of BODEN issued by the Argentine government as compensation for pesification, as well as an US$85.7 million asset representing its right to acquire additional BODEN. Banco Hipotecario s consolidated balance sheet as of December 31, 2007 also includes Ps.227.2 million representing Central Bank borrowings which Banco Hipotecario incurred to finance its acquisition of the additional BODEN. Since September 30, 2005 Banco Hipotecario has subscribed additional BODEN 2012 in the amount of US$773.5 million and reduced Central Bank borrowings in the amount of Ps.1,844.0 million. Additionally, its most recent consolidated annual income statements include the accrual of interest income to be received on BODEN not yet received and interest to be paid adjusted by CER on Central Bank borrowings.

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In accordance with Central Bank accounting rules, the BODEN reflected on Banco Hipotecario s consolidated balance sheet as of December 31, 2007 have been recorded at 100% of face value. However, the BODEN are unsecured debt obligations of the Argentine government which recently defaulted on a significant portion of its indebtedness. As of December 31, 2007, the BODEN were not rated and were trading in the secondary market at a price of approximately US$91.4 for every US$100 of outstanding value. Carrying BODEN at a value equal to their full face value, which is in excess of their current market value, has the effect of increasing Banco Hipotecario s total assets recorded on its consolidated balance sheet. In this important respect, its most recent consolidated audited annual financial statements are not comparable to its historic financial statements and have been prepared according to accounting principles that differ materially from Argentine GAAP.

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

As of December 31, 2007, Banco Hipotecario s foreign currency-denominated liabilities exceeded its foreign currency-denominated assets by approximately US$201.8 million. Substantially all of Banco Hipotecario s foreign currency assets consist of dollar-denominated BODEN, but Banco Hipotecario s liabilities in foreign currencies are denominated in both U.S. Dollars and Euros. This currency gap exposes Banco Hipotecario to risk of exchange rate volatility which would negatively affect Banco Hipotecario s financial results if the U.S. Dollar were to depreciate against the Peso and/or the Euro. We cannot assure you that the U.S. Dollar will not appreciate against the Peso, or that we will not be adversely affected by Banco Hipotecario s exposure to risks of exchange rate fluctuations.

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

On December 23, 2001, the Argentine government declared the suspension of payments on most of its sovereign debt, which as of December 31, 2001, totaled approximately US$144.5 billion, a substantial portion of which was restructured by the issuance of new bonds in the middle of 2005. Additionally, the Argentine government has incurred, and is expected to continue to incur, significant new debt obligations, including the issuance of compensatory bonds to financial institutions. As of December 31, 2007, Banco Hipotecario had a total of US$766.1 million of BODEN issued by the Argentine government. Given Banco Hipotecario s BODEN holdings, Banco Hipotecario has a significant exposure to the Argentine government s solvency. Further, defaults by the Argentine government on its debt obligations, including the BODEN and other government securities (such as the guaranteed government loans) held by Banco Hipotecario, would materially and adversely affect its financial condition which would in turn affect IRSA s investment.

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

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

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

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

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

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

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

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

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

According to the Privatization Law, there are no restrictions on the ability of the Argentine government to dispose of its Class A shares, and all but one of such shares could be sold to third parties in a public offering. If

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the Class A shares represent less than 42% of Banco Hipotecario s total voting stock as a result of the issuance of new shares other than Class A shares or otherwise, the Class D shares IRSA holds will automatically lose their triple voting rights. If this were to occur, IRSA would likely lose its current ability, together with IRSA s affiliates that also hold Class D shares of Banco Hipotecario, to exercise substantial influence over decisions submitted to the vote of Banco Hipotecario s shareholders.

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

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

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

Risks Relating to Our ADSs, Common Shares and Warrants

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

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

The ADSs are freely transferable under US securities laws, including those ADSs held by our affiliates. IFISA, which as of December 31, 2007, owned approximately 32.1% of our common shares (or approximately 102,826,754 common shares which may be exchanged for an aggregate of 10,282,675 ADSs), is free to dispose of any or all of its common shares or ADSs at any time in its discretion. Sales of a large number of our common shares and/or ADSs would likely have an adverse effect on the market price of our common shares and the ADS.

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

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

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

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

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

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

Based on the current composition of our income and the valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company (PFIC) for United States federal income tax purposes for the taxable year ending June 30, 2007. We may, however, become a PFIC for the taxable year ending June 30, 2008, or any future taxable years. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition. The volatility and instability of Argentina s economic and financial system may substantially affect the composition of our income and assets. In addition, the composition of our income and assets will be affected by how, and how quickly, we invest the proceeds from this offering (including what portion of the proceeds is used to increase our ownership interest in IRSA). The cash proceeds of this offering, if not timely deployed, will be treated as passive assets. Furthermore, the investment of such proceeds in assets that in our hands are considered passive assets for purposes of the PFIC tests may result in our characterization as a PFIC. If we become a PFIC, U.S. holders of our equity securities will be subject to certain United States federal income tax rules that have negative consequences for U.S. holders such as additional tax and an interest charge upon certain distributions by us or upon a sale or other disposition of our equity securities at a gain, as well as additional reporting requirements. Please see Taxation Certain United States Federal Income Tax Consequences Passive Foreign Investment Company for a more detailed discussion of the consequences if we are deemed a PFIC. You should consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

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

As a holder of ADSs, we will not treat you as one of our shareholders and you will not have shareholder rights. The depositary will be the holder of the common shares underlying your ADSs and holders may exercise voting rights with respect to the common shares represented by the ADSs only in accordance with the deposit agreement relating to the ADSs. There are no provisions under Argentine law or under our by-laws that limit the exercise by ADS holders of their voting rights through the depositary with respect to the underlying common shares. However, there are practical limitations on the ability of ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with these holders. For example, holders of our common shares will receive notice of shareholders meetings through publication of a notice in an *Official Gazette* in Argentina, an Argentine newspaper of general circulation and the bulletin of the Buenos Aires Stock Exchange, and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. ADS holders, by comparison, will not receive notice directly from us. Instead, in accordance with the deposit agreement, we will provide the notice to the depositary. If we ask it to do so, the depositary will mail to holders of ADSs the notice of

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the meeting and a statement as to the manner in which instructions may be given by holders. To exercise their voting rights, ADS holders must then instruct the depositary as to voting the common shares represented by their ADSs. Due to these procedural steps involving the depositary, the process for exercising voting rights may take longer for ADS holders than for holders of common shares and common shares represented by ADSs may not be voted as you desire.

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

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

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

Because the offering price of the common shares and ADSs being sold in this offering will be substantially higher than the net tangible book value per share, you will experience immediate and substantial dilution in the book value of these common shares. Net tangible book value represents the amount of our tangible assets on a pro forma basis, minus our pro forma total liabilities. Moreover, if you do not exercise your common share rights or ADS rights, as the case may be, you will also experience immediate and substantial dilution in the book value of your common shares or ADSs. See Dilution.

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

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

- fluctuations in our periodic operating results;
- changes in financial estimates, recommendations or projections by securities analysts;
- changes in conditions or trends in our industry;
- changes in the economic performance or market valuation of our competitors;
- announcements by our competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures or capital commitments;
- events affecting equities markets in the countries in which we operate;
- legal or regulatory measures affecting our financial conditions;
- departures of management and key personnel; or

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

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

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

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

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

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

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

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

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

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

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

Our shareholders ability to receive cash dividends may be limited.

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

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

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

The warrants are exercisable under limited circumstances and will expire.

Each warrant will be exercisable only if the common share rights or ADS rights to which such warrant relates have been exercised, and such warrant will be exercisable during the six-day period from and including the 17th through the 22nd days of each February, May, September and November (to the extent that such are business days in Buenos Aires and in New York City), commencing with such period from and including May 17th through May 22nd, 2008. The warrants will automatically expire on May 22nd 2015.

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USE OF PROCEEDS

We currently estimate that the net proceeds of this offering will be approximately US$299.8 million, after deducting estimated fees and expenses, based on the assumptions that (i) all of the common shares and ADSs available for purchase in this rights offering are purchased, (ii) none of the warrants are exercised upon consummation of this offering and (iii) the subscription price per common share will be Ps.5.37. Such estimated subscription price is based on historic stock prices which may not be representative of the definitive subscription price for this offering which will be determined as set forth elsewhere in this prospectus. *The amount of net proceeds set forth above represents only an estimate (based on the stated assumptions) and may differ significantly from the net proceeds we actually receive from this offering.*

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

- Approximately US$[100] million to US$[200] million to finance the growth of our core business through new investments in agricultural activities in Latin America. We intend to focus primarily on investments in Argentina, Brazil, Uruguay, Paraguay and Bolivia but may make limited investments in other countries to the extent we believe such investments are consistent with our business strategy.

- Approximately one third of the net proceeds for additional investments in IRSA, through market purchases of outstanding shares and/or subscriptions of preemptive and accretion rights issued in connection with future capital increases of IRSA; and

- Approximately US$[40] million for working capital and other general corporate purposes.

The amount of proceeds we receive from this offering will depend not only on the definitive subscription price but also on the extent to which our shareholders elect to exercise their rights to subscribe for new common shares. The extent to which our shareholders elect to do so is beyond our control and cannot be predicted with certainty. If a significant percentage of our shareholders do not exercise their rights to subscribe for new common shares, our net proceeds could be materially less than the amount indicated above (which assumes that 100% of the common shares and ADSs available for purchase will be purchased).

Although we are constantly evaluating investment opportunities, at this time we do not have any binding commitment to make any material investments not identified in this prospectus. Because several of the proposed investments above are uncertain at this time, the net proceeds from this offering may not be fully used in the short term. Until those investments are made, we intend to invest the net proceeds of this offering in high quality, liquid financial instruments. The allocation of the net proceeds from this offering will be influenced by prevailing market conditions from time to time, and as a result we reserve the right to reallocate all or a portion of such anticipated uses to other uses we deem consistent with our strategy.

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MARKET INFORMATION

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

The table below shows the high and low daily closing prices of our common shares in Pesos and the quarterly trading volume of our common shares on the Buenos Aires Stock Exchange for the first quarter of 2002 through December 2007. The table also shows the high and low daily closing prices of our ADSs in U.S. dollars and the quarterly trading volume of our ADSs on the NASDAQ for the first quarter of 2002 through December 2007. Each ADS represents ten common shares.

	Buenos Aires Exchange			NASDAQ		
		Ps. per Share			US$ per ADS	
	Share Volume	High	Low	ADS Volume	High	Low
Fiscal Year 2002						
1st Quarter	4,238,215	0.94	0.83	356,700	9.4	8.38
2nd Quarter	22,366,137	0.86	0.62	316,700	8.38	5.99
3rd Quarter	89,256,220	1.84	0.71	349,900	6.77	5.60
4th Quarter	4,271,862	2.28	1.82	1,182,000	6.52	5.04
Annual	120,132,434	2.28	0.62	2,205,300	9.4	5.04
Fiscal Year 2003						
1st Quarter	9,390,116	2.43	1.47	1,506,964	6.52	3.99
2nd Quarter	2,924,294	2.35	1.70	1,030,157	6.08	4.48
3rd Quarter	4,101,037	2.72	1.70	3,279,484	8.40	5.06
4th Quarter	3,915,643	2.66	2.04	1,899,432	9.73	6.62
Annual	20,331,090	2.02	2.04	7,716,037	9.73	3.99
Fiscal Year 2004						
1st Quarter	4,037,206	2.65	2.24	2,491,280	9.29	7.74
2nd Quarter	2,789,601	4.40	2.58	11,026,601	14.91	9.04
3rd Quarter	7,309,323	3.86	2.84	8,085,500	12.49	10.06
4th Quarter	3,572,063	3.52	2.54	4,892,233	12.54	8.38
Annual	17,708,183	4.40	2.84	26,495,614	14.91	7.74
Fiscal Year 2005						
1st Quarter	1,827,036	3.62	2.94	2,433,951	12.22	9.81
2nd Quarter	1,452,712	4.37	3.41	4,400,896	14.99	11.23
3rd Quarter	1,355,908	4.91	3.79	10,671,890	16.87	12.93
4th Quarter	4,597,793	4.03	2.88	7,392,284	13.74	9.78
Annual	9,233,449	4.91	2.88	24,899,021	16.87	9.78
Fiscal Year 2006						
1st Quarter	3,968,113	4.03	3.19	5,448,497	13.97	11.10
2nd Quarter	4,915,037	3.93	3.10	5,316,532	13.71	10.12
3rd Quarter	4,582,691	4.38	3.22	8,431,362	14.44	10.42
4th Quarter	4,003,720	5.73	3.73	17,830,919	19.45	12.10
Annual	17,469,361	5.73	3.10	37,027,310	19.45	10.12
Fiscal Year 2007						
1st Quarter	1,812,774	4.68	3.90	5,288,618	15.43	12.42
2nd Quarter	1,793,537	5.30	4.35	9,816,001	17.53	14.23
3rd Quarter	3,439,865	6.73	5.06	9,712,198	22.08	16.58
4th Quarter	13,792,055	7.37	6.12	7,522,056	24.28	19.81
Annual	20,838,231	7.37	3.90	32,338,873	24.28	12.42
August 2007	795,330	6.65	5.72	3,193,914	21.04	17.06
September 2007	938,971	7.21	6.19	3,050,829	22.65	19.50
October 2007	1,105,518	7.85	7.08	3,126,437	24.95	22.62
November 2007	1,241,156	7.84	5.97	2,418,631	24.95	18.50
December 2007	1,688,781	6.57	5.73	1,294,874	20.92	18

January 2008	850,442	6.16	5.35	2,436,885	19.78	17.24

Source: Bloomberg

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The high and low daily prices of our common shares on the Buenos Aires Stock Exchange in Pesos on [February 14], 2008 (the last day before the announcement of this offering) were [Ps.5.90] and [Ps.5.80]. The high and low daily prices of our ADSs in the NASDAQ Global Select Market in U.S. dollars on [February 14], 2008 were [US$18.49] and [US$18.03].

As of December 31, 2007 ADRs evidencing 29,781,746 ADSs were outstanding (equivalent to 297,817,460 common shares or 92.8% of the total number of issued common shares).

Argentine Securities Markets

Comisión Nacional de Valores

The *Comisión Nacional de Valores* is a separate governmental entity with jurisdiction covering the territory of Argentina. Its main purpose is to ensure transparency of Argentina s securities markets, to watch over the market price formation process and to protect investors. The *Comisión Nacional de Valores* supervises corporations authorized to issue securities to the public, the secondary markets where these securities are traded, and all persons and corporations involved in any capacity in the public offering and trading of these securities. Pension funds and insurance companies are regulated by separate government agencies. The Argentine markets are governed generally by Law No. 17,811, as amended, which created the *Comisión Nacional de Valores* and regulates stock exchanges, stockbrokers, market operations and the public offerings of securities. There is a relatively low level of regulation of the market for Argentine securities and of investors activities in such market, and enforcement of existing regulatory provisions has been extremely limited. Furthermore, there may be less publicly available information about Argentine companies than is regularly published by or about companies in the United States and certain other countries. However, the Argentine government and the *Comisión Nacional de Valores*, taking into consideration the deeper global awareness of the importance of having adequate corporate governance practices and a legal framework to enforce principles such as full information, and transparency, have issued decree No. 677/2001. This decree has the objective of determining the rights of the financial consumer, increasing market transparency and an adequate legal framework to increase the investor s protection within the capital market. Most of its reforms are in line with world trends pertaining to corporate governance practices that have already been adopted by many emerging markets.

In order to offer securities to the public in Argentina, an issuer must meet certain requirements of the *Comisión Nacional de Valores* regarding assets, operating history, management and other matters, and only securities for which an application for a public offering has been approved by the *Comisión Nacional de Valores* may be listed on the Buenos Aires Stock Exchange . This approval does not imply any kind of certification or assurance related to the merits or the quality of the securities, or the issuer s solvency. Issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements, as well as various other periodic reports, with the *Comisión Nacional de Valores* and the Buenos Aires Stock Exchange .

Securities Exchanges in Argentina

There are 11 securities exchanges in Argentina, of which the principal exchange for the Argentine securities market is the Buenos Aires Stock Exchange , which handles approximately 95% of all equity trading in the country.

Buenos Aires Stock Exchange

The Buenos Aires Stock Exchange is a non-profit and self-regulated organization.

The securities that may be listed on the Buenos Aires Stock Exchange are stocks, corporate bonds, convertible corporate bonds, close-end investment funds, financial trust, indexes, derivatives and public bonds. The Buenos Aires Stock Exchange is legally qualified for admission, suspension, and delisting of securities according to its own rules approved by the *Comisión Nacional de Valores*. Furthermore, the Buenos Aires Stock Exchange works very closely with the *Comisión Nacional de Valores* in surveillance activities. Also under a special agreement, registration and listing applications are directly filed with the Buenos Aires Stock Exchange for simultaneous processing.

Mercado de Valores de Buenos Aires S.A. (MERVAL   )

The MERVAL is a corporation (*sociedad anónima*) whose 183 shareholder members are the only individuals and entities authorized to trade, either as principal or as agent, in the securities listed on the Buenos Aires Stock Exchange. Trading on the Buenos Aires Stock Exchange is conducted by continuous open outcry, or the traditional auction system, from 12:00 a.m. to 6:00 p.m. each business trading day of the year. Trading on the Buenos Aires Stock Exchange is also conducted through a *Sistema Integrado de Negociación Asistida por Computadora* (SINAC   ). SINAC is a computer trading system that permits trading in debt and equity securities. SINAC is accessed by brokers directly from workstations located at their offices. Currently, all transactions relating to listed notes and listed government securities can be effected through SINAC.

Over the Counter Market

The *Mercado Abierto Electrónico S.A.* (MAE   ) is a corporation (*sociedad anónima*) exchange organized under the laws of Argentina, 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 market where both government securities and corporate bonds are traded through spot and forward contracts.

The MAE has 90 brokers/dealers members, which include national banks, provincial banks, municipal banks, private national banks, foreign banks, cooperative banks, financial institutions, foreign exchange entities and pure brokers/dealers (exclusively engaged in brokerage activities). Both Argentine or foreign capital banks and financial institutions may be the MAE   s brokers/dealers. Securities to be traded must be registered with the pertinent supervising authorities and may be traded in the Mercado Abierto Electrónico, in other exchanges or in both of them concurrently.

Securities Central Depositary

Caja de Valores S.A. is a private corporation organized under the laws of Argentina 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* are stockbrokers, banking financial institutions, and mutual funds. The majority shareholders of the *Caja de Valores S.A.* are the Buenos Aires Stock Exchange and the MERVAL (49.98% each).

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Information regarding the Buenos Aires Stock Exchange

	As of December 31,		As of June 30,	
	2004	2005	2006	2007
Market capitalization (in billions of Ps.)	689.9	771.3	1,229.3	1,335.9
Average daily trading volume (in millions of Ps.)	52.6	74.6	61.4	69.9
Number of listed companies	107	104	106	107

Although companies may list all of their capital stock on the Buenos Aires Stock Exchange , in many cases a controlling block is retained by the principal shareholders resulting in only a relatively small percentage of many companies stock being available for active trading by the public on the Buenos Aires Stock Exchange .

As of December 31, 2007, approximately 109 companies had equity securities listed on the Buenos Aires Stock Exchange. During the year ended December 31, 2007, approximately 78.1% of the total market capitalization of the Buenos Aires Stock Exchange was represented by the securities of ten most important Argentine companies.

The Argentine securities markets are substantially more volatile than the securities markets in the United States and certain other developed countries. The MERVAL experienced a 13% increase in 1995, a 25% increase in 1996, a 6% increase in 1997, a 37% decrease in 1998, a 28% increase in 1999, a 24% decrease in 2000, a 29% decrease in 2001, a 77% increase in 2002, a 104% increase in 2003, a 28% increase in 2004, a 13% increase in 2005, a 34% increase in 2006 and a 5% increase for the six month period ended June 30, 2007. In order to control price volatility, the MERVAL operates a system pursuant to which the negotiation of a particular stock or debt security is suspended for a 15- minute period when the price of the security registers a variation on its price between 10% and 15% and between 15% and 20%. Any additional 5% variation on the price of the security after that results in additional 10 minute successive suspension periods.

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DIVIDENDS AND DIVIDEND POLICY

Pursuant to Argentine law, the distribution and payment of dividends to shareholders is valid only if they result from realized and net earnings of the company pursuant to annual financial statements approved by the shareholders. The approval, amount and payment of dividends are subject to the approval by our shareholders at our annual ordinary shareholders meeting. The approval of dividends requires the affirmative vote of a majority of the shares entitled to vote at the meeting.

In accordance with Argentine law and our by-laws, net and realized profits for each fiscal year are allocated as follows:

- 5% of such net profits is allocated to our legal reserve, until such reserve amounts to 20% of our capital stock;
- a certain amount determined at a shareholders meeting is allocated to compensation of our directors and the members of our Supervisory Committee; and
- additional amounts are allocated for the payment of dividends or to optional reserve funds, or to establish reserves or for whatever other purpose our shareholders determine.

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

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

Year	Total Dividend (millions of Pesos)	Dividend per Common Share(1) (Pesos)
1996		
1997		
1998	3.8	0.099
1999	11.0	0.092
2000	1.3	0.011
2001	8.0	0.030
2002		
2003	1.5	0.012
2004	3.0	0.020
2005	10.0	0.059
2006	5.5	0.024
2007	8.3	0.026

(1) Corresponds to per share payments. To calculate the dividends paid per ADS, the payment per share should be multiplied by ten. Amounts in Pesos are presented in historical Pesos as of the respective payment date. See Exchange Rates and Exchange Controls.

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

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CAPITALIZATION

The following table sets forth our consolidated capitalization in accordance with Argentine GAAP as of December 31, 2007 and as adjusted to give the effect of the sale of common shares assuming a subscription price of per common share. The table below should be read in conjunction with, and is qualified in its entirety by Cresud s Management Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements included elsewhere in this prospectus.

	As of December 31, 2007	
	Actual	As adjusted (1)
	(thousands of Ps.)	(unaudited)
Short-term debt (guaranteed and secured)	25,200,000	
Short-term debt (unguaranteed and unsecured)	192,609,995	
Long-term debt (guaranteed and secured) (2)	0	
Minority interest	934,075	
Shareholders equity:		
Common stock	320,774,772	
Inflation adjustment of common stock	166,218,124	
Paid-in capital	166,202,798	
Legal reserve (3)	15,644,814	
Reserve for new developments (4)	158,743,802	
Accumulated retained earnings	14,472,656	
Translation differences	8,926,292	
Total shareholders equity	850,983,258	
Total capitalization(5)	1,069,727,328	

(1) Assumes net proceeds of the rights offering of US$ million resulting from the issuance of common shares, net of expenses, related to the rights offering.

(2) As of December 31, 2007, an amount of 1,834,860 ADRs of IRSA are restricted as collateral for our long-term financing. The collateral is based on a fixed ratio of debt coverage, accordingly, such amounts may be released and/or increased depending on the market value of the shares underlying the ADRs and subsequent payments.

(3) Under Argentine law, we are required to allocate 5% of our net income to a legal reserve until the amount of such legal reserve equals 20% of our outstanding capital.

(4) Pursuant to a resolution of the *Inspección General de Justicia*, companies should indicate the intended use of the accumulated retained earnings balance of the period. Accordingly, we transferred the balance of accumulated retained earnings to a special reserve labeled as Reserve for New Developments. This reclassification has no impact on our total shareholders equity.

(5) Total capitalization consists of the sum of short-term and long-term debt, minority interest and shareholders´ equity.

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EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

In April 1991, Argentine law established a fixed exchange rate according to which the Central Bank was statutorily obliged to sell U.S. dollars to any individual at a fixed exchange rate of Ps.1.00 per US$1.00. On January 7, 2002, the Argentine congress enacted the Public Emergency Law, abandoning over ten years of fixed Peso-U.S. dollar parity at Ps.1.00 per US$1.00. After devaluing the Peso and setting the official exchange rate at Ps.1.40 per US$1.00, on February 11, 2002, the government allowed the Peso to float. The shortage of U.S. dollars and their heightened demand caused the Peso to further devalue significantly in the first half of 2002. Since June 30, 2002, the Peso has appreciated versus the U.S. dollar from an exchange rate of Ps.3.79=US$1.00 to an exchange rate of Ps.3.1580=US$1.00 as of January 31, 2007 as quoted by *Banco de la Nación Argentina* at the U.S. dollar selling rate. The Central Bank may indirectly affect this market through its active participation.

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

	Exchange Rate			
	High (1)	Low (2)	Average (3)	Period Closing
Fiscal year ended June 30, 2002	3.7400	0.9990	1.8206	3.7900
Fiscal year ended June 30, 2003	3.7400	2.7120	3.2565	2.8000
Fiscal year ended June 30, 2004	2.9510	2.7100	2.8649	2.9580
Fiscal year ended June 30, 2005	3.0400	2.8460	2.9230	2.8670
Fiscal year ended June 30, 2006	3.0880	2.8590	3.0006	3.0860
Fiscal year ended June 30, 2007	3.1080	3.0480	3.0862	3.0930
July 2007	3.1800	3.0910	3.1131	3.1210
August 2007	3.1780	3.1330	3.1530	3.1560
September 2007	3.1650	3.1310	3.1477	3.1500
October 2007	3.1790	3.1420	3.1597	3.1420
November 2007	3.1500	3.124	3.1357	3.1450
December 2007	3.1420	3.1320	3.1393	3.1490
January 2008	3.1580	3.1280	3.1453	3.1580

Source: *Banco de la Nación Argentina*

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

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

Exchange Controls

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

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

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

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

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THE RIGHTS OFFERING

Statutory Preemptive and Accretion Rights

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

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

On October 10, 2007, our shareholders authorized the future issuance of up to 180,000,000 common shares. We are granting to our common shareholders rights, or common share rights, to subscribe for 180,000,000 new common shares, together with the right to receive up to 180,000,000 warrants to acquire additional common shares. Each common share held of record at 6:00 p.m. (Buenos Aires, Argentina time) on [February 27], 2008 entitles its holder to one right to subscribe for common shares, or common share right . Each common share right will entitle its holder to (i) subscribe for 0.561141 common shares pursuant to its exercise of preemptive rights, (ii) to subscribe at the same price for additional common shares remaining unsubscribed after the preemptive rights offering pursuant to its exercise of accretion rights and (iii) and to receive free of charge, for each new common share that it purchases pursuant to this offering, one warrant to purchase 0.33333333 additional common shares.

The Bank of New York, as our Depositary, will make available to our ADS holders, ADS rights to subscribe for new ADS and to receive warrants to acquire additional shares in the form of ADS. Each ADS held of record at 5:00 p.m. (New York City time) on [February 27], 2008, entitles its holder to one ADS right. Each ADS right will entitle its holder to (i) subscribe for 0.561141 new ADSs, (ii) to subscribe at the same price for additional common shares in the form of ADSs remaining unsubscribed after the preemptive rights offering pursuant to its exercise of accretion rights and (iii) to receive free of charge, for each new ADS that it purchases pursuant to this offering, 10 warrants, each of which will entitle such holder to purchase 0.33333333 additional common shares.

The definitive subscription price for the new common shares and the new ADSs will be established by our board of directors in U.S. dollars, based on a range between the lowest and the highest trading price of our ADSs during a period of not less than 5 days and not more than 180 days prior to the determination of the subscription price on [March 10], 2008. The subscription price for each new common share will be payable in U.S. dollars outside Argentina or in Argentine pesos in Argentina, determined on the basis of the seller s reference exchange rate (*tipo de cambio vendedor*) at the close of business on the subscription price determination date as quoted by *Banco de la Nación Argentina*. The subscription price for each new ADS will be payable in U.S. dollars. The subscription price will be reported to the Comisión Nacional de Valores and published in the bulletin of the Buenos Aires Stock Exchange and PR Newswire on the following day prior to the opening of the stock market in Argentina.

The Bank of New York acts as depositary for the ADSs and may, to the extent permitted by applicable law, sell common shares rights underlying the unexercised ADS rights on the Buenos Aires Stock Exchange. The proceeds from the sale of common share rights underlying the unexercised ADS rights will be, to the extent permitted by applicable law, distributed to the ADS holders in U.S. dollars pursuant to the deposit agreement.

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Subscription Forms

As described below, different deadlines are applicable to the subscription forms and the instruction letter. To subscribe for common shares or ADSs in the exercise of preemptive and accretion rights, each holder of such right must fill in and submit the relevant forms to the common share rights agent or the ADS rights agent, as the case may be. Such submission will represent an irrevocable exercise of preemptive and accretion rights to purchase common shares or ADSs, as the case may be. In the case of holders of common shares, such form must be accompanied by a certificate of ownership issued by the *Caja de Valores* or evidence of assignment of the rights in his/her favor. Timely submission of these documents is necessary for effective subscription of common shares, and prospective subscribers should carefully review these documents.

Forms for completion and submission have been delivered with this prospectus. Prospective subscribers requiring additional or replacement copies of such forms, may obtain them upon request from The Bank of New York in its capacity as our ADS rights agent or Raymond James Argentina S.A. in its capacity as our common share rights agent. Our ADS rights agent will not accept subscriptions for common shares from holders of our common shares.

Subscription Period

From [March 4], 2008 through [1:00] p.m. (Buenos Aires, Argentine time) on [March 18], 2008 in the case of the common share rights (the common shares subscription period) and from [March 4], 2008 through 5:00 p.m. (New York time) on [March 13], 2008 in the case of the ADS rights (the ADS subscription period).

To exercise common share rights, you must deliver to our common shares agent, a properly completed subscription form accompanied by a certificate of ownership issued by the *Caja de Valores* or evidence of assignment of the common share rights in your favor by [1:00] p.m. (Buenos Aires, Argentina time) on [March 18], 2008, or your common share rights will lapse and will have no further value. Deposit in the mail will not constitute delivery to us.

To exercise the ADS rights, you must deliver to the ADS rights agent a properly completed ADS rights subscription form and pay an amount specified below for each ADS subscribed or sought pursuant to accretion rights by 5:00 p.m. New York City time on [March 13], 2008, or your ADS rights will lapse and will have no further value, except the right to receive a cash payment if the depositary receives U.S. dollars in respect of a sale of unexercised common share rights. Deposit in the mail will not constitute delivery to the ADS rights agent. The amount you pay will be based on (i) the non-binding indicative subscription price or (ii) the definitive subscription price plus, in each case, the depositary s issuance fee of US$0.05 per new ADS. See Non-Binding Indicative Subscription Price for a description of applicable procedures if amounts paid prior to our publication of the definitive subscription price are different from the definitive subscription price.

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

Important Dates

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

Publication of non-binding indicative subscription price	[February 22], 2008
Common shares record date 6:00 p.m. (Buenos Aires, Argentina time)	[February 27], 2008
ADS record date 5:00 p.m. (New York City time)	[February 27], 2008

Common share rights commence trading on the Buenos Aires Stock Exchange	[February 28], 2008
Common shares subscription period	[March 4], 2008 to [March 18], 2008
ADS subscription period	[March 4], 2008 to [March 13], 2008
Publication of the definitive subscription price for the new common shares and the new ADSs	[March 11], 2008
Expiration date for holders of ADS rights	[March 13], 2008
End of common share rights trading on the Buenos Aires Stock Exchange	[March 14], 2008
Expiration date of common shares subscription period	[March 18], 2008
Allocation of accretion rights	[March 19], 2008
Delivery date for new common shares pursuant to common shares preemptive rights	On or about [March 19], 2008
Delivery date for common shares pursuant to common shares accretion rights	On or about [March 25], 2008
Delivery date for the new ADSs pursuant to ADS preemptive rights	On or about [March 25], 2008
Delivery date for the new ADSs pursuant to ADS accretion rights	On or about [March 25], 2008

Fractional Entitlements

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

Trading of Common Share and ADS Rights

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

The ADS rights will not be transferable and will not be listed on any exchange.

The Bank of New York will act as depositary for the ADSs and may, to the extent permitted by applicable law, sell the common share rights underlying the unexercised ADS rights on the Buenos Aires Stock Exchange.

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Common Share Rights Agent

Raymond James Argentina Sociedad de Bolsa S.A., located at San Martin 344, 22nd Floor, Buenos Aires, Argentina is acting as our common share rights agent for the common share rights offering. Holders of common shares who wish to subscribe for additional common shares must subscribe through the common share rights agent. The common share rights agent will not accept subscriptions from holders of ADSs.

ADS Rights Agent

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

Non-Binding Indicative Subscription Price

On [February 22], 2008, we will publish in the bulletin of the Buenos Aires Stock Exchange and PR Newswire a non-binding indicative subscription price for each of the new common shares and ADSs.

We will calculate the non-binding indicative subscription price for our new common shares by multiplying the weighted average trading price of our ADSs on the NASDAQ for the five preceding trading days by the coefficient 0.9, dividing such result by 10, and converting the resulting amount into Argentine Pesos on the basis of the seller s reference exchange rate (*tipo de cambio vendedor*) at the close of business on the prior business day as quoted by *Banco de la Nación Argentina*. We will calculate the non-binding indicative subscription price for our new ADSs by multiplying the average weighted average trading price of our ADSs on the NASDAQ for the five preceding trading days by the coefficient 0.9. The non-binding indicative subscription price for our common shares and ADSs may not exceed, in each case, the price range between the lowest and the highest trading price of our common shares during a period of not less than 5 days and not more than 180 days prior to the determination of the subscription price, established at our shareholders meeting held on October 10, 2007.

Subscriptions for ADSs pursuant to the exercise of common share rights, ADS rights and accretion rights that are submitted based on the indicative subscription price prior to our publication of the definitive subscription price will be binding and irrevocable even though the definitive subscription price will not have been established at the time of such exercise. The definitive subscription price subsequently determined may be higher than the indicative subscription price.

If the amount delivered in connection with a subscription form is less than the definitive subscription price plus applicable fees, the ADS rights agent will notify the subscriber of the shortfall and will not deliver the new ADSs subscribed for until the shortfall is paid. If a shortfall is not paid by the date specified in the notice, the ADS rights agent may sell a portion of the new ADSs to pay for the shortfall.

If the amount delivered in connection with a subscription form is more than the definitive subscription price plus applicable fees, the ADS rights agent will reimburse such excess to the relevant subscriber as promptly as practicable after completion of this offering.

Definitive Subscription Price

The definitive subscription price for the new common shares and the new ADSs will be established by our board of directors in U.S. dollars, based on a range between the lowest and the highest trading price of our common shares during a period of not less than 5 days and not more than 180 days prior to the determination of the subscription price on [March 10], 2008. The subscription price will be reported to the *Comisión Nacional de Valores*, and published in the bulletin of the Buenos Aires Stock Exchange and PR Newswire on the following business day, prior to the opening of the stock market in Argentina.

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The subscription price for each new common share will be payable in U.S. dollars outside Argentina or in Argentine pesos in Argentina, determined on the basis of the seller s reference exchange rate (*tipo de cambio vendedor*) at the close of business on the subscription price determination date as quoted by *Banco de la Nación Argentina*.

The subscription price for each new ADS will be payable in U.S. dollars. Holders of new ADSs must also pay an amount sufficient to cover the fee of the depositary that is US$0.05 per new ADS.

Accretion Rights

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

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

On [March 19] 2008, which is one business day after the end of the common shares subscription period, we will notify holders of our common shares and ADS holders that have indicated that they wish to exercise their accretion rights of the aggregate number of unsubscribed common shares and ADSs, as applicable, by publication of a notice in the bulletin of the Buenos Aires Stock Exchange and PR Newswire. Based on this notice, we will allocate unsubscribed common shares to holders of common shares and ADSs to ADS holders, as applicable, in accordance with their accretion rights.

If we allocate to any subscribers fewer ADSs than the number such subscribers sought to acquire pursuant to their accretion rights, the ADS rights agent will notify such subscribers and will promptly reimburse them after completion of this offering for any excess amount which such subscribers may have paid to the ADS rights agent in connection with their indications of interest in exercising their accretion rights.

Method of Exercising of Rights

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

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The common shares subscription period and the ADS subscription period, as the case may be, are the sole opportunity to exercise preemptive and accretion rights with respect to the common shares and ADSs, respectively. After 1:00 p.m. (Buenos Aires time) on [March 18], 2008, any holder of common shares and after 5:00 p.m. (New York City time) on [March 13], 2008, any holder of ADSs who has not validly submitted a duly completed subscription form will be deemed to have forfeited its rights to subscribe for common shares or ADSs, as the case may be, and such rights will lapse.

Results of the Rights Offering

On [March 25], 2008, which is the second Argentine business day after the end of the common shares subscription period, we will notify holders of our common shares and ADS holders by publication of a notice in the bulletin of the Buenos Aires Stock Exchange and PR Newswire of the final results of the offering for common share rights and ADS rights.

Payment and Method of Purchase

Payment in full of the subscription price for common shares purchased pursuant to the exercise of preemptive rights and accretion rights relating to common shares must be received by our common share rights agent in Pesos by [1:00] p.m. (Buenos Aires time) on [March 18], 2008 and [March 25], 2008, respectively.

Payment in full of the subscription price for each ADS purchased pursuant to the exercise of preemptive rights and accretion rights relating to ADSs must be received by our ADS rights agent in U.S. dollars by 5:00 p.m. (New York time) on [March 13], 2008.

Exercising shareholders who do not pay for their common shares or ADSs by such time on the payment date will forfeit their rights to such common shares or ADSs. Such payment should be made in cash (a) in the case of common shares rights, to our common share rights agent by means of a wire transfer to (i) checking account # 2968/9 at Banco de Valores S.A. (CBU #198 000 173 000 000 029 6897), CUIT # 30-68518222-6 for payment in Pesos, or (ii) Acc# 3612 9981 - Raymond James Argentina SBSA at Citibank NA, NYABA #021 000 089 for payment in U.S. dollars or (b) in the case of ADS rights, by certified or official bank check, money order or wire transfer to our ADS rights agent at The Bank of New York, ABA# 021000018, A/C# 8900060603, Account Name: Reorg. Incoming Wire Transfer, Ref: Cresud, by mail at The Bank of New York, Tender and Exchange Department, P.O. Box 11248, Church Street Station, New York, New York 10286-1248, or by hand, express mail or overnight courier at The Bank of New York, Tender and Exchange Department, 101 Barclay Street. Receive and Delivery Window Street Level, New York, New York 10286. Any payment to our common share rights agent must be made either in Pesos or U.S. dollars, and any payment to our ADS rights agent must be made in U.S. dollars.

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

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

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Use of Unsubscribed ADSs and Common Shares

After expiration of the common shares subscription period and the ADS subscription period, our board of directors may cancel the unsubscribed common shares and ADSs or sell them to third parties at such times as our board of directors may determine. The price for such sales may not be more favorable to the purchaser than the price offered herein. We currently intend to offer any unsubscribed common shares to the public promptly after completion of this offering.

Determinations of Timeliness, Validity, Form and Eligibility

We, or the dealers acting as our agents, may reject non-binding indications of interest, based on the following criteria: (i) non-compliance with anti-money laundering regulations, (ii) delivery of an incomplete or otherwise defective subscription form or ADS rights certificate, as applicable, (iii) untimely delivery of a subscription form or ADS rights certificate, as applicable, or (iv) non-compliance with any other requirement for the subscription of common shares or ADSs set forth in this prospectus.

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DILUTION

As of December 31, 2007, our outstanding capital stock consisted of 320,774,772 common shares. If you invest in our common shares and ADSs in this offering, your ownership interest will be diluted to the extent of the difference between the offering price per common share and the pro forma net book value per common share and per ADS upon the completion of this rights offering. Dilution results from the fact that the per-common share offering price of common shares and the per-ADS offering price of ADS in this offering could be substantially in excess of the book value per common share and per ADS attributable to the common shares and ADSs.

You should take into account that the hypothetical subscription price used in this analysis of dilution is shown only to illustrate the analysis and it is not necessary indicative of the subscription price per share of this offer. The hypothetical subscription price used in this analysis of dilution of Ps.7.85 corresponds with the maximum price per common share approved by the shareholders meeting held on October 10, 2007 and it is the highest trading price of our share during a period not more than 180 days prior to the publication of the non-binding subscription price.

Dilution of shareholders participating in this offering

Dilution due to issuance of new common shares

As of December 31, 2007, we had a net tangible book value of Ps.826.7 million or Ps.2.58 per common share or US$8.18 per ADS. Net tangible book value per share or common share represents the amount of our total tangible assets of Ps.1,167.1 million (total assets less intangible assets and net deferred tax assets) less total liabilities of Ps.339.5 million and minority interest of Ps.0.9 million, divided by 320,774,772, the total number of our common shares outstanding as of December 31, 2007. After giving effect to the sale of the 180,000,000 common shares offered by us in this offering and, after deducting the estimated offering expenses payable by us, our net tangible book value estimated at December 31, 2007 would have been approximately Ps.2,220.3 million, representing Ps.4.43 per common share and US$14.08 per ADS. At the subscription offering price of Ps.7.85 per common share, this represents an immediate increase in net tangible book value of Ps.1.86 per common share and US$5.90 per ADS to existing shareholders and ADS holders, respectively, and an immediate dilution in tangible book value of Ps.3.42 per common share and US$10.85 per ADS to purchasers of common shares and ADSs in this offering. Dilution for this purpose represents the difference between the price per common share paid by these purchasers and net tangible book value per common share immediately after the completion of this offering.

The following table illustrates this dilution of Ps.3.42 per common share to purchasers of common shares and common shares in the form of ADSs in this rights offering:

	Per Common Share	Per ADS[1]
Hypothetical subscription price	Ps.7.85	US$ 24.93
Net tangible book value as of December 31, 2007	2.58	8.18
Increase in net tangible book value attributable to shareholders who exercise their common share rights	1.86	5.90
Pro forma net tangible book value per common share after this offering	4.43	14.08
Dilution of shareholders who exercise their common share rights	3.42	10.85
% of dilution to shareholders who exercise their common share rights	43.52%	43.52%

(1) Converted into U.S. dollars at the exchange rate quoted by the Central Bank for December 31, 2007 which was Ps.3.1490 = US$1.00.

Dilution due to subscriptions for common shares and ADSs in this offering, and new warrants offered in this offering

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

Assuming for this dilution analysis that the exercise price of the new warrants is a 5% higher than the hypothetical subscription price, which is in accordance with the approval of our shareholder meeting that provided for an exercise price up to 100% of the subscription price, the following table shows the dilution resulting from the exercise price of the new warrants and corresponding issuance of common shares (before deducting expenses, fees and commissions payable by us in connection with this rights offering):

	Per Common Share	Per ADS[1]
Hypothetical subscription price	Ps.7.85	US$ 24.93
Exercise price of the warrants	8.24	26.17
Pro forma net book value after this offering and before the exercise of the warrants	4.43	14.08
Increase in pro forma net book value attributable to the issuance of warrants	0.41	1.29
Pro forma net book value after this offering and after the exercise of the warrants	4.84	15.37
Dilution (increase) in pro forma net book value of the warrants	3.40	10.80
Percentage of dilution (increase) of the issuance of the warrants	41.26%	41.26%

(1) Converted into U.S. dollars at the exchange rate quoted by the Central Bank for December 31, 2007 which was Ps.3.1490 = US$1.00.

Dilution of shareholders not participating in this offering

Dilution due to subscriptions for common shares and ADSs in this offering, and new warrants offered in this offering

Existing holders of our common shares and ADS holders who do not exercise their common share rights and the ADS rights, respectively, in the rights offering will have their ownership interests reduced such that a holder of our common shares who held ten percent of our capital stock before this rights offering will be reduced to holding 6.41% percent after the issuance of new common shares pursuant to this rights offering and 5.72% after the exercise of the warrants granted as a result of the exercise of the common share rights and the ADS rights.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following selected consolidated financial data has been derived from our consolidated financial statements as of the dates and for each of the periods indicated below. This information should be read in conjunction with and is qualified in its entirety by reference to our consolidated financial statements and the discussion in Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. The selected consolidated statement of income data for the six months ended December 31, 2006 and 2007 and the selected consolidated balance sheet data as of December 31, 2006 and 2007 have been derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The selected consolidated statement of income data for the years ended June 30, 2005, 2006 and 2007 and the selected consolidated balance sheet data as of June 30, 2006 and 2007 have been derived from our consolidated financial statements included elsewhere in this prospectus. The consolidated financial statements as of June 30 2006 and 2007 and for the three years in the period ended June 30, 2007 have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm. The selected consolidated income statement data for the years ended June 30, 2003 and 2004 and the selected consolidated balance sheet data as of June 30, 2003, 2004 and 2005 have been derived from our Annual Report on Form 20-F for the year ended June 30, 2007 which is incorporated by reference herein.

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

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

Additionally, after considerable inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government instructed the *Comisión Nacional de Valores* to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the *Comisión Nacional de Valores* issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. We complied with the *Comisión Nacional de Valores* resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were restated until that date, using a conversion factor of 1.1232. Since Argentine GAAP required companies to discontinue inflation adjustments only as from October 1, 2003, the application of the *Comisión Nacional de Valores* resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March to September 2003, such a departure has not had a material effect on our consolidated financial statements.

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As of December 31, 2007, we owned a 34.6% equity interest in IRSA Inversiones y Representaciones Sociedad Anónima (IRSA). In compliance with Rule 3-09 of Regulation S-X, also contained in this prospectus are the audited consolidated financial statements of IRSA as of June 30, 2006 and 2007 and for the years ended June 30, 2005, 2006 and 2007. This prospectus also includes IRSA s unaudited consolidated financial statements as of and for the six-month periods ended December 31, 2006 and 2007.

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Selected Consolidated Financial and Other Information for Cresud

	2003[1]	2004	2005	2006	2007	2007[2]	2006	2007	2007[2]
	As of and for the year ended June 30, (in Ps., except for ratios)					(in US$, except for ratios)	As of and for the three months ended December 31, (in Ps., except for ratios) (unaudited)		(in US$, except for ratios)
INCOME STATEMENT DATA									
Argentine GAAP									
Production income:									
Crops	24,883,609	24,369,232	44,052,970	37,005,907	72,426,012	22,992,385	6,586,411	12,840,230	4,077,558
Beef cattle	16,584,204	20,637,512	19,993,923	20,452,655	19,462,410	6,178,543	11,125,808	13,528,391	4,296,091
Milk	2,414,992	3,191,948	3,463,144	7,892,462	10,911,397	3,463,936	5,478,723	9,339,925	2,965,997
Total production income	43,882,805	48,198,692	67,510,037	65,351,024	102,799,819	32,634,864	23,190,942	35,708,546	11,339,646
Cost of production:									
Crops	(18,770,450)	(17,616,790)	(34,463,844)	(35,799,706)	(52,401,684)	(16,635,455)	(8,007,741)	(10,454,611)	(3,319,978)
Beef cattle	(8,813,155)	(15,112,209)	(17,012,337)	(18,780,372)	(15,050,438)	(4,777,917)	(8,258,522)	(9,746,041)	(3,094,964)
Milk	(1,483,172)	(1,307,962)	(2,094,975)	(5,845,360)	(8,476,391)	(2,690,918)	(3,537,970)	(6,252,352)	(1,985,504)
Total cost of production	(29,066,777)	(34,036,961)	(53,571,156)	(60,425,438)	(75,928,513)	(24,104,290)	(19,804,233)	(26,453,004)	(8,400,446)
Gross income from production	14,816,028	14,161,731	13,938,881	4,925,586	26,871,306	8,530,574	3,386,709	9,255,542	2,939,200
Sales:									
Crops	50,167,010	26,838,376	30,893,216	61,659,566	53,401,376	16,952,818	13,239,915	35,118,126	11,152,152
Beef cattle	20,566,175	27,723,604	36,826,885	33,713,479	31,966,582	10,148,121	15,400,961	14,697,505	4,667,356
Milk	2,414,992	3,191,948	3,463,144	7,892,462	9,730,929	3,089,184	4,603,474	8,958,759	2,844,954
Feed lot	4,453,320	7,120,335	2,129,838	2,721,377	3,102,229	984,835	3,102,229		
Other	1,985,004	4,778,545	4,859,931	6,353,777	12,116,372	3,846,467	5,072,774	9,349,281	2,968,968
Total sales	79,586,501	69,652,808	78,173,014	112,340,661	110,317,488	35,021,425	41,419,353	68,123,671	21,633,430
Cost of sales:									
Crops	(47,129,107)	(23,941,415)	(30,460,110)	(53,286,035)	(50,434,966)	(16,011,100)	(13,761,324)	(32,477,083)	(10,313,459)
Beef cattle	(19,450,110)	(26,478,681)	(35,810,780)	(32,993,523)	(30,272,710)	(9,610,384)	(14,732,739)	(13,518,741)	(4,293,027)
Milk	(2,414,992)	(3,191,948)	(3,463,144)	(7,892,462)	(9,730,929)	(3,089,184)	(4,603,474)	(8,958,759)	(2,844,954)
Feed lot	(4,193,288)	(6,185,771)	(1,855,278)	(2,318,102)	(2,823,865)	(896,465)	(2,784,316)		
Other	(1,387,411)	(1,196,060)	(1,546,204)	(2,093,332)	(5,870,058)	(1,863,510)	(1,519,840)	(4,868,595)	(1,546,077)
Total cost of sales	(74,574,908)	(60,993,875)	(73,135,516)	(98,583,454)	(99,132,528)	(31,470,644)	(37,401,693)	(59,823,178)	(18,997,516)
Gross income from sales	5,011,593	8,658,933	5,037,498	13,757,207	11,184,960	3,550,781	4,017,660	8,300,493	2,635,914
Gross profit	19,827,621	22,820,664	18,976,379	18,682,793	38,056,266	12,081,354	7,404,369	17,556,035	5,575,114
Selling expenses	(6,115,048)	(5,740,115)	(6,599,566)	(10,151,452)	(9,971,891)	(3,165,680)	(2,639,664)	(5,069,107)	(1,609,751)
Administrative expenses	(4,567,091)	(4,957,250)	(7,271,279)	(11,560,307)	(16,628,088)	(5,278,758)	(8,550,529)	(9,000,360)	(2,858,164)
Net gain on sale of farms	4,869,484	1,668,751	19,987,989	9,897,186	22,255,710	7,065,305		3,233,104	1,026,708
Gain from recognition of other assets at net realizable value								17,424,454	5,533,329
Unrealized gain on inventories									
Beef cattle	12,402,776	2,236,255	11,620,779	2,847,711	5,102,943	1,619,982	1,469,238	2,657,122	843,799
Crops	1,590,397	1,783,574	(456,710)	1,391,209	(805,910)	(255,844)	1,935,168	(4,389,461)	(1,393,922)

Operating income	28,008,139	17,811,879	36,257,592	11,107,140	38,009,030	12,066,359	(381,418)	22,411,787	7,117,112
Financial results, net	(11,065,223)	(18,969)	63,751,386	12,373,958	(10,457,994)	(3,319,998)	(4,343,286)	(7,275,790)	(2,310,508)
Gain on equity investees	67,706,143	26,669,884	28,087,632	22,140,997	40,198,825	12,761,532	22,953,379	9,005,199	2,859,701
Other expense, net	(2,091,884)	(363,761)	(5,065,386)	(3,367,594)	(4,250,800)	(1,349,460)	(1,205,586)	(2,413,581)	(766,460)
Management fee	(7,224,996)	(3,567,003)	(8,533,213)	(3,836,470)	(5,484,697)	(1,741,174)	(2,108,111)	(1,582,959)	(502,686)
Income before income tax and minority interest	75,332,179	40,532,030	114,498,011	38,418,031	58,014,364	18,417,258	14,914,978	20,144,656	6,397,160
Income tax expense	(10,531,263)	(8,570,269)	(37,787,594)	(5,431,831)	(8,375,095)	(2,658,760)	2,140,134	(5,631,806)	(1,788,443)
Minority interest	224,045	141,261	88,501	(102,924)	(277,000)	(87,937)	(16,557)	(40,194)	(12,764)
Net income	65,024,961	32,103,022	76,798,918	32,883,276	49,362,269	15,670,562	17,038,555	14,472,656	4,595,953
U.S. GAAP									
Total sales	71,878,218	62,179,287	75,582,982	105,371,504	104,493,979	33,172,692			
Total cost of sales	(50,578,787)	(40,330,843)	(52,000,895)	(83,441,671)	(62,333,457)	(19,788,399)			
Gross profit	21,299,431	21,848,444	23,582,087	21,929,833	42,160,522	13,384,293			

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	As of and for the year ended June 30,						As of and for the three months ended December 31,		
	2003[1]	2004	2005	2006	2007	2007[2]	2006	2007	2007[2]
	(in Ps., except for ratios)					(in US$, except for ratios)	(in Ps., except for ratios) (unaudited)		(in US$, except for ratios)
Administrative expenses	(9,025,339)	(4,561,060)	(16,466,503)	(14,298,716)	(21,878,033)	(6,945,407)			
Operating income	6,159,044	11,547,269	516,018	(2,520,335)	10,346,605	3,284,637			
Financial results, net	(27,336,810)	(8,998,813)	54,964,547	2,017,841	(18,181,646)	(5,771,951)			
Gain on equity investees	67,342,113	3,455,098	47,201,959	21,758,975	40,562,309	12,876,923			
Income before income tax and minority interest	48,941,947	7,197,759	117,631,326	27,864,275	50,856,515	16,144,925			
Income tax expense	(2,646,951)	(3,945,940)	(31,025,373)	(272,575)	(1,244,203)	(394,985)			
Minority interest	83,008	35,483	88,501	(102,924)	(277,000)	(87,937)			
Net income	46,378,004	3,287,302	86,694,454	27,488,776	49,335,312	15,662,003			
BALANCE SHEET DATA									
Argentine GAAP									
Current assets:									
Cash and banks and investments	23,363,232	14,624,161	74,446,153	32,221,149	86,772,082	27,546,693	22,846,991	7,231,016	2,296,290
Inventories	23,305,421	35,441,885	46,293,640	28,932,135	52,460,289	16,654,060	49,476,568	92,485,202	29,369,705
Trade and other receivables, net	13,639,837	24,221,264	32,002,331	33,829,580	77,542,466	24,616,656	26,902,554	58,098,594	18,449,855
Other Assets								19,802,484	6,288,499
Non-current assets:									
Other receivables	672,817	101,758	6,480,334	36,005,292	43,236,560	13,725,892	41,210,720	38,589,842	12,254,634
Inventories	37,796,987	44,740,030	53,223,179	62,712,423	68,345,438	21,696,964	66,616,712	71,183,737	22,605,188
Investments	338,604,025	393,382,176	394,899,782	505,423,985	541,328,760	171,850,400	520,682,569	759,183,241	241,087,088
Negative goodwill, net	(19,347,598)	(25,869,346)	(30,430,822)	(76,825,838)	(67,306,386)	(21,367,107)	(72,145,013)	(134,678,152)	(42,768,546)
Property and equipment, net	150,932,466	160,026,473	166,497,596	224,775,512	245,919,561	78,069,702	236,440,473	255,890,648	81,260,923
Intangible assets, net	369,637			23,581,646	23,581,646	7,486,237	23,581,646	23,581,646	7,488,614
Total assets	569,336,824	646,668,401	743,412,193	870,655,884	1,071,880,416	340,279,497	915,613,220	1,191,368,258	378,332,251
Current liabilities:									
Trade accounts payable	8,002,449	10,840,177	17,894,529	26,438,528	30,935,851	9,820,905	38,330,776	41,017,073	13,025,428
Short-term debt	1,425,499	8,090,261	11,499,782	66,421,573	122,749,734	38,968,169	139,817,661	217,809,995	69,167,988
Other liabilities, taxes, expenses,	7,158,058	10,370,898	36,585,829	9,048,990	14,006,121	4,446,388	9,532,913	21,584,718	6,854,467

salaries and social security payable									
Non-current liabilities:									
Long-term debt	137,995,607	125,920,201	114,798,751	99,550,449	27,085,386	8,598,535	25,988,936	2,093,796	664,908
Taxes payable	22,749,374	26,213,217	39,285,385	42,770,882	51,312,237	16,289,599	40,516,058	56,945,343	18,083,628
Total liabilities	177,330,987	181,434,754	220,064,276	244,230,422	246,089,329	78,123,596	254,186,344	339,450,925	107,796,419
Minority interest	206,712	65,451	276,947	559,871	836,872	265,674	576,428	934,075	296,626
Shareholders equity	391,799,125	465,168,196	523,070,970	625,865,591	824,954,215	261,890,227	660,850,448	850,983,258	270,239,205
U.S. GAAP									
Non-current assets:									
Inventories	11,158,969	14,371,493	16,950,827	26,348,869	32,297,175	10,253,071			
Investments	206,463,936	236,526,965	289,309,184	444,010,858	597,100,979	189,555,866			
Total assets	423,698,035	478,020,170	625,764,749	843,456,953	1,158,910,758	367,908,177			
Non-current liabilities:									
Long-term debt	82,925,903	76,346,451	74,810,412	69,708,185	4,722,857	1,499,320			
Taxes payable	54,668,735	53,809,128	60,714,471	59,020,118	60,586,895	19,233,935			
Total liabilities	151,247,284	155,443,201	199,627,882	228,821,956	233,001,458	73,968,717			
Shareholders equity	272,349,817	322,511,158	425,859,920	614,066,773	925,072,428	293,673,787			
CASH FLOW DATA									
Argentine GAAP									
Net cash provided by (used in) operating activities	12,435,796	(280,751)	(10,100,935)	(21,470,041)	(56,140,794)	(17,822,474)	(5,817,210)	(11,191,401)	(3,553,954)

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	As of and for the year ended June 30,						As of and for the three months ended December 31,		
	2003(1)	2004	2005	2006	2007	2007(2)	2006	2007	2007(2)
	(in Ps., except for ratios)					(in US$, except for ratios)	(in Ps., except for ratios) (unaudited)		(in US$, except for ratios)
Net cash provided by (used in) investing activities	(200,614,009)	(25,089,388)	62,734,033	(110,865,934)	(866,877)	(275,199)	(10,501,262)	(136,718,341)	(43,416,431)
Net cash provided by (used in) financing activities	165,644,376	16,670,247	1,691,457	92,250,539	115,813,757	36,766,272	10,288,190	68,982,621	21,906,199
U.S. GAAP(9)									
Net cash (used in) provided by operating activities	14,521,304	(13,156,027)	54,735,816	(3,839,611)	(62,359,968)	(19,796,815)			
Net cash (used in) provided by investing activities	(194,782,124)	(12,983,501)	(1,918,881)	(133,000,622)	5,295,891	1,681,235			
Net cash provided by (used in) financing activities	165,644,376	16,670,247	1,691,457	92,250,539	115,813,757	36,766,272			
Effects of exchange rate changes	(13,656,319)	1,272,280	(183,837)	4,504,528	56,406	17,907			
Effects of inflation accounting	4,863,453								
OTHER FINANCIAL DATA									
Argentine GAAP									
Basic net income per share(3)	0.54	0.23	0.49	0.19	0.20	0.06	0.08	0.05	0.01
Diluted net income per share(4)	0.19	0.13	0.25	0.13	0.16	0.05	0.06	0.05	0.01
Basic net income per ADS(3)(5)	5.40	2.30	4.90	1.93	2.00	0.63	0.77	0.46	0.15
Diluted net income per ADS(4)(5)	1.90	1.30	2.50	1.32	1.60	0.51	0.57	0.46	0.15
Weighted average number of common shares outstanding	121,388,429	137,137,783	155,343,629	170,681,455	247,149,373		221,502,597	313,743,488	313,743,488
Weighted average number of common shares outstanding plus assumed conversion(6)	246,526,666	321,214,392	321,214,392	321,214,392	321,214,392		321,214,392	313,743,488	313,743,488

Dividends paid(7)	1.50	3.00	10.00	5.50	8.25	3.00			
Dividends per share	0.012	0.020	0.059	0.024	0.026	0.008			
Dividends per ADS(5)	0.12	0.20	0.59	0.24	0.26	0.08			
Depreciation and amortization	3,825,546	3,937,141	4,169,139	5,112,088	4,333,122	1,375,594	2,155,559	2,384,843	757,333
Capital expenditures(8)	31,129,070	15,189,386	25,959,614	55,770,620	29,326,622	9,310,039	13,844,652	14,051,592	4,462,239
Gross margin(10)	45.2%	47.3%	28.1%	28.6%	37.0%	37.0%	31.9%	49.2%	49.2%
Operating margin(11)	63.8%	37.0%	53.7%	17.0%	37.0%	37.0%	(1.6)%	62.8%	62.8%
Net margin(12)	148.2%	66.6%	113.8%	50.3%	48.0%	48.0%	73.5%	40.5%	40.5%
Ratio of current assets to current liabilities	3.64	2.54	2.31	0.93	1.29	1.29	0.53	0.63	0.63
Ratio of shareholders equity to total liabilities	2.21	2.56	2.38	2.56	3.35	3.35	2.60	2.51	2.51
Ratio of non current assets to total assets	0.89	0.89	0.79	0.89	0.80	0.80	0.89	0.85	0.85
U.S. GAAP									
Basic net income per share(3)	0.38	0.02	0.56	0.16	0.20	0.06			
Diluted net income per share(4)	0.19	0.02	0.34	0.15	0.18	0.06			
Basic net income per ADS(3)(5)	3.80	0.24	5.58	1.61	2.00	0.63			
Diluted net income per ADS(4)(5)	1.90	0.24	3.38	1.54	1.80	0.57			
Weighted average number of common shares outstanding	121,388,429	137,137,783	155,343,629	170,681,455	247,149,373				
Weighted average number of common shares outstanding plus assumed conversion(6)	194,235,230	137,137,783	283,140,627	282,836,274	308,253,058				
Gross margin(10)	29.6%	35.1%	31.2%	20.8%	40.3%	40.3%			
Operating margin(11)	8.6%	18.6%	0.7%	(2.4%)	9.9%	9.9%			
Net margin(12)	64.5%	5.3%	114.7%	26.1%	47.2%	47.2%			

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

(2) Solely for the convenience of the reader, we have translated Peso amounts into U.S. dollars at the exchange rate quoted by *Banco de la Nación Argentina* for December 31, 2007 which was Ps.3.149 = US$1.00. We make no representation that the Peso or U.S. dollar amounts actually represent, could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all. See Exchange Rates and Exchange Controls.
(3) Basic net income per share is computed by dividing the net income available to common shareholders for the period by the weighted average common shares outstanding during the period.
(4) Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common shares assuming the total conversion of outstanding notes. See Notes 13 and 17.II.f) to our audited consolidated financial statements included elsewhere in this prospectus for details on the computation of earning per share under Argentine GAAP and U.S. GAAP, respectively.
(5) Determined by multiplying per share amounts by ten (one ADS equals ten common shares).
(6) Assuming (i) conversion into common shares of all of our outstanding convertible notes due 2007 and (ii) exercise of all outstanding warrants to purchase our common shares. The term for the exercise of our outstanding warrants and the conversion of our outstanding convertible notes issued on November 21, 2002 expired on November 14, 2007. During the conversion and exercise periods, holders of our warrants and convertible notes exercised an aggregate of 49,867,018 warrants and converted an aggregate of 49,910,874 convertible notes, respectively, increasing our capital stock to 320,774,772 issued and outstanding shares. As of the date of this prospectus, there are no additional outstanding warrants or convertible notes to acquire our shares.
(7) On October 10, 2007, our shareholders held their ordinary annual meeting at which the payment of a cash dividend of Ps.8.25 million was approved.
(8) Includes the purchase of farms and other property and equipment.
(9) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of SFAS No. 95 under U.S. GAAP. See Note 17.II.e) to our audited consolidated financial statements included elsewhere in this prospectus for details of the differences in classifications affecting the categories of cash flows.
(10) Gross profit divided by the sum of production income, except for information under U.S. GAAP, where the ratio is gross profit divided by sales.
(11) Operating income divided by the sum of production income, except for information under U.S. GAAP, where the ratio is gross profit divided by sales.
(12) Net income divided by the sum of production income, except for information under U.S. GAAP, where the ratio is gross profit divided by sales.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION FOR IRSA

The following table presents IRSA s selected consolidated financial and other information as of and for each of the periods indicated. This data is qualified in its entirety by reference to, and should be read together with IRSA s audited consolidated financial statements and the notes thereto and IRSA s Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. The selected consolidated income statement data for the six months ended December 31, 2006 and 2007 and the selected consolidated balance sheet data as of December 31, 2007 have been derived from IRSA s unaudited consolidated financial statements as of December 31, 2007 and for the six months ended December 31, 2006 and 2007 included elsewhere in this prospectus. The selected consolidated balance sheet data as of December 31, 2006 have been derived from IRSA s unaudited interim consolidated financial statements as of December 31, 2005 and 2006 which are not included in this prospectus. The selected consolidated income statement data for the fiscal years ended June 30, 2005, 2006 and 2007 and the selected consolidated balance sheet data as of June 30, 2006 and 2007 have been derived from IRSA s audited consolidated financial statements as of June 30, 2006 and 2007 and for the three years in the period ended June 30, 2007 included elsewhere in this prospectus.

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

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

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

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

IRSA currently owns 11.8% of Banco Hipotecario, Argentina s leading mortgage lender in terms of outstanding mortgage loans, and this prospectus also incorporates by reference our Form 20-F which includes Banco Hipotecario s consolidated financial statements as of June 30, 2006 and 2007 and for the twelve months ended June 30, 2005, 2006 and 2007. Banco Hipotecario maintains its financial books and records in pesos and prepares its financial statements in conformity with the Central Bank s policies which prescribe the reporting and disclosure requirements for banks and financial institutions in Argentina (Central Bank accounting rules). These rules differ in certain significant respects from Argentine GAAP. A narrative description of significant differences between Central Bank accounting rules and Argentine GAAP are set forth in Note 6 to Banco Hipotecario s audited consolidated financial statements included in our annual report on Form 20-F for the year ended June 30, 2007 which is incorporated by reference herein. Central Bank accounting rules and Argentine GAAP also differ in certain significant aspects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in such consolidated financial statements, as well as additional disclosures required by U.S. GAAP and regulations of the SEC. See Note 37 to Banco Hipotecario s audited consolidated financial statements for a description of the principal differences between Central Bank accounting rules and U.S. GAAP as they relate to Banco Hipotecario, and a reconciliation to U.S. GAAP of Banco Hipotecario s net income and shareholders equity.

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Selected Consolidated Financial and Other Information for IRSA

	As of and for the year ended June 30,						As of and for the six months ended December 31,		
	2003	**2004**	**2005**	**2006**	**2007**	**2007[1]**	**2006**	**2007**	**2007[1]**
	(in thousands Ps.[2], except ratios)					(in thousands US$, except ratios)	(in thousands Ps.[2], except ratios) (unaudited)		(in thousands US$, except ratios)
INCOME STATEMENT DATA									
Argentine GAAP									
Revenues:									
Development and sale of properties	46,616	30,257	32,311	103,966	75,751	24,056	30,753	63,011	20,010
Office and other non-shopping center rental properties	17,770	15,144	19,431	30,565	55,683	17,683	22,989	44,823	14,234
Shopping centers	88,819	113,216	165,529	215,003	270,266	85,826	133,224	172,567	54,801
Credit card operations	24,935	30,034	64,558	122,969	212,965	67,629	89,296	139,901	44,427
Hotel operations	57,730	71,295	87,120	103,763	122,681	38,959	62,651	75,974	24,126
Financial operations and others	625	859	940	1,414	1,410	448	1,418	340	108
Total revenues	236,495	260,805	369,889	577,680	738,756	234,600	340,331	496,616	157,706
Costs	(154,667)	(147,416)	(168,074)	(243,831)	(311,647)	(98,967)	(142,749)	(209,659)	(66,580)
Gross profit (loss):									
Development and sale of properties	89	4,408	14,769	49,766	17,928	5,693	(73)	15,594	4,952
Office and other non-shopping center rental properties	8,677	6,871	11,685	21,578	38,984	12,380	18,303	29,809	9,466
Shopping centers	30,061	52,734	95,748	137,621	179,154	56,892	94,167	124,082	39,404
Credit card operations	16,605	18,069	41,456	79,036	136,714	43,415	55,553	82,831	26,304
Hotel operations	26,357	31,246	38,196	45,792	53,721	17,060	28,968	34,554	10,973
Financial operations and others	39	61	(39)	56	608	193	664	87	28
Total gross profit	81,828	113,389	201,815	333,849	427,109	135,633	197,582	286,957	91,126
Gain from recognition of inventories at net realizable value			17,317	9,063	20,737	6,585	6,965	1,382	439
Selling expenses	(28,555)	(21,988)	(36,826)	(60,105)	(113,709)	(36,110)	(43,034)	(61,382)	(19,493)
Administrative expenses	(46,493)	(51,400)	(70,670)	(96,882)	(141,427)	(44,912)	(62,333)	(85,376)	(27,112)
Gain on purchasers rescissions of sales	9								
Net (loss) income from retained interest in securitized receivables	(4,077)	261	423	2,625	3,254	1,033	5,514	320	102
Gain from operations and holdings of real estate assets, net	21,507	63,066	27,938	12,616	2,568	815			
Operating income (loss):									

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	As of and for the year ended June 30,						As of and for the six months ended December 31,		
	2003	2004	2005	2006	2007	2007[1]	2006	2007	2007[1]
	(in thousands Ps.[2], except ratios)					(in thousands US$, except ratios)	(in thousands Ps.[2], except ratios) (unaudited)		(in thousands US$, except ratios)
Development and sale of properties	2,262	183	20,566	44,277	6,177	1,962	(2,889)	4,164	1,322
Office and other non-shopping center rental properties	1,688	29,685	13,220	11,862	19,626	6,232	10,424	17,481	5,551
Shopping centers	18,709	58,771	81,638	105,583	124,832	39,642	68,732	94,813	30,109
Credit card operations	(4,616)	4,490	13,546	24,836	32,636	10,364	17,775	13,823	4,390
Hotel operations	6,176	10,138	11,066	14,552	14,653	4,653	9,988	11,533	3,662
Financial operations and others		61	(39)	56	608	193	664	87	28
Total operating income	24,219	103,328	139,997	201,166	198,532	63,046	104,694	141,901	45,062
Amortization of goodwill	(6,631)	(2,904)	(1,663)	(1,080)	(1,472)	(467)	(498)	616	196
(Loss) gain on equity investees	(14,701)	26,653	67,207	41,657	40,026	12,711	15,034	(9,066)	(2,879)
Financial results, net	315,645	12,203	(11,848)	(40,926)	4,099	1,302	12,305	(54,853)	(17,419)
Other income (expenses), net	96	(12,856)	(14,089)	(18,263)	(14,100)	(4,478)	(6,327)	(4,500)	(1,429)
Income before taxes and minority interest	318,628	126,424	179,604	182,554	227,085	72,113	125,208	74,098	23,531
Income tax and minimum presumed income tax	3,529	(25,720)	(53,207)	(58,791)	(87,539)	(27,799)	(37,878)	(46,451)	(14,751)
Minority interest	(35,712)	(12,842)	(23,152)	(27,190)	(32,449)	(10,305)	(21,210)	(21,863)	(6,943)
Net income	286,445	87,862	103,245	96,573	107,097	34,010	66,120	5,784	1,837
U.S. GAAP									
Revenues	280,690	327,424	426,499	621,012	867,452	275,469			
Costs	(208,149)	(216,742)	(235,341)	(321,788)	(413,957)	(131,457)			
Gross profit	72,541	110,682	191,158	299,224	453,495	144,012			
Gain from recognition of inventories at net realizable value									
Selling expenses	(28,555)	(23,937)	(36,255)	(66,278)	(104,997)	(33,343)			
Administrative expenses	(50,139)	(57,928)	(77,451)	(97,956)	(142,714)	(45,320)			
Gain on purchasers rescissions of sales	9								
Net income (loss) from retained interest in securitized receivables	1,392	(1,526)	4,591	(12,274)	(115)	(37)			
Operating (loss) income	(4,752)	27,291	82,043	121,716	205,669	65,312			
(Loss) gain on equity investees	(5,621)	(20,161)	138,560	64,697	42,957	13,641			
Financial results, net	265,753	21,195	(31,072)	(50,854)	(43,705)	(13,879)			
Other incomes (expenses), net	9,880	(4,026)	(10,271)	(7,338)	(13,433)	(4,266)			
Income before taxes and minority interest	265,260	24,299	179,259	128,221	191,488	60,808			
Income tax and minimum presumed income tax	3,020	(12,528)	(34,747)	(18,678)	(39,176)	(12,441)			
Minority interest	(33,154)	(8,946)	(15,114)	(19,597)	(49,090)	(15,589)			
Net income	235,126	2,825	129,398	89,946	103,222	32,778			

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	As of and for the year ended June 30,						As of and for the six months ended December 31,		
	2003	**2004**	**2005**	**2006**	**2007**	**2007[1]**	**2006**	**2007**	**2007[1]**
	(in thousands Ps.[2], except ratios)					(in thousands US$, except ratios)	(in thousands Ps.[2], except ratios) (unaudited)		(in thousands US$, except ratios)
BALANCE SHEET DATA									
Argentine GAAP									
Cash and banks and current investments	232,001	163,900	211,934	233,438	856,707	272,057	288,741	575,100	182,629
Inventories	23,854	29,711	99,811	162,110	256,203	81,360	141,765	156,204	49,604
Mortgages and lease receivables, net	39,181	37,267	73,246	147,955	212,065	67,344	219,014	253,336	80,450
Non-current investments[3]	412,789	519,499	542,863	647,981	673,273	213,805	618,534	692,542	219,924
Fixed assets, net	1,235,223	1,274,675	1,445,551	1,413,212	2,027,311	643,795	1,682,841	2,340,503	743,253
Total current assets	297,476	261,651	389,735	481,788	1,175,790	373,385	583,165	982,900	312,131
Total assets	2,081,956	2,208,326	2,524,426	2,740,121	4,144,899	1,316,259	3,099,306	4,155,974	1,319,776
Short-term debt[4]	96,159	143,126	130,728	142,140	214,193	68,019	409,607	87,619	27,824
Total current liabilities	188,738	256,022	310,977	419,228	652,082	207,076	756,968	558,219	177,269
Long-term debt[5]	592,104	468,807	422,412	295,282	1,222,423	388,194	228,129	1,099,243	349,077
Total non-current liabilities	629,988	522,213	515,381	385,138	1,395,693	443,218	350,768	1,263,996	401,396
Minority interest	454,044	470,237	445,839	449,989	450,410	143,033	414,993	458,672	145,656
Shareholders equity	809,186	959,854	1,252,229	1,485,766	1,646,714	522,932	1,576,577	1,875,087	595,455
U.S. GAAP									
Cash and banks and current investments	231,293	163,435	212,855	233,032	856,318	271,933			
Inventories	23,584	25,374	46,702	61,720	160,961	51,115			
Mortgages and lease receivables, net	39,181	37,267	72,577	145,718	205,267	65,185			
Other receivables and prepaid expenses	80,799	127,114	113,395	131,502	241,656	76,741			
Non-current investments[3]	281,583	327,883	436,063	599,679	590,646	187,566			
Fixed assets, net	1,221,859	1,230,020	1,392,626	1,360,136	1,912,457	607,322			
Intangible assets, net	1,629	666	712	468	22,226	7,058			
Total current assets	313,595	270,883	386,051	471,053	1,183,147	375,721			
Total assets	1,874,299	1,923,456	2,291,808	2,503,812	3,997,217	1,269,361			
Trade accounts payable	30,432	46,414	68,372	136,362	293,522	93,211			
Other liabilities	40,382	46,524	90,106	94,655	101,764	32,316			
Short-term debt [4]	83,217	135,661	111,994	120,172	216,829	68,856			
Total current liabilities	202,679	260,521	314,939	431,422	669,983	212,761			
Long-term debt [5]	600,616	465,099	413,812	298,570	1,225,212	389,080			
Total non-current liabilities	801,806	696,791	698,344	558,951	1,603,747	509,288			
Minority interest	367,012	378,404	357,062	355,385	366,381	116,348			
Shareholders equity	502,803	587,740	921,718	1,158,364	1,358,739	431,483			
CASH FLOW DATA									
Argentine GAAP									

Net cash provided by operating activities	93,945	74,691	93,490	194,685	163,099	51,794	93,615	114,916	36,493
Net cash used in investing activities	(40,603)	(97,186)	(126,682)	(136,567)	(510,774)	(162,202)	(209,172)	(359,528)	(114,172)

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	As of and for the year ended June 30,						As of and for the six months ended December 31,		
	2003	2004	2005	2006	2007	2007[1]	2006	2007	2007[1]
	(in thousands Ps.[2], except ratios)					(in thousands US$, except ratios)	(in thousands Ps.[2], except ratios) (unaudited)		(in thousands US$, except ratios)
Net cash provided by (used in) financing activities	109,439	(47,649)	52,868	(36,767)	892,258	283,346	143,972	(21,129)	(6,710)
U.S. GAAP[6]									
Net cash provided by operating activities	55,135	92,378	105,655	192,589	111,936	35,547			
Net cash used in investing activities	(52,260)	(105,061)	(141,746)	(128,687)	(470,318)	(149,355)			
Net cash provided by (used in) financing activities	109,439	(47,649)	52,868	(36,767)	900,907	286,093			
Effect of exchange rate changes on cash and cash equivalents	51,743	(8,081)	2,899	(5,784)	2,058	654			
Effect of inflation accounting	(1,472)								
OTHER FINANCIAL DATA									
Argentine GAAP									
Capital expenditures[7]	10,991	26,908	79,997	116,201	428,026	135,924	247,152	362,530	115,125
Depreciation and amortization[8]	69,437	65,491	74,091	80,979	96,996	30,802	41,490	58,560	18,596
Ratio of current assets to current liabilities	1.576	1.022	1.253	1.149	1.803	1.803	0.770	1.761	1.761
Ratio of shareholders equity to total liabilities	0.988	1.233	1.515	1.847	0.804	0.804	1.423	1.029	1.029
Ratio of non-current assets to total assets	0.857	0.882	0.846	0.824	0.716	0.716	0.812	0.763	0.763
Working capital[9]	108,738	5,629	78,758	62,560	523,708	166,309	(173,803)	424,681	134,862

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(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 December 31, 2007 which was Ps.3.149 per US$1.00. We make no representation that the Peso or U.S. dollar amounts actually represent, could have been or could be converted into Dollars at the rates indicated, at any particular rate or at all. See Exchange Rates and Exchange Controls . Sums may not total due to rounding.
(2) In thousands of constant Pesos of December 31, 2007. Includes adjustment for inflation through February 28, 2003. Sums may not total due to rounding.
(3) Includes IRSA s 11.8% investment in Banco Hipotecario and IRSA s investments in undeveloped parcels of land.
(4) Includes short-term debt (including the current portion of seller financing) and current mortgages payable.
(5) Includes long-term debt (including the non-current portion of seller financing) and non-current mortgages payable.
(6) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of SFAS No. 95 under U.S. GAAP. See Note 28 to IRSA s audited consolidated financial statements included elsewhere in this prospectus for details of the differences in classifications affecting the categories of cash flows.
(7) Includes the purchase of fixed assets (including facilities and equipment), undeveloped parcels of land and renovation and remodeling of hotels and shopping centers.
(8) Corresponds to depreciation and amortization included in operating income.
(9) Working capital is calculated by subtracting consolidated current liabilities from consolidated current assets.

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

Consolidated Operating Results

The following management s discussion and analysis of our financial condition and results of operations should be read together with Selected Consolidated Financial Data and our consolidated financial statements and related notes appearing elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include such words as, expects, anticipates, intends, believes and similar language. Our actual results may differ materially and adversely from those anticipated in these forward-looking statements as a result of many factors, including without limitation those set forth elsewhere in this prospectus.

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

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

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

Effects of Devaluation and Economic Crisis

All of our assets are located and our operations are performed in Argentina. Accordingly, our financial condition and results of operations depend substantially upon economic conditions prevailing in Argentina. Due to the four-year-old recession ended on the second quarter of 2002, the Argentine economy has deteriorated sharply. However, during 2003, certain signs of economic recovery appeared and have continued from 2004 through 2007.

In the fourth quarter of 1998, the Argentine economy entered into a recession that caused the gross domestic product to decrease in real terms by 3.4% in 1999, 0.8% in 2000 and 4.4% in 2001. During the second half of 2001, Argentina s recession worsened significantly, precipitating a serious political and economic crisis. During 2002, the gross domestic product decreased 10.9% compared to 2001, and during the first three quarters of 2003, the gross domestic product increased 7.3%. In 2003, the economy began to recover, closing the year with year on year growth of 11.7%. Exceeding growth expectations, in 2004 the GDP increased 9.0% in comparison with 2003 and during 2005 the economy also expanded strongly at a rate of 9.2%. During 2006 and 2007 Argentine economy, in terms of GDP, continued to grow at an annual rate of 8.5%.

On December 23, 2001, President Adolfo Rodriguez Saá declared the suspension of the payment of foreign debt and later President Eduardo Duhalde ratified his decision. On January 6, 2002, the Congress enacted the Public Emergency Law which repeals several provisions of the Convertibility Law which prevailed in Argentina for 10 years, and the executive branch announced the devaluation of the Peso the establishment of a dual exchange rate system in which certain limited transactions will occur at a fixed rate of Ps.1.4 to US$1.0 and all other transactions will be settled at a floating market rate depending on supply and demand. This new legislation had a material adverse effect on our financial position and the results of our operations in fiscal year 2002 mainly through its effects in IRSA which was partially offset during fiscal year 2004, 2005 and 2006.

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During fiscal year 2005, the Government of President Néstor Kirchner submitted a proposal to creditors to continue the payments of external debt. The official offer for the sovereign debt exchange obtained very good results and was supported by 76.07% of its creditors. The Government was able to record a partial remission of the debt in terms of current value of 65.2% which exceeds any remission recorded in any other debt restructuring process in other countries. This significant achievement represented an opportunity for the country to recover reliability internationally and gave way to an economic context of higher feasibility. On the other hand, in February 2006, the government paid the total debt to the International Monetary Fund (IMF) through the payment of US$9.530 million, reducing significantly the sovereign debt of the country.

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

Factors Affecting Comparability

Purchase and Sale of Farms

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

Seasonality

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

Revenue Recognition

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

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

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

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Critical Accounting Policies

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

- investments in affiliates;
- impairment of long-lived assets;
- intangible assets concession rights;
- derivative instruments; and
- deferred income tax.

Investments in affiliates

We use the equity method of accounting for investments in affiliates in which we have significant influence (including both IRSA and BrasilAgro). Critical accounting policies of these affiliates include provision for allowances and contingencies, impairment of long-lived assets, accounting for debt restructuring and accounting for deferred income taxes.

As of December 31, 2007, investments in affiliates were Ps.598.6 million, representing 50.2% of our total assets.

IRSA

As of June 30, 2007, we owned approximately 25.0% of the common shares of IRSA, one of Argentina s largest real estate companies. On September 25, 2007, we converted US$12.0 million of IRSA s convertible notes into 22.0 million common shares of IRSA. On September 30, 2007, we exercised 20.5 million of our IRSA warrants to acquire an additional 37.6 million common shares of IRSA for an aggregate purchase price of US$24.6 million. Additionally, on October 25, 2007, we exercised 12.5 million of our warrants to acquire an additional 22.9 million common shares of IRSA for an aggregate purchase price of US$15.0 million. After the exercise of warrants and conversion of convertible notes described above, we do not hold any additional warrants or convertible notes of IRSA. The term for the exercise of IRSA s outstanding warrants and the conversion of IRSA s outstanding convertible notes issued on November 21, 2002 expired on November 14, 2007. Throughout the conversion and exercise periods, holders of IRSA s warrants and convertible notes exercised an aggregate of 99,896,806 warrants and converted an aggregate of 99,942,343 convertible notes, respectively, increasing IRSA s capital stock to 578,676,460 issued and outstanding shares. As of the date of this prospectus, there are no further warrants or convertible notes to acquire IRSA s shares. As a result of the exercise of warrants and conversion of convertible notes, our investment in IRSA s common shares increased from 25% as of June 30, 2007 to 34.6% as of December 31, 2007.

IRSA is engaged in a range of diversified real estate activities including residential properties, office buildings, shopping centers and luxury hotels in Argentina. A majority of our directors are also directors of IRSA, and we are under common control by the same group of controlling shareholders. At December 31, 2007, our investment in IRSA (including its convertible notes) represented approximately 43.2% of our total consolidated assets, and during the six months ended December 31, 2007, our gain from our investment in IRSA was Ps.7.2 million.

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BrasilAgro

As of December 31, 2007, we owned 8.25% of BrasilAgro and have the ability to exercise significant influence over such company. We value our investment in BrasilAgro under the equity method of accounting because of (a) our capacity to affect the operational and financial decisions due to the fact that (i) in accordance with BrasilAgro s by-laws, we are entitled to appoint three of BrasilAgro s nine directors (including the president of its board of directors every other two years), (ii) three are designated by BrasilAgro s other shareholders and (iii) the remaining three are independent directors appointed jointly by all shareholders and (b) our rights under the shareholders agreement among us, Tarpon Agro Llc, Tarpon Investimentos S.A., Cape Town LLC and Elie Horn which in the aggregate own 14.7% of BrasilAgro s capital and voting stock as of December 31, 2007. Under the terms of this shareholders agreement, the signatories have agreed to vote together in shareholder meetings in respect of matters related to proposals to change directors´ and administrators´ fees, increases of capital stock and declaration of dividends, among other issues.

Impairment of long-lived assets

We periodically evaluate the carrying value of our long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We consider the carrying value of a long-lived asset to be impaired when the expected cash flows, from such asset are separately identifiable and less than its carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. We determine the fair market value primarily using independent appraisal valuations and utilizing anticipated cash flows discounted at a rate commensurate to the risk involved.

Under Argentine GAAP, the impairment loss is recorded in the income statement against a liability account. This liability account is a contra account to fixed assets which means it is presented on the balance sheet as a direct reduction from the book value of the fixed assets to arrive at the fixed asset s carrying value at any particular point in time. The liability account is depreciated over the useful life of the related asset decreasing depreciation expense each period. Under Argentine GAAP, a previously recognized impairment loss should only be reversed when there is a subsequent change in estimates used to compute the fair market value of the asset. In that event, the new carrying amount of the asset should be the lower of its fair market value or the net carrying amount the asset would have had if no impairment had been recognized. Both the impairment expense and the impairment reversal are recognized in earnings.

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

Intangible assets concession rights

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

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

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

Derivative instruments

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

Deferred income tax

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

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

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

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

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

Adoption by the *Comisión Nacional de Valores* of CPCECABA standards

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

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

- changes to deferred income tax accounting.

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

Principal differences between Argentine GAAP and U.S. GAAP

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

- Effect of U.S. GAAP adjustments on our equity investment in IRSA;
- Valuation of inventories;
- Deferred income tax;
- Elimination of gain on acquisition of minority interest;
- Available-for sale securities;
- Effect of U.S. GAAP adjustments on our equity investees excluding IRSA;
- Accounting for stock options;
- Accounting for convertible notes;
- Effect of U.S. GAAP adjustments on management fee; and
- Effect of changes in the classification of securities.

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

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

Segment Information

We are required to disclose segment information in accordance with RT 18. RT 18 establishes standards for reporting information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial reports issued to shareholders. Operating segments are components of a company about which separate financial information is available that is regularly evaluated by the chief operating decision maker(s) in deciding how to allocate resources and assess performance. The statement also establishes standards for related disclosures about a company s products and services, geographical areas and major customers.

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

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

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

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

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

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

Our Feed lot segment includes our cattle feeding operation.

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

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

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

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Financial information for each segment follows:

Six months ended December 31, 2007

	Crops	Beef Cattle	Milk	Feed Lot	Others	Non operating	Total
Production income	12,840,230	13,528,391	9,339,925				35,708,546
Cost of production	(10,454,611)	(9,746,041)	(6,252,352)				(26,453,004)
Sales	35,118,126	14,697,505	8,958,759		9,349,281		68,123,671
Cost of sales	(32,477,083)	(13,518,741)	(8,958,759)		(4,868,595)		(59,823,178)
Unrealized (loss) gain on Inventories	(4,389,461)	2,762,655	(105,533)				(1,732,339)
Selling expenses	(3,510,297)	(908,358)	(68,883)		(581,568)		(5,069,107)
Gain on equity investees						9,005,199	
Segment gain	(2,873,096)	6,815,411	2,913,157		3,899,118		10,754,589
Depreciation	(1,307,326)	(627,013)	(76,999)		(79,359)	(294,146)	(2,384,843)
Assets	255,787,771	164,794,265	33,927,435	11,402,815	2,046,797	723,409,175	1,191,368,258

Six months ended December 31, 2006

	Crops	Beef Cattle	Milk	Feed Lot	Others	Non operating	Total
Production income	6,586,411	11,125,808	5,478,723				23,190,942
Cost of production	(8,007,741)	(8,258,522)	(3,537,970)				(19,804,233)
Sales	13,239,915	15,400,961	4,603,474	3,102,229	5,072,774		41,419,353
Cost of sales	(13,761,324)	(14,732,739)	(4,603,474)	(2,784,316)	(1,519,840)		(37,401,693)
Unrealized (loss) gain on Inventories	1,935,168	1,417,078	(9,923)	62,083			3,404,406
Selling expenses	(1,603,099)	(573,579)	(38,005)		(424,982)		(2,639,664)
Gain on equity investees						22,953,379	
Segment gain	(1,610,670)	4,379,007	1,892,826	379,996	3,127,952		8,169,111
Depreciation	(1,067,464)	(588,319)	(347,270)	(19,870)	(6,638)	(125,998)	(2,155,559)
Assets	176,865,618	136,485,232	51,347,274	4,409,482	2,534,963	543,970,651	915,613,220

Year ended June 30, 2007

	Crops	Beef Cattle	Milk	Feed lot	Others	Non Operating[i]	Total
Income Statement Data							
Production income	Ps. 72,426,012	Ps. 19,462,410	Ps. 10,911,397	Ps.	Ps.	Ps.	Ps. 102,799,819
Cost of production	(52,401,684)	(15,050,438)	(8,476,391)				(75,928,513)
Sales	53,401,376	31,966,582	9,730,929	3,102,229	12,116,372		110,317,488
Cost of sales	(50,434,966)	(30,272,710)	(9,730,929)	(2,823,865)	(5,870,058)		(99,132,528)
Unrealized (loss) / gain on inventories	(805,910)	4,195,377	845,483	62,083			4,297,033

Selling expenses	(7,779,324)	(1,155,190)	(78,466)		(958,911)		(9,971,891)
Gain on equity investees						40,198,825	
Segment gain	14,405,504	9,146,031	3,202,023	340,447	5,287,403		32,381,408
Operating margin(ii)	11.4%	17.8%	15.5%	11.0%	43.6%		15.2%
Depreciation	(2,032,714)	(1,198,203)	(431,035)		(164,730)	(506,440)	(4,333,122)
Balance Sheet Data							
Assets(iii)	Ps. 207,607,195	Ps. 165,295,847	Ps. 28,954,741	Ps. 11,166,028	Ps. 1,736,875	Ps. 657,119,730	Ps. 1,071,880,416

(i) Not included in the segment gain.

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

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

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Year ended June 30, 2006

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

(i) Not included in the segment gain.
(ii) Segment gain divided by the sum of production income and sales.
(iii) Includes Ps.391,545,431 related to our equity interests in IRSA, BrasilAgro and Agro Uranga. Remaining assets comprise cash and banks, current investments, trade account receivables, other receivables and intangible assets.

Year ended June 30, 2005

	Crops	Beef Cattle	Milk	Feed lot	Others	Non Operating(i)	Total
Income Statement Data							
Production income	Ps. 44,052,970	Ps. 19,993,923	Ps. 3,463,144	Ps.	Ps.	Ps.	Ps. 67,510,037
Cost of production	(34,463,844)	(17,012,337)	(2,094,975)				(53,571,156)
Sales	30,893,216	36,826,885	3,463,144	2,129,838	4,859,931		78,173,014
Cost of sales	(30,460,110)	(35,810,780)	(3,463,144)	(1,855,278)	(1,546,204)		(73,135,516)
Unrealized (loss) / gain on inventories	(456,710)	10,160,759	1,460,020				11,164,069

Selling expenses	(4,789,970)	(1,542,432)	(33,263)	(3,925)	(229,976)		(6,599,566)
Gain on equity investees						28,087,632	
Segment gain	4,775,552	12,616,018	2,794,926	270,635	3,083,751		23,540,882
Operating margin(ii)	6.4%	22.2%	40.4%	12.7%	63.5%		16.2%
Depreciation	(1,874,960)	(1,223,081)	(375,340)	(296,316)	(84,364)	(315,078)	(4,169,139)
Balance Sheet Data							
Assets(iii)	Ps. 133,819,848	Ps. 140,555,289	Ps. 18,289,060	Ps. 4,198,895	Ps. 1,798,025	Ps. 444,751,076	Ps. 743,412,193

(i) Not included in the segment gain.
(ii) Segment gain divided by the sum of production income and sales.
(iii) Includes Ps.258,960,447 related to our equity interests in IRSA and Agro Uranga. Remaining assets comprise cash and banks, current investments, trade account receivables and other receivables.

Cresud s Results of Operations

Effective July 1, 2006, we adopted RT No. 22 which prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activity. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets. RT No. 22 prescribes, among other things, the accounting treatment for biological assets during the period of growth, degeneration, production, and procreation, and for the initial measurement of agricultural produce at the point of harvest. It requires measurement at fair value less estimated point-of-sale costs from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. RT No. 22 requires that a change in fair value less estimated point-of-sale costs of a biological asset be included in profit or loss for the period in which it arises. RT No. 22 also requires that gains or losses arising on initial recognition of agricultural produce at fair value less

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estimated point-of-sale costs to be included in profit or loss for the period in which it arises. In agricultural activity, a change in physical attributes of a living animal or plant directly enhances or diminishes economic benefits to the entity. RT No. 22 is applied to agricultural produce which is the harvested product of the entity s biological assets, only at the point of harvest. Accordingly, RT No. 22 does not deal with the processing of agricultural produce after harvest; for example, the processing of milk into cheese.

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

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

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

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

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

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

The following terms used herein with the meanings specified:

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

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

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

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

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

Six months ended December 31, 2007 compared to the six months ended December 31, 2006

Production Income

Production income was Ps.35.7 million for the six months ended December 31, 2007, 54.0% higher than the amount recorded for the same period in the previous year. This was primarily attributable to an increase of Ps.6.3 million in our Crops segment, an increase of Ps.3.9 million in our Milk segment, and an increase of Ps.2.4 million our Beef Cattle segment.

Crops

Production income from our Crops segment increased 95.0%, from Ps.6.6 million for the six months ended December 31, 2006 to Ps.12.8 million for the six months ended December 31, 2007, primarily as a result of:

- a 52.8% increase in production volumes, from 19,744 tons in the six months ended December 31, 2006 to 30,176 tons in the six months ended December 31, 2007 due to a 11.7% increase in volumes of wheat harvested during the six months ended December 31, 2007 and a 248.2% increase in residual corn harvested during the six months ended December 31, 2007 but which had been planted during the growing season prior to such six-month period, compared to such residual corn harvested during the six months ended December 31, 2006 and which had been planted prior to such six-month period; and

- a 20.6% increase in average grain prices compared to the six months ended December 31, 2006.

The 52.8% increase in the production volume from our Crops segment was mainly as a result of our harvest of a larger area of crops, from 7,669 hectares as of December 31, 2006 to 8,377 hectares as of December 31, 2007 (including 938 hectares in concession from our subsidiary Agropecuaria Cervera S.A.).

In addition, the production volume in our Crops segment was favorably impacted by a 39.9% increase in our average yields, from 2.57 tons per hectare during the six months ended December 31, 2006 to 3.60 tons per hectare during the six months ended December 31, 2007 mainly as a result of an increase in the wheat planted which has a higher yield than other crops, the lease of more productive lands and more favorable weather conditions.

The average grain price (at market value) increased 20.6%, from Ps.334 per ton for the six months ended December 31, 2006 to Ps.402 per ton for the six months ended December 31, 2007.

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The following table shows the average Rosario board prices per ton as of December 31, 2006 and 2007:

	Six months ended December 31, 2006	Six months ended December 31, 2007
Wheat	Ps. 371	Ps. 487
Sunflower	590	1,180
Maize	393	379
Soybean	635	901

Source: Rosario Commodities Exchange.

Beef Cattle

Production income for our Beef Cattle segment increased 21.6%, from Ps.11.1 million for the six months ended December 31, 2006 to Ps.13.5 million for the six months ended December 31, 2007, primarily as a result of:

- a 34.9% increase in the average price of kilogram of cattle produced, from Ps.2.1 during the six months ended December 31, 2006 to Ps.2.9 during the six months ended December 31, 2007;

- a 21.9% increase in births during the six months ended December 31, 2007 compared to the same period in the preceding year; and

- partially offset by a 9.8% decrease in the production volume of beef cattle from 5,200 tons for the six months ended December 31, 2006 to 4,689 tons for the six months ended December 31, 2007, primarily a result of our no longer consolidating the results of Cactus, due to the decrease of our equity interest in Cactus from 50% to 24%, compared to our proportional consolidation of Cactus results during the six months ended December 31, 2006. The decrease in production volume was also due to a 8.8% decrease in the number of cattle heads slaughtered in the feedlot during the six months ended December 31, 2007, compared to the same period of the preceding year.

The number of hectares dedicated to beef cattle production increased from 119,361 hectares as of December 31, 2006 to 130,395 hectares as of December 31, 2007. This increase was mainly due to a higher amount of hectares leased and to the conversion of land reserves into cattle grazing lands in the Los Pozos farm during the six months ended December 31, 2007, partially offset by a reduction in cattle grazing hectares due to our sale of the Tapenagá farm.

Milk

Revenues from milk production increased 70.5%, from Ps.5.5 million during the six months ended December 31, 2006 to Ps.9.3 million during the six months ended December 31, 2007, including a Ps.0.4 million income generated by our recategorization of dairy cattle to reflect the various stages of its life cycle. This increase was primarily due to:

- a 59.5% increase in average prices of milk, from Ps.0.52 per liter in the six months ended December 31, 2006 to Ps.0.83 per liter in the six months ended December 31, 2007; and

- a 22.0% increase in the volume of milk produced, from 8.9 million liters during the six months ended December 31, 2006 to 10.9 million liters during the same period of 2007. This increase in volume reflected (i) an increase in the average number of dairy cows (from 2,665 during the six months ended December 31, 2006 to 3,116 during the six months ended December 31, 2007) partially due to the beginning of production at our new dairy at La Juanita farm which increased its milking capacity to 1,800 cows and (ii) a 4.4% increase in daily milk production efficiency per cow, from 18.5 liters per cow per day during the six months ended December 31, 2006 to 19.4 liters during the six months ended December 31, 2007.

Cost of production

Our cost of production increased 33.6% from Ps.19.8 million in the six months ended December 31, 2006 to Ps.26.5 million in the six months ended December 31, 2007. This increase was mainly attributable to a Ps.2.7 million increase in our Milk segment, a Ps.2.5 million increase in our Crops segment, and a Ps.1.5 million increase in our Beef Cattle segment.

Crops

Cost of production of our Crops segment increased 30.6%, from Ps.8.0 million in the six months ended December 31, 2006 to Ps.10.5 million in the six months ended December 31, 2007, primarily as a result of a 52.8% increase in grain production volume due to a larger production area in the six months ended on December 31, 2007, compared to the same period in 2006.

Cost of production per ton decreased 27.8%, from Ps.489 in the six months ended December 31, 2006 to Ps.354 in the six months ended December 31, 2007, primarily as a result of an increase in overall production levels and improved yields per hectare in the six months ended December 31, 2007, compared to the six months ended December 31, 2006 which was not accompanied by an increase in our fixed costs of production.

Beef Cattle

Cost of production in our Beef Cattle segment increased by 18.0%, from Ps.8.3 million in the six months ended December 31, 2006 to Ps.9.7 million in the six months ended December 31, 2007. The increased production cost in the Beef Cattle segment during the six months ended December 31, 2007 was mainly due to an increase in feeding costs as a result of an increase in grain prices due to the effects of a drought during the winter months in the southern hemisphere. Our cost per kilogram of cattle produced increased 30.9%, from Ps.0.96 in the six months ended December 31, 2006 to Ps.1.26 in the six months ended December 31, 2007, primarily as a result of a lower volume of beef cattle production without a proportionate reduction in our fixed costs of production.

Milk

Cost of production from our Milk segment increased 76.7%, from Ps.3.5 million in the six months ended December 31, 2006 to Ps.6.3 million in the six months ended December 31, 2007, primarily due to:

- a 22.0% increase in milk production for the six months ended December 31, 2007, compared to the six months ended December 31, 2006; and

- the impact of higher feeding costs as a consequence of increases in the prices of milk and other raw materials.

As a result, our cost of production per liter of milk increased from Ps.0.40 in the six months ended December 31, 2006 to Ps.0.58 in the six months ended December 31, 2007.

Sales

Sales for the six months ended December 31, 2007 increased 64.5%, from Ps.41.4 million in the six months ended December 31, 2006 to Ps.68.1 million in the six months ended December 31, 2007, primarily as a result of a Ps.21.9 million increase in our Crops segment, a Ps.4.4 million increase in our Milk segment and a Ps.4.3 million increase in our Others segment, partially offset by a Ps.3.1 million decrease in sales in our Feedlot segment and Ps.0.7 million decrease in our Beef Cattle segment due to the effect of our no longer consolidating the sales of Cactus.

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Crops

Sales for our Crops segment increased 165.2%, from Ps.13.2 million in the six months ended December 31, 2006 to Ps.35.1 million in the six months ended December 31, 2007, primarily as a result of:

- a 110.7% increase in our sales volume, from 31,256 tons in the six months ended December 31, 2006 to 65,853 in the six months ended December 31, 2007, mainly due to higher inventories at the beginning of the fiscal period (74,563 tons at the beginning of the six months ended December 31, 2007 compared to 28,315 tons at the beginning of the six months ended December 31, 2006); and

- a 27.8% increase in the average price of the crops we sell, from Ps.424 per ton in the six months ended December 31, 2006 to Ps.541 per ton in the six months ended December 31, 2007.

	Crops Inventories Six months ended December 31, 2006	2007
		(in tons)
Inventories at beginning of fiscal period	28,315	74,563
Purchases	4,952	9,942
Production	19,744	30,176
Sales	(31,256)	(65,853)
Consumption	(7,275)	(9,738)
Inventories at end of fiscal period	14,480	39,090

Beef Cattle

Sales from our Beef Cattle segment decreased 4.6%, from Ps.15.4 million in the six months ended December 31, 2006 to Ps.14.7 million in the six months ended December 31, 2007, mainly due to a 11.0% decrease in the volume of beef cattle sales, from 6,696 tons in the six months ended December 31, 2006 to 5,956 tons in the six months ended December 31, 2007, principally due to the effect of our no longer consolidating the results of Cactus as a result of the decrease of our equity interest in Cactus from 50.0% to 24.0%, compared to our proportional consolidation of Cactus results during the six months ended December 31, 2006.

This decrease in volume was partially offset by a 7.3% increase in the average price per kilogram of beef cattle from Ps.2.30 in the six months ended December 31, 2006 to Ps.2.47 in the six months ended December 31, 2007.

Our average stock of beef cattle increased from 95,010 heads in the six months ended December 31, 2006 to 97,130 head in the six months ended December 31, 2007, primarily as a result of the increase of heads of cattle at our Los Pozos farm, partially offset by the cattle sold in connection with our sale of the Tapenagá farm.

Milk

Sales from our Milk segment increased 94.6%, from Ps.4.6 million in the six months ended December 31, 2006 to Ps.9.0 million in the six months ended December 31, 2007, primarily as a result of:

- a 59.5% increase in average prices of milk, from Ps.0.52 per liter in the six months ended December 31, 2006 to Ps.0.83 per liter in the six months ended December 31, 2007; and

- a 22.0% increase in production volumes, principally due to a higher average number of dairy cows and an improvement in the efficiency of our average daily milk production.

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Feedlot

As a result of the decrease of our equity interest in Cactus from 50.0% to 24.0%, there were no sales from our Feedlot segment in the six months ended December 31, 2007 due to the effect of our no longer consolidating the results of Cactus, compared to our proportional consolidation of its sales during the six months ended December 31, 2006.

Others

Sales from our Others segment increased 84.3% from Ps.5.1 million in the six months ended December 31, 2006 to Ps.9.3 million in the six months ended December 31, 2007, mainly due to:

- a Ps.3.9 million increase from fees due to our commodity brokerage services providers; and
- a Ps.0.4 million increase from sale of services rendered to third parties and others.

Cost of sales

Cost of sales for the six months ended December 31, 2007 increased 59.9%, from Ps.37.4 million in the six months ended December 31, 2006 to Ps.59.8 million in the six months ended December 31, 2007, primarily as a result of a Ps.18.7 million increase in our Crops segment, a Ps.4.4 million increase in our Milk segment, and a Ps.3.3 million increase in our Others segment, partially offset by our no longer consolidating Cactus results, compared to our proportional consolidation of Ps.2.8 million in the Feedlot segment and Ps.1.2 million in the Beef Cattle segment.

Cost of sales as a percentage of our net sales was 90.3% in the six months ended December 31, 2006 and 87.8% in the six months ended on December 31, 2007.

Crops

Cost of sales for our Crops segment increased 136.0%, from Ps.13.8 million in the six months ended December 31, 2006 to Ps.32.5 million in the six months ended December 31, 2007, primarily as a result of:

- an 110.7% increase in grain sales volumes in the six months ended December 31, 2006, compared to the six months ended December 31, 2007; and
- a 27.8% increase in the average market value of grains during the six months ended December 31, 2007 which resulted in a corresponding increase in the book value of our crops sold, increasing our costs of sales in like amount.

The average cost per ton sold in 2007 increased 12.0%, from Ps.440 in the six months ended December 31, 2006 to Ps.493 in the six months ended December 31, 2007, primarily due to a 29.8% increase in the market value of our grains during the six months ended December 31, 2007 which resulted in an increase in our cost of sales due to the increased book value of the crops at the time of sale.

Beef Cattle

Cost of sales for our Beef Cattle segment decreased 8.2%, from Ps.14.7 million in the six months ended December 31, 2006 to Ps.13.5 million in the six months ended December 31, 2007, primarily as a result of a 11.0% decrease in the volume of beef cattle sales compared to the six months ended December 31, 2006; partially offset by a general increase in the prices of beef cattle which resulted in a corresponding increase in the book value of our beef cattle sold, increasing our costs of sales in like amount.

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Milk

Cost of sales for our Milk segment increased 94.6%, from Ps.4.6 million in the six months ended December 31, 2006 to Ps.9.0 million in the six months ended December 31, 2007, mainly due to:

- a 59.5% increase in the price of milk which resulted in an increase in our cost of sales due to the increased book value of the milk at the time of sale; and

- a 22.0% increase in production volumes.

Feedlot

As a result of the decrease of our equity interest in our subsidiary Cactus from 50.0% to 24.0%, there were no costs for our Feedlot segment in the six months ended December 31, 2007 due to the effect of our no longer consolidating the results of Cactus, compared to our proportional consolidation of its sales during the six months ended December 31, 2006.

Others

Cost of sales from our Others segment increased 220.3%, from Ps.1.5 million in the six months ended December 31, 2006 to Ps.4.9 million in the six months ended December 31, 2007, mainly due to higher costs from brokerage activities related to an increased number of commodity trading transactions through Futuros y Opciones.com and costs generated to services rendered to third parties.

Gross profit

As a result of the above-mentioned factors, gross profit increased 137.1%, from Ps.7.4 million in the six months ended December 31, 2006 to Ps.17.6 million in the six months ended December 31, 2007. Our gross margin, calculated as our gross profit divided by our production income, increased from 31.9% in the six months ended December 31, 2006 to 49.2% in the six months ended December 31, 2007, primarily as a result of:

- a 358.7% increase in gross profit from our Crops segment, from a Ps.1.9 million loss for the six months ended December 31, 2006 to a Ps.5.0 million profit for the six months ended December 31, 2007;

- a 40.3% increase in gross profit from our Beef Cattle segment, from Ps.3.5 million in the six months ended December 31, 2006 to Ps.5.0 million in the six months ended December 31, 2007;

- a 59.1% increase in gross profit from our Milk segment, from Ps.1.9 million in the six months ended December 31, 2006 to Ps.3.1 million in the six months ended December 31, 2007; and

- a 26.1% increase in gross profit from our Others segment, from Ps.3.6 million in the six months ended December 31, 2006 to Ps.4.5 million in the six months ended December 31, 2007.

Selling expenses

Selling expenses increased 92.0% from Ps.2.6 million in the six months ended December 31, 2006 to Ps.5.1 million in the six months ended December 31, 2007. Selling expenses of our Crops, Beef Cattle and Others segments represented 76.0%, 11.2% and 12.8%, respectively, of our total selling expenses for the six months ended December 31, 2007.

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Crops

Selling expenses for our Crops segment as a percentage of sales for this segment decreased from 12.1% in the six months ended December 31, 2006 to 11.0% in the six months ended December 31, 2007, as a result of higher sales prices of these commodities as compared to the previous period. Selling expenses per ton of grain sold increased 12.3%, from Ps.51 per ton in the six months ended December 31, 2006 to Ps.58 per ton in the six months ended December 31, 2007 primarily as a result of higher costs of freight, conditioning and storage.

Beef Cattle

Selling expenses for our Beef Cattle segment as a percentage of sales for this segment was 3.7% in the six months ended December 31, 2006, compared to 3.9% in the six months ended December 31, 2007.

Milk

Milk sales did not generate significant selling expenses during the six months ended December 31, 2006 or during the six months ended December 31, 2007, due to the fact that all our production was marketed directly to dairy producers during such periods.

Others

Selling expenses for our Others segment as a percentage of sales for this segment decreased from 8.4% in the six months ended December 31, 2006 to 6.2% in the six months ended December 31, 2007.

Administrative expenses

Administrative expenses increased 5.3%, from Ps.8.6 million in the six months ended December 31, 2006 to Ps.9.0 million in the six months ended December 31, 2007, primarily as a result of the increase in directors fees, fees for services (including consulting fees with respect to Sarbanes-Oxley compliance, accounting, legal and tax fees), depreciation of fixed assets, partially offset by a slight decrease in salaries, social security contributions and office and administration expenses.

Net gain on sale of farms

Net gain on the sale of farms was Ps.3.2 million for the six months ended December 31, 2007 primarily as a result of our sale on October 22, 2007 of 4,974 hectares of the Los Pozos farm for a price of Ps.3.5 million, compared to the six months ended December 31, 2006 during which there were no sales of farms generating income.

Gain from valuation of other assets at net realization value

Gain from valuation of other assets at net realization value was Ps. 17.4 million during the six months ended December 31, 2007 compared to no gain reported during the same period of 2006. This gain was generated during the six months ended December 31, 2007 in connection with the preliminary agreement dated December 31, 2007 that we entered into to sell 2,471 hectares of the La Esmeralda farm for a price of US$6.3 million. Although this sale has not yet been consummated, the property to be sold has been revalued at the proposed sale price in accordance with Argentine GAAP, and as a result a gain of approximately US$5.2 million was recognized due to such revaluation.

Gain from inventory holding

Gain from inventory holding decreased 150.9%, from a Ps.3.4 million profit in the six months ended December 31, 2006 to a Ps.1.7 million loss in the six months ended December 31, 2007, primarily as a result of a Ps.12.7 million loss from transactions in the Buenos Aires Futures and Options Exchange Market during the six months ended December 31, 2007 which was partially offset by a Ps.10.9 million gain from the holding of grains, beef cattle and raw materials.

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Operating income (loss)

Operating income increased from a Ps.0.4 million loss in the six months ended December 31, 2006 to a Ps.22.4 million income in the six months ended December 31, 2007. Our operating margin calculated as operating income (loss) divided by our production income was (1.6)% in the six months ended December 31, 2006, compared to a positive operating margin of 62.8% in the six months ended December 31, 2007, primarily as a result of:

- a 137.1% increase in gross profit, from Ps.7.4 million in the six months ended December 31, 2006 to Ps.17.6 million in the six months ended December 31, 2007;
- a 92.0% increase in selling expenses, from Ps.2.6 million in the six months ended December 31, 2006 to Ps.5.1 million in the six months ended December 31, 2007;
- a 5.3% increase in administration expenses from Ps.8.6 million in the six months ended December 31, 2006 to Ps.9.0 million in the six months ended December 31, 2007;
- a Ps.3.2 million income resulting from the sale of farms and a Ps.17.4 million gain as a consequence of the valuation of other assets at their net realization value; and
- partially offset by a Ps.5.1 million net decrease in our gains from inventory holdings for the six months ended December 31, 2007, as compared to the six months ended December 31, 2006.

Net financial results

Our net financial expense was Ps.4.3 million for the six months ended December 31, 2006 compared to Ps.7.5 million for the six months ended December 31, 2007, primarily as a result of:

- a Ps.3.0 million increase in expense for financial interest in the six months ended December 31, 2007 compared to the six months ended December 31, 2006; and
- a Ps.1.4 million increase mainly as a result of higher expenses for debit and credit tax in the six months ended December 31, 2007 compared to the six months ended December 31, 2006.

These financial expense increases were partially offset by a Ps.1.5 million increase in income related to net foreign exchange differences in the six months ended December 31, 2007, compared to the six months ended December 31, 2006.

Our net financial expense for the six months ended December 31, 2007 was primarily a result of (i) a Ps.9.2 million expense generated by the negative impact of debt financing interest, and (ii) a Ps.1.9 million expense generated by debit and credit tax. These increased expenses were partially offset by (i) a Ps.2.4 million gain in net foreign exchange differences, (ii) a Ps.1.3 million income mainly as a result of the positive income from other financial interest; and (iii) a Ps.0.1 million income from securities and equities trade transactions.

Other income and expenses, net

Other income and expenses, net was a Ps.1.2 million loss and a Ps.2.4 million loss in the six months ended December 31, 2006 and the six months ended December 31, 2007, respectively, primarily as a result of the negative impact of Ps.1.7 million recorded in respect of personal asset tax payments which pursuant to Argentine law we are required to make on behalf of our shareholders.

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Gain on equity investments

Gain on equity investments decreased 60.8%, from Ps.23.0 million in the six months ended December 31, 2006 to Ps.9.0 million in the six months ended December 31, 2007, mainly due to:

- a Ps.7.2 million gain in the six months ended December 31, 2007 (including amortization of goodwill), compared to a Ps.20.1 million gain in the six months ended December 31, 2006, related to our investment in IRSA;
- a Ps.1.6 million gain in the six months ended December 31, 2007, compared to a Ps.0.4 million gain in the six months ended December 31, 2006, related to our investment in Agro Uranga S.A.; and
- a Ps.0.2 million gain in the six months ended December 31, 2007, compared to a Ps.2.4 million gain in the six months ended December 31, 2006, related to our investment in BrasilAgro.

Gain on equity investments in the six months ended December 31, 2007 includes our investment in Cactus, due to the decrease of our equity interest in this company during the six months ended December 31, 2007, compared to our consolidation of Cactus results in the six months ended December 31, 2006.

Management fee

Under the consulting agreement entered into with Consultores Asset Management S.A., we pay a fee equal to 10% of our net income for agricultural advisory services and other management services. These fees totaled Ps.2.1 million in the six months ended December 31, 2006 and Ps.1.6 million in the six months ended December 31, 2007.

Income tax

Our income tax was a Ps.2.1 million of positive income in the six months ended December 31, 2006 and Ps.5.6 million expense in the six months ended December 31, 2007. We recognize our income tax expense on the basis of the deferred tax liabilities method, thus recognizing the temporary differences between accounting tax assets and liabilities. The main temporary differences were derived from beef cattle and fixed assets valuation.

For purposes of determining the deferred tax assets and liabilities, the 35% 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 has been applied to the identified temporary differences and tax losses.

Minority interest

Our minority interest during the six months ended December 31, 2007 did not change compared to the six months ended December 31, 2006. During both periods we recorded a Ps.0.1 million loss.

Net income

As a result of the above-mentioned factors, our net income was Ps.14.5 million in the six months ended December 31, 2007, compared to Ps.17.0 million in the six months ended December 31, 2006. Our net margin, calculated as net income for the period divided by production income, was 40.5% in the six months ended December 31, 2007, compared to 73.5% for the six months ended December 31, 2006.

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Fiscal year ended June 30, 2007 compared to fiscal year ended June 30, 2006

Production income

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

Crops

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

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

- a 19.2% increase in average prices for our grains.

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

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

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

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

	Year ended June 30,	
	2006	**2007**
Wheat	Ps.312	Ps.393
Sunflower	513	676
Corn	240	343
Soybean	508	597

Source: Rosario Commodities Exchange.

Beef Cattle

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

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

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

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

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

Milk

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

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

Cost of production

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

Crops

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

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

Beef Cattle

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

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

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

Milk

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

- a 14.2% increase in milk production in fiscal year 2007, and

- the impact of higher feeding costs as a consequence of the increase in corn prices and other raw materials of the milk segment.

Cost of production from our Milk business segment per thousand liters increased from Ps.401 in fiscal year 2006 to Ps.509 in fiscal year 2007.

Sales

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

Crops

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

Although the production volume of grain in fiscal year 2007 was 64.2% higher than in fiscal year 2006, our sales volume was lower in fiscal year 2007 than in fiscal year 2006 primarily as a result of lower levels of grain inventories at the beginning of fiscal year 2007 (90,060 tons at the beginning of fiscal year 2006 compared to 28,315 tons at the beginning of fiscal year 2007).

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	Grain Inventories Year ended June 30,	
	2006	2007
	(in tons)	
Inventories at the beginning of the fiscal year	90,060	28,315
Purchases	21,182	9,202
Production	106,867	175,455
Sales	(164,104)	(124,652)
Transfer of unharvested crops to expenses	(25,690)	(13,757)
Inventories at the end of the fiscal year	28,315	74,563

Beef Cattle

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

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

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

Milk

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

- a 14.2% increase in production volume due to an increase in the average number of milking cows and improvement in the efficiency level of average daily milk production per cow; and
- a 7.9% increase in average prices of milk, from Ps.0.54 per liter in fiscal year 2006 to Ps.0.58 per liter in fiscal year 2007.

Feedlot

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

- an increase in the level of occupation of our feedlot, from 15,400 heads in fiscal year 2006 to 19,400 heads in fiscal year 2007,
- an increase in the price of the feed as a consequence of an increase in the price of corn, and
- the fact that during fiscal year 2007 the cattle raiser sent for feeding in our feedlot cattle of higher weight which consumed larger feed volumes.

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

Other

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

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

Cost of sales

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

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

Crops

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

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

- a higher average prices of commodities in fiscal year 2007.

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

Beef Cattle

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

Milk

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

Feedlot

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

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Other

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

Gross profit

As a result of the above mentioned factors, gross profit increased 103.7%, from Ps.18.7 million for fiscal year 2006 to Ps.38.1 million for fiscal year 2007. Our gross margin, calculated as our gross profit divided by the sum of our production income increased from 28.6% for fiscal year 2006 to 37.0% for fiscal year 2007, primarily as a result of:

- a 140.0% increase in gross profit from our Crops segment, from Ps.9.6 million for fiscal year 2006 to Ps.23.0 million for fiscal year 2007;
- a 155.2% increase in gross profit from our Beef Cattle segment, from Ps.2.4 million for fiscal year 2006 to Ps.6.1 million for fiscal year 2007;
- a 18.9% increase in gross profit from our Milk segment, from Ps.2.0 million for fiscal year 2006 to Ps.2.4 million for fiscal year 2007;
- a 31.0% decrease in gross profit from our Feed Lot segment, from Ps.0.4 million for fiscal year 2006 to Ps.0.3 million for fiscal year 2007; and
- a 46.6% increase in gross profit from our Other segment, from Ps.4.3 million for fiscal year 2006 to Ps.6.2 million for fiscal year 2007.

Selling expenses

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

Crops

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

Beef Cattle

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

Milk

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

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Administrative expenses

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

Net gain on sale of farms

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

Fiscal year 2007:

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

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

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

Fiscal year 2006:

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

Gain from inventory holding

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

Operating income

Operating income increased 242.2%, from Ps.11.1 million in fiscal year 2006 to Ps.38.0 million in fiscal year 2007. Our operating margin, calculated as our operating income divided by the sum of our production income increased from 17.0% for fiscal year 2006 to 37.0% for fiscal year 2007 primarily as a result of:

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

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

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

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

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

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Net financial results

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

- Ps.14.9 million of income realized in fiscal year 2006 in connection with our exchange of convertible bonds of IRSA for shares of Agropecuaria Cervera;
- Ps.5.1 million increase in net interest expense in fiscal year 2007 compared to fiscal year 2006 as a result of higher levels of average debt during fiscal; and
- Ps.3.2 million increase in fiscal year 2007 in the loss generated by the differences in exchange rates.

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

Other income and expenses, net

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

Gain on equity investments

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

- higher income of Ps.9.7 million of gain with respect to our investment in IRSA (including amortization of goodwill of Ps.2.9 million);
- higher income of Ps.6.7 million of gain with respect to our investment in BrasilAgro;
- higher income of Ps.2.0 million of gain with respect to our investment in Agro Uranga S.A.; and
- lower income of Ps.0.3 million with respect to our investments in other subsidiaries and affiliates companies which partially offset the above-mentioned gains.

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

Management Fee

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

Income tax expense

Our Income tax expenses increased 54.2%, from Ps.5.4 million in fiscal year 2006 to Ps.8.4 million in fiscal year 2007. We recognized our income tax expense on the basis of the deferred tax liability method, thus

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recognizing temporary differences between accounting and tax assets and liabilities measurements. The main temporary differences derive from cattle stock and fixed assets valuation. For purposes of determining the deferred assets and liabilities, the tax rate expected to be in force at the time of their reversion or use, according to the legal provisions enacted as of the date of issuance of these financial statements (35%) has been applied to the identified temporary differences and tax losses. Our effective tax rate in fiscal year 2007 was 17.0% compared to 16.5% in fiscal year 2006.

Minority interest

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

Net income

Due to the above-mentioned issues, our net income increased 50.1%, from Ps.32.9 million for fiscal year 2006 to Ps.49.4 million for fiscal year 2007. Our net margin, calculated as our net income for a fiscal year divided by the sum of our production income was 50.3% for fiscal year 2006 and 48.0% for fiscal year 2007.

Fiscal year ended June 30, 2006 compared to fiscal year ended June 30, 2005

Production income

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

Crops

Production income from our Crops segment decreased 16.0%, from Ps.44.1 million in our fiscal year 2005 to Ps.37.0 million in fiscal year 2006. Production volumes decreased 28.7%, from 149.785 tons in fiscal year 2005 to 106,867 tons in fiscal year 2006 (sunflower production increased 45.3% and wheat, corn and soybean decreased 8.1%, 52.0% and 12.2%, respectively). This overall decrease in production volumes was mainly due to lower yields per crop in the harvest of fiscal year 2006 compared to fiscal year 2005, mainly as a consequence of the drought in fiscal year 2006.

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

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

	Year ended June 30,	
	2005	2006
Wheat	Ps.285	Ps.312
Sunflower	513	513
Corn	198	240
Soybean	478	508

Source: Rosario Commodities Exchange.

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

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Beef Cattle

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

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

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

Milk

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

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

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

Cost of production

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

Crops

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

Beef Cattle

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

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Milk

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

- a 99.5% increase in the level of milk production during fiscal year 2006;
- a 16.2% increase in the direct and indirect costs as a consequence of the drought during fiscal year 2006; and
- inauguration of our milking yard of the El Tigre farm which only generated income during the last four months of fiscal year 2005.

Cost of production per thousand liters from the Milk segment increased from Ps.286 in fiscal year 2005 to Ps.401 in fiscal year 2006.

Sales

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

Crops

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

- a 86.2% increase in the volume of sales in fiscal year 2006, from 164,104 tons in fiscal 2005 to 88,123 tons in fiscal year 2006; and
- a 7.2% increase in average prices in fiscal year 2006, from Ps.351 per ton in fiscal year 2005 to Ps.376 per ton in fiscal year 2006.

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

	Grain Inventories Year ended June 30,	
	2005	**2006**
	(in tons)	
Inventories at the beginning of the fiscal year	34,424	90,060
Purchases	18,480	21,182
Production	149,785	106,867
Sales	(88,123)	(164,104)
Transfer of unharvested crops to expenses	(24,506)	(25,690)
Inventories at the end of the fiscal year	90,060	28,315

Source: Rosario Commodities Exchange.

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Beef Cattle

Sales from our Beef Cattle segment decreased 8.5%, from Ps.36.8 million for fiscal year 2005 to Ps.33.7 million for fiscal year 2006. The decrease of 17.0% in the sales volume from this segment was compensated by an increase of 10.3% in the price of ton sold. Sales volume from this segment decreased from 17.783 tons to 14,762 tons, and the price of sale increased from Ps.2.07 per kilogram in fiscal year 2005 to Ps.2.28 per kilogram in fiscal year 2006. The decrease in the sales volume was mainly due to a lower level of beef cattle production of 854 tons and lower cattle stocks of 4,017 tons at the beginning of the fiscal year 2006 compared to fiscal year 2005. The cattle-beef average stock decreased from 96,231 heads in fiscal year 2005 to 91,500 in fiscal year 2006.

Milk

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

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

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

Feedlot

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

Other

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

Cost of sales

Cost of sales for our fiscal year 2006 were Ps.98.6 million, 34.8% higher than cost of sale for fiscal year 2005, primarily as a result of higher cost of sales in our Grain, Milk, Feedlot and Other segments of 74.9%, 127.9%, 24.9% and 35.4% respectively which were partially offset by lower cost of sales in our Cattle segment of 7.9%.

Cost of sales as percentage of net sales were 93.6% in fiscal year 2005 and 87.8% in fiscal year 2006.

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Crops

Cost of sales from our Crops segment increased 74.9%, from Ps.30.5 million in fiscal year 2005 to Ps.53.3 million during fiscal year 2006 primarily as a result of:

- a 86.2% increase in grains sales volume;
- higher average price levels of commodities during fiscal year 2006; and
- higher level of grain inventories at the beginning of fiscal year 2006 that reduced our cost of sales for such fiscal year.

Beef Cattle

Cost of sales from our Beef Cattle business segment decreased 7.9%, from Ps.35.8 million in fiscal year 2005 to Ps.33.0 million during fiscal year 2006. This decrease was mainly due to a 17.0% decrease in sales volume compared to the previous fiscal year, as a consequence of the drought that adversely affected agricultural areas by reducing the average number of finished cattle sent to the feed lot. These effects were partially offset by a 10.3% increase in the average price of beef cattle during fiscal year 2006.

Milk

Cost of sales from our Milk segment increased 127.9%, from Ps.3.5 million in fiscal year 2005 to Ps.7.9 million during fiscal year 2006, primarily as a result of a 99.5% increase in milk sales volume during fiscal year 2006.

Feedlot

Cost of sales from our Feedlot segment increased 24.9%, from Ps.1.9 million in fiscal year 2005 to Ps.2.3 million in fiscal year 2006, primarily as a result of:

- higher volumes of feed consumed as a consequence of incoming beef cattle of higher weight which consumed more feed, and
- an 8.5% increase in the average price per ton of feed, from Ps.191 in fiscal year 2005 to Ps.207 in fiscal year 2006, as a consequence of the increase in the price of corn during fiscal year 2006.

Cost of sales of this segment as percentage of sales from this segment decreased from 87.1% in fiscal year 2005 to 85.2% during our fiscal year 2006.

Other

Cost of sales from our Other segment increased 35.4%, from Ps.1.6 million in our fiscal year 2005 to Ps.2.1 million in fiscal year 2006, primarily as a result of higher costs arising from Futuros y Opciones.com.

Gross profit

As a result of the above-mentioned issues, our gross profit decreased 1.5%, from Ps.19.0 million during fiscal year 2005 to Ps.18.7 million in fiscal year 2006. Our gross margin, calculated as our gross profit divided by the sum of our production income increased from 28.1% for fiscal year 2005 to 28.6% for fiscal year 2006 primarily as a result of:

a 4.4% decrease in gross profit from our Grain segment, from Ps.10.0 million for fiscal year 2005 to Ps.9.6 million for fiscal year 2006;

a 40.2% decrease in gross profit from our Cattle segment, from Ps.4.0 million for fiscal year 2005 to Ps.2.4 million for fiscal year 2006;

a 49.6% increase in gross profit from our Milk segment, from Ps.1.4 million for fiscal year 2005 to Ps.2.0 million for fiscal year 2006;

a 46.9% increase in gross profit from our Feed Lot segment, from Ps.0.3 million for fiscal year 2005 to Ps.0.4 million for fiscal year 2006; and

28.6% increase in gross profit from our Other segment, from Ps.3.3 million for fiscal year 2005 to Ps.4.3 million for fiscal year 2006.

Selling expenses

Selling expenses increased 53.8%, from Ps.6.6 million during fiscal year 2005 to Ps.10.1 million in our fiscal year 2006. Selling expenses from our Crops segment represented 85.4% of our total selling expenses, selling expenses from our Beef Cattle segment represented 10.2% of our total selling expenses, and the remaining 3.9% was represented by selling expenses from our Other segment.

Crops

Selling expenses from the Crops segment as a percentage of sales from the same segment decreased from 15.3% during fiscal year 2005 to 14.1% during fiscal year 2006 as a result of lower cost of freight, conditioning and storage. Selling expenses per ton of grain sold decreased 1.7%, from Ps.54 in fiscal year 2005 to Ps.53 per ton in fiscal year 2006.

Beef Cattle

Selling expenses from our Beef Cattle segment as percentage of sales from this segment decreased from 4.0% in fiscal year 2005 to 3.1% during fiscal year 2006 due to better commercial agreements with our clients.

Milk

Milk sales did not generate significant selling expenses during fiscal years 2005 or 2006, as all the production was marketed directly to dairy producers.

Administrative expenses

Administrative expenses increased 59.0%, from Ps.7.3 million in fiscal year 2005 to Ps.11.6 million in fiscal year 2006, mainly due to the increase in fees and other payments for services (includes consulting fees with respect to Sarbanes-Oxley compliance, accounting, legal and tax fees and migration system), salaries and social contributions, taxes, rates and contributions and office and administration expenses.

Net gain on sale of farms

Net gain on sale of farms decreased 50.5%, from Ps.20.0 million for the fiscal year 2005 to Ps.9.9 million for fiscal year 2006, primarily as a result of the following sales:

Fiscal year 2006:

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

Fiscal year 2005:

On February 1, 2005 we sold 30,350 hectares of the Ñacurutú farm in the Province of Santa Fe for Ps.16.3 million, generating a gain of Ps.7.6 million;

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- On June 8, 2005, we sold 977 hectares of the San Enrique farm in the Province of Santa Fe for Ps.14.7 million, generating a gain of Ps.12.3 million; and

- On June 29, 2005, we sold 2 hectares located in the Province of Catamarca for Ps.0.06 million, generating a gain of Ps.0.06 million.

Gain from inventory holding

Gain from inventory holding decreased Ps.62.0%, from Ps.11.2 million in fiscal year 2005 to Ps.4.2 million in fiscal year 2006, primarily as a result of an increase during fiscal year 2007 of prices for our holdings of cattle, grains and raw materials.

Operating income

Operating income decreased 69.4%, from Ps.36.3 million in fiscal year 2005 to Ps.11.1 million in fiscal year 2006. Our operating margin, calculated as our operating income divided by the sum of our production income decreased from 53.7% for fiscal year 2005 to 17.0% for fiscal year 2006 primarily as a result of:

- a 1.5% decreased in gross profit, from Ps.19.0 million for fiscal year 2005 to Ps.18.7 million for fiscal year 2006;

- a 53.8% increase in selling expenses, from Ps.6.6 million for fiscal year 2005 to Ps.10.2 million for fiscal year 2006;

- a 59.0% increase in administrative expenses, from Ps.7.3 million for fiscal year 2005 to Ps.11.6 million for fiscal year 2006;

- a 50.5% decrease in net gain on sale of farms, from Ps.20.0 million for fiscal year 2005 to Ps.9.9 million for fiscal year 2006; and

- 62.0% decrease in gain from inventory holding, from Ps.11.2 million for fiscal year 2005 to Ps.4.2 million for fiscal year 2006.

Net financial results

Our net financial income decreased 80.6%, from Ps.63.8 million in fiscal year 2005 to Ps.12.4 million in fiscal year 2006. The principal differences between both fiscal years were:

- a Ps.53.9 million decrease of income realized in connection with a higher sale of notes of IRSA during fiscal year 2005 compared to fiscal year 2006; and

- a Ps.3.6 million increase from net effect generated by the difference of exchange and interests

Our net financial income for fiscal year 2006 arose from (i) Ps.14.9 million of income for the sale of notes issued by IRSA and (ii) Ps.2.2 million of income derived from net exchange rate differences. These gains were partially offset by (i) a Ps.2.2 million loss generated by the tax on debits and credits and (ii) a Ps.2.5 million loss derived from interest and other.

Other income and expenses, net

Other income and expenses, net for fiscal year 2006 represented a loss of Ps.3.4 million compared to a loss of Ps.5.1 million during fiscal year 2005, primarily as a result of a lower negative impact of Ps.1.4 million for the personal assets tax on our shareholders.

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Gain on equity investments

Income from related companies decreased 21.2%, from income of Ps.28.1 million in fiscal year 2005 to income of Ps.22.1 million during fiscal year 2006, primarily as a result of:

- lower income of Ps.3.7 million of gain with respect to our investment in IRSA (including amortization of goodwill of Ps.0.3 million);
- a loss of Ps.2.5 million with respect to our investment in BrasilAgro;
- lower income of Ps.0.6 million of gain with respect to our investment in Agro Uranga S.A.; and
- lower income of Ps.0.8 million with respect to our investments in other subsidiaries and affiliates companies which partially offset the above-mentioned gains.

Management fee

Under the consulting agreement entered into with Consultores Asset Management, we pay a fee equal to 10% of our net income for agricultural advisory services and other management services. The fees amounted to Ps.3.8 million and Ps.8.5 million in the fiscal years 2006 and 2005, respectively.

Income tax expense

Our Income tax expenses decreased 85.6%, from Ps.37.8 million in fiscal year 2005 to Ps.5.4 million in fiscal year 2006. We recognized its income tax expense on the basis of the deferred tax liability method, thus recognizing temporary differences between accounting and tax assets and liabilities measurements. The main temporary differences derive from cattle stock and fixed assets valuation. For purposes of determining the deferred assets and liabilities, the tax rate expected to be in force at the time of their reversion or use, according to the legal provisions enacted as of the date of issuance of these financial statements (35%) has been applied to the identified temporary differences and tax losses.

Minority interest

During fiscal years 2005 and 2006, a positive participation of third parties of Ps.0.1 million and a negative participation of third parties of Ps.0.1 million respectively was recorded to reflect the minority participation in the income of subsidiaries.

Net income

Due to the above-mentioned issues, our net income decreased 57.2%, from Ps.76.8 million for fiscal year 2005 to Ps.32.9 million for fiscal year 2006. Our net margin, calculated as our net income for a fiscal year divided by the sum of our production income was 113.8% for fiscal year 2005 and 50.3% for fiscal year 2006.

Our Liquidity and Capital Resources

Liquidity

Our principal sources of liquidity have historically been:

- cash generated by operations;

cash from borrowings and financings arrangements (including cash from the exercise of warrants); and

cash proceeds from the sale of farms.

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Our principal cash requirements or uses (other than in connection with our operating activities) have historically been:

- capital expenditures for property, plant and equipment (including acquisitions or purchases of farms);
- interest payments and repayments of short-term and long-term debt; and
- payments of dividends.

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

Cash Flows

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

	For the year ended June 30,			For the six months ended December 31,	
	2005	2006	2006	2006	2007
				(unaudited)	
	(in millions of Pesos)				
Net cash (used in) provided by operating activities	(10.1)	(21.5)	(56.1)	(5.8)	(11.2)
Net cash provided by financing activities	1.7	92.3	115.8	10.3	69.0
Net cash provided by (used in) investing activities	62.7	(110.9)	(0.9)	(10.5)	(136.7)
Net increase (decrease) in cash and cash equivalents	54.3	(40.1)	58.8	(6.0)	(78.9)

As of December 31, 2007, we had cash and cash equivalents of Ps.6.3 million, a decrease from Ps.85.2 million as of June 30, 2007. This decrease was primarily due to our acquisition and improvement of fixed assets of Ps.14.1 million, a decrease in investments in related companies of Ps.143.0 million, cash outflows used in operating activities for Ps.11.2 million and dividend payments of Ps.8.3 million, partially offset by cash inflows from our sale of farms for Ps.3.0 million, cash proceeds from the exercise of warrants to acquire our common shares for Ps.11.2 million and the net proceeds from short-term debt for Ps.69.8 million.

As of December 31, 2006, we had cash and cash equivalents totaling Ps.21.3 million, a decrease from the Ps.27.4 million balance as of June 30, 2006. The decrease was primarily due to our acquisition and improvement of fixed assets of Ps.13.8 million, cash outflows used in operating activities for Ps.5.8 million and dividend payments of Ps.5.5 million, partially offset by cash inflows from the sale of farms for Ps.0.1 million, cash proceeds from the exercise of our warrants for Ps.8.4 million and the net proceeds from short-term debt for Ps.9.7 million.

As of June 30, 2007, we had cash and cash equivalents of Ps.86.2 million, an increase from the Ps.27.4 million balance as of June 30, 2006. The increase was primarily due to our acquisition and improvement of fixed assets for Ps.29.3 million, cash inflows from the sale of farms for Ps.25.3 million, cash outflows used in operating activities for Ps.56.1 million and dividend payments of Ps.5.5 million, partially offset by cash proceeds from the exercise of warrants for Ps.84.2 million and the net proceeds from short-term and long-term debt for Ps.39.4 million.

As of June, 2006, we had cash and cash equivalents totaling Ps.27.4 million, a decrease from the Ps.67.5 million balance as of June 30, 2005. This decrease was primarily due to our acquisition and improvement of fixed assets for Ps.55.8 million, an increase in investments in related companies of Ps.64.6 million, cash outflows used in operating activities for Ps.21.5 million and dividend payments of Ps.10.0 million, partially offset by cash proceeds from the exercise of warrants for Ps.53.6 million and the net proceeds from short-term and long-term debt for Ps.65.0 million.

Net Cash (Used in) Provided by Operating Activities

Six months ended December 31, 2006 and 2007

Net cash used in operations increased from Ps.5.8 million for the six months ended December 31, 2006 to Ps.11.2 million for the six months ended December 31, 2007. The increase in net cash used in operating activities was primarily due to an increase in current investments of Ps.4.5 million for the six months ended December 31, 2006 compared to the six months ended December 31, 2007, an increase in other receivable of Ps.12.9 million, an increase in inventories of Ps.24.3 million and an increase in trade accounts payable of Ps.2.9 million which were partially offset by a Ps.21.3 million decrease in trade accounts receivable, a decrease in social security payable, taxes payable and advances to customers of Ps.9.2 million, and dividends collected of Ps.1.6 million. Our operating activities resulted in net cash outflows of Ps.11.2 million for the six months ended December 31, 2007, mainly due to a Ps.37.4 million decrease in current investments, in trade accounts receivable, in social security payable, taxes payable and advances to customers, in trade accounts payable and dividends received that was offset by a Ps.57.7 million increase in other receivable and inventories.

Fiscal Year ended June 30 2006 and 2007

Net cash used in operations increased from Ps.21.5 million in fiscal year 2006 to Ps.56.1 million in fiscal year 2007. The increase in net cash used in operating activities was primarily due to the increase in current investments of Ps.1.1 million in fiscal year 2006 compared to fiscal year 2007, an increase in trade accounts receivable of Ps.27.2 million, an increase in other payables of Ps.3.8 million and an increase in inventories of Ps.39.6 million which were partially offset by a Ps.28.7 million decrease in other receivables, in trade accounts payable and in social security payable, expenses, taxes payable and advances to customers. Our operating activities resulted in net cash outflows of Ps.56.1 million for fiscal year 2007, essentially due to a decrease in current investments, in social security payable, expenses, taxes payable and advances to customers and dividends collect of Ps.13.1 million that was offset by an increase in trade accounts receivable, other receivables, inventories and trade accounts payable amounting to Ps.83.9 million.

Fiscal Year ended June 30 2005 and 2006

Net cash used in operations increased from Ps.10.1 million in fiscal year 2005 to Ps.21.4 million in fiscal year 2006. The increase in net cash used in operations activities was primarily due to the increase in other receivables, in trade accounts payable and in social security payable, expenses, taxes payable and advances to customers for Ps.40.3 million which were partially offset by a decrease in current investments of Ps.3.2 million in fiscal year 2005 compared to fiscal year 2006. Our operating activities resulted in net cash outflows of Ps.21.5 million for fiscal year 2006, essentially due to a decrease in current investments, inventories other debts and dividends collect of Ps.23.2 million that was offset by an increase in trade accounts receivable, other receivables, taxes payable, and advances to customers amounting to Ps.51.5 million.

Net Cash Provided by (Used in) Investing Activities

Six months ended December 31, 2006 and 2007

Net cash used in investing activities decreased from Ps.10.5 million for the six months ended December 31, 2006 to a net cash outflow of Ps.136.7 million for the six months ended December 31, 2007. Our investing activities resulted in a net cash outflow of Ps.143.0 million primarily as a result of investments in related companies and our acquisition and improvement of fixed assets for Ps.14.1 million, partially offset by our sale of productive agricultural assets for Ps.3.0 million and our collection of secured receivables from sale of farms for Ps.17.3 million.

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Fiscal Year ended June 30 2006 and 2007

Net cash used in investing activities increased from Ps.110.9 million in fiscal year 2006 to a net cash out-flows of Ps.0.9 million in fiscal year 2007. Our investing activities resulted in net cash outflow of Ps.0.7 million in fiscal year 2007 mainly due to the acquisition and upgrading of fixed assets for Ps.29.3 million partially offset by the sale of fixed assets for Ps.25.3 million and collection of secured receivables from sale of farms for Ps.3.9 million.

Fiscal Year ended June 30 2005 and 2006

Net cash used in investing activities decreased from Ps.62.7 million in fiscal year 2005 to a net cash out-flows of Ps.110.9 million in fiscal year 2006. Our investing activities resulted in net cash outflow of Ps.110.9 million in fiscal year 2006 mainly due to investments in related companies of Ps.64.6 million and the acquisition and upgrading of fixed assets for Ps.55.8 million partially offset by the sale of fixed assets for Ps.5.6 million and collection of secured receivables from sale of farms for Ps.5.7 million.

Net Cash Provided by (Used in) Financing Activities

Six months ended December 31, 2006 and 2007

Net cash provided from financing activities increased from Ps.10.3 million for the six months ended December 31, 2006 to Ps.69.0 million for the six months ended December 31, 2007 primarily due to a Ps.60.1 million increase in proceeds from loans and by Ps.2.8 million of proceeds received from the exercise of warrants to acquire new shares of our common stock partially offset by a Ps.2.8 million increase in dividend payments for Ps.2.8 million and by our payment of a Ps.1.5 million secured payable from the purchase of farms. Our financing activities resulted in net cash inflows of Ps.69.0 million primarily due to the exercise of warrants and proceeds from financial loans for Ps.105.0 million partially offset by dividend payments, payments of financial loans and by the payment of secured payable from the purchase of farms for Ps.36.0 million.

Fiscal Year ended June 30 2006 and 2007

Net cash provided from financing activities increased from Ps.92.3 million in fiscal year 2006 to Ps.115.8 million in fiscal year 2007 primarily due to a decrease in proceeds of financial loans for Ps.25.6 million partially offset by the increase by the exercise of warrants for Ps.30.6 million and by the payment of secured payable from the purchase of farms for Ps.14.3 million. Our financing activities resulted in net cash inflows of Ps.115.8 million primarily due to the exercise of warrants and proceeds from financial loans for Ps.168.7 million partially offset by dividend payments and payments of financial loans for Ps.50.6 million.

Fiscal Year ended June 30 2005 and 2006

Net cash provided from financing activities increased from Ps.1.7 million in fiscal year 2005 to Ps.92.3 million in fiscal year 2006 primarily due to a increase in proceeds of financial loans for Ps.72.4 million and by the exercise of warrants for Ps.42.7 million partially offset by the payment of secured payable from the purchase of farms for Ps.16.5 million. Our financing activities resulted in net cash inflows of Ps.92.3 million primarily due to the exercise of warrants and proceeds from financial loans for Ps.137.8 million partially offset by dividend payments, payments of financial loans and payment of secured payable from purchase of farms for Ps.29.0 million.

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

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Our Indebtedness

Convertible Note due 2007

On November 21, 2002, we issued US$50.0 million of convertible notes due November 2007. The convertible notes accrue interest at 8% per annum, payable on a semi-annual basis. The conversion price is US$0.5078 per common share which means that each convertible note may be exchanged for 1.9693 common shares. Additionally each convertible note contains a warrant attached that grants an option to acquire 1.9693 shares at a price of US$0.6093 each.

From the date of issuance through June 30, 2007, the holders of our convertible notes exercised their conversion rights for a total of 47.2 million units with a face value of US$1.0 each, issuing 92.9 million common shares with a face value of Ps.1.0 each. In addition, from the date of issuance through June 30, 2007, warrants issued by us were exercised for a total amount of 46.9 million, and 92.3 million shares were issued in exchange. We received funds aggregating US$56.2 million.

As of June 30, 2007, the outstanding amount of our convertible notes and warrants was US$2.8 million and 3.1 million, respectively, and the amount of our outstanding shares was 309,576,220. The term for the exercise of our outstanding warrants and the conversion of our outstanding convertible notes issued on November 21, 2002 expired on November 14, 2007. During the conversion and exercise periods, holders of our warrants and convertible notes exercised an aggregate of 49,867,018 warrants and converted an aggregate of 49,910,874 convertible notes, respectively, increasing our capital stock to 320,774,772 issued and outstanding shares. As of December 31, 2007, there are no additional outstanding warrants or convertible notes to acquire our shares.

Credit Suisse Loan Agreement

On May 2, 2006, we entered into a loan agreement with Credit Suisse for a total consideration of US$8 million. The maturity of this loan agreement is on November 2, 2008, and the interest rate is 3-month LIBOR plus 375 basis points. The Credit Suisse loan agreement was initially secured by a repo on IRSA s convertible bonds for a total of US$10 million which were subsequently replaced for 1,834,860 of IRSA s GDRs, plus a U.S. dollar-denominated amount that fluctuates in accordance with the trading price of IRSA s shares.

The Credit Suisse loan agreement imposes certain restrictions on our payment of dividends. We can pay or distribute, directly or indirectly, whether in cash or other property or in obligations to any other person up to US$5,000,000 for any calendar year:

- any dividend or other distribution on our capital stock or any interest on capital, excluding any dividends, distributions or interest paid solely in our capital stock or in options, warrants or other rights to acquire capital stock;
- in respect of the purchase, acquisition, redemption, retirement, defeasance or other acquisition for value of any of our capital stock or any warrants, rights or options to acquire such capital stock;
- in respect of the return of any capital to our stockholders as such;
- in connection with any distribution or exchange of property in respect of our capital stock, warrants, rights, options, obligations or securities to or with our stockholders as such; or
- in return of any irrevocable equity contributions or in payment of interest other.

Other Loans

As a result of the investment opportunities seized in the course of the previous fiscal year, such as our ownership interest in BrasilAgro and IRSA, the acquisition of farms and the growing investments in developments in Northwestern Argentina in the course of this fiscal year, we have assumed indebtedness for levels higher than those incurred in previous fiscal years, totaling as of December 31, 2007 indebtedness in the amount of Ps.217.8 million.

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We also have a loan agreement with Banco Patagonia dated August 13, 2007 for US$2.000.000 at an annual interest rate of 5.9% which is scheduled to mature on February 11, 2008. Pursuant to this agreement, we may not distribute cash dividends in an amount greater than the income resulting from our financial statements for the relevant fiscal year, nor shall we reduce our capital stock, except in case of mandatory reduction due to financial losses. We repaid the loan from Banco Patagonia at its scheduled maturity on February 11, 2008. We also have a loan agreement with Banco Santander Río dated July 11, 2007 for Ps.9.0 million with an annual interest rate of 10.4% which is scheduled to mature on July 6, 2008.

As of December 31, 2007 we had total loans for Ps.217.8 million, composed by: non-guaranteed loans, for Ps.154.9 million denominated in Pesos and Ps.37.7 million denominated in United States Dollars; and Ps.25.2 million are guaranteed loan contracts for the purpose of financing our investment in BrasilAgro.

For the 2008 fiscal year we intend to match these maturities to our cash flows and do not rule out a reduction in the indebtedness as a result of future cash inflows arising from our ordinary course of business, the sale of assets or the exercise of warrants attached to our convertible notes.

The following table presents our indebtedness as of December 31, 2007:

			Timetable of Maturity or Depreciation					
	Currency	Under 1 year	Over 1 year and up to 2 years	Over 2 year and up to 3 years	Over 3 year and up to 5 years	Over 5 years	Total	Interest rate Annual average %
		(in million of constant Pesos as of December 31, 2007) (1)(2)						
Loans								
Unsecured loans	Ps.	154.9					154.9	Floating (average 9.53)
Unsecured loans	US$	37.7					37.7	5.9 7.2
Secured loan	US$	25.2					25.2	Libor + 3.75
Total debt		217.8					217.8	

(1) Exchange rate as of December 31, 2007 US$1.00 = Ps.3.149.
(2) Includes accrued interests

Our Capital Expenditures

For the six months ended December 31, 2007, our capital expenditures were Ps. 14.1 million. Our principal investments consisted of the development of our land reserves (including Ps.7.5 million in development of Los Pozos and Agropecuaría Cervera S.A farms), the acquisition of farms (including Ps. 0.4 million of the partial payment for the purchase of La Adela , Ps.0.2 million for the purchase of the 8 de Julio farm and Ps.0.1 million in forestry activities). Other capital expenditures include Ps.1.0 million in wire fences, Ps.1.0 million for the improvement of our dairy farms, Ps.1.0 million for the improvement of facilities and Ps.0.6 million for machinery.

Capital expenditures totaled Ps.29.3 million, Ps.55.8 million and Ps.25.9 million for the fiscal years ended June 2007, 2006 and 2005, respectively, including property and equipment acquired in business combinations. Our capital expenditures consisted of the acquisition and improvement of productive agricultural assets, as well as purchases of farms.

Our future capital expenditures for the remainder of fiscal year 2008 will depend on the prevailing prices of land for agriculture and cattle as well as the evolution of commodity prices.

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

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

For the fiscal year ended June 30, 2005, our main investments consisted of Ps.12.5 million in the acquisition of real estate (including Ps.8.9 million in the purchase of El Invierno farm, Ps.1.1 million in the additional purchase of 72 hectares of La Adela farm, Ps.2.3 million in development of land reserve and Ps.0.2 million in forestry activities), Ps.0.2 million in improvements, Ps.0.1 million in furniture and equipment, Ps.4.2 million in facilities (including Ps.1.9 million in irrigation facilities, Ps.1.8 million in milking facilities and Ps.0.5 million in general facilities), Ps.1.1 million in new pastures, Ps.0.3 million in vehicles, Ps.0.6 million in construction, Ps.1.8 million in machinery (including Ps.1.2 million in irrigation machinery, Ps.0.4 million in milking machinery and Ps.0.1 million in general machinery), Ps.0.3 million in computer and communication accessories, Ps.4.6 million in construction in progress (including Ps.2.2 million in development of land reserve, Ps.1.0 million in watering troughs, Ps.0.6 million in roads and Ps.0.6 million in wire fences), Ps.0.1 million in feed lot and Ps.0.1 million in advances.

Our Contractual Obligations

The following table shows our contractual obligations as of December 31, 2007:

	Payments due by period (in millions of Pesos) (5)				
	Less than 1 year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
Short-term debt:					
Convertible notes accrued interest					
Convertible notes(2)					
Charitable donations(1)	1.2				1.2
Unsecured loans(3)	192.6				192.6
Secured loan(4)	25.2				25.2
Secured farm purchase obligations	12.0				12.0
Unsecured farm purchase obligations					
Management fee payable(1)	1.4				1.4
Total	232.4	0	0	0	232.4

(1) Obligations do not accrue interest.
(2) Accrued interest at a fixed rate of 8% per annum.
(3) Accrues interest at an average rate of 9.584% for checking account overdrafts and an average rate of 6.2623% for export financings.
(4) Accrues interest at a variable rate equal to Libor + 3.75% per annum.
(5) Includes accrued interest, as of December 31, 2007.

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Off-Balance Sheet Arrangements

At December 31, 2007, we did not have any off-balance sheet transactions, arrangements or obligations with unconsolidated entities or others that are reasonably likely to have a material effect on our financial condition, results of operations or liquidity.

Trend Information

Our future operating results may be affected by variations in some factors, such as adverse changes in the price of commodities or the yield of crops. Accordingly, historical tendencies may not be representative of our future results. Our past results must not be considered indicative of our future performance. To mitigate certain risks associated with changes in weather and prices, we seek to apply hedging mechanisms through futures and option agreements in the grain market and to diversify our geographic areas of production.

Product Prospects

The sources of the following information are the Secretaría de Agricultura, Pesca y Alimentación de la República Argentina, the United States Department of Agriculture (USDA), the Instituto Interamericano de Cooperación para la Agricultura, Márgenes Agropecuarios, Food and Agriculture Organization of the United Nations and our information.

Wheat

USDA projections for the 2007/2008 campaign at global level estimate a production of approximately 612 million tons of wheat, 3% higher than the previous campaign. In the Northern Hemisphere, where many crops have reached a well-developed stage, a wheat production increase is forecast especially in North America and Europe.

As regards Argentina, USDA projects a 14 million-ton production for the 2007/2008, 8% lower than the prior-year campaign. It is estimated that the sowed area will decrease by 3% due to the significant number of hectares that will be assigned to sunflower and soybean. A decrease in exports of about 14% is also expected.

Corn

Globally, USDA calculates a 777.1 million tons of corn and final stocks of 108.4 million, vis-à-vis 701 and 100.9 million, respectively, in the previous cycle. These figures show the impact of ethanol that takes up most of the production surplus. Given the demand of soybean and corn, in the fodder as well as in the power markets, and considering the current corn scarcity, it seem inevitable that in 2007/2008 the world area earmarked for corn will increase to the detriment of soybean.

The ongoing high corn prices would encourage farmers in Argentina and Brazil to increase the corn-sowed area to the detriment of the soybean area. For Argentina, USDA estimates that production would reach approximately 24 million tons, 7% higher than the previous campaign.

Soybean

In the case of soybean, for the 2007/2008 campaign, USDA projects a world production of 222.1 million tons, 14 million less than the previous year. This decrease is due to the USA decision to allot more land to corn to the detriment of the soybean sowed area by 15% in respect of the last campaign, estimating a 71 million-ton production. With world consumption growing from 9 million tons to 234.2 million tons, there would be a 12 million deficit, bringing world stock to 52 million tons.

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On the other hand, USDA projects an increase in soybean sowing in South America where the soybean area is expected to increase by 1.4 million hectares in Brazil and 900,000 hectares in Argentina. Argentine production is estimated at approximately 47 million tons, slightly lower than the previous year.

Sunflower

Globally, sunflower production for the 2007/2008 campaign is projected at approximately 31 million tons compared to 32 million tons in the previous year. This decrease is due to a smaller sunflower sowing area in the main producing countries in the Northern Hemisphere. Sunflower production in the European Union is projected at 5.8 million tons vis-à-vis 6.2 million tons in the previous campaign.

International prices of vegetable oils, specially palm, rapeseed and soybean oils, are currently strong due to biofuel demand, a situation that affects sunflower oil prices. In Argentina, the interest for sunflower increased and it was reflected by a larger sowed areas based on high seed and oil prices which are expected to increase during the 2007/08 campaign vis-à-vis the previous cycle.

Beef Cattle

World beef prices have remained generally stable since late 2006. World beef exportable supplies continue to be limited due to the slow recovery of beef exports from North America to the main Asian markets, due to the discovery of bovine spongiform encephalopathy (BSE) cases.

In many developing countries, consumers are diversifying traditional eating habits, leaving aside basic cereals and adopting more westernized foods such as beef. Although we believe that world beef production is likely to increase in 2008, export taxes, restrictions on beef exports and other government policies currently being enforced in Argentina to restrain increases in beef prices in the Argentine market are likely to result in a decrease in beef production for 2008.

Milk

In recent months, prices of many dairy products in the international market have reached high levels, essentially due to the fact that world milk production has not kept pace with increasing demand. Although milk production in Argentina slightly decreased during 2007, we believe it is likely to grow in 2008. Investments made in the milk producing sector, in spite of export taxes, are enabling Argentina to focus on global export markets, especially in the powdered milk and cheese sectors. However, growth may be adversely affected by high prices in cereal crops, fodder cereals that reduce available pastures and adversely affect the profitability of dairy products.

Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we are exposed to commodity price, interest rate and exchange rates risks, primarily related to our integrated crop production activities and changes in exchanges rates and interest rates. We manage our exposure to these risks through the use of various financial instruments, none of which are entered into for trading purposes. We have established policies and procedures governing the use of financial instruments, specifically as it relates to the type and volume of them. The use of financial derivatives instruments is oriented to our core business and is supervised by internal control policies.

The following discusses our exposure to these risks. This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors including those set forth in the risk factors section of this Prospectus. Uncertainties that are either non-financial or unable to be quantified, such as political, economic, tax, other regulatory, or credit risks, are not included in the following assessment of our market risks.

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Interest Rate Risk

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including both government and corporate obligations and money market funds.

Investments in both fixed rate and floating rate interest earning instruments carry varying degrees of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates. In general, longer dated securities are subject to greater interest rate risk than shorter dated securities. While floating rate securities are generally subject to less interest rate risk than fixed rate securities, floating rate securities may produce less income than expected if interest rates decrease. Due in part to these factors, our investment income may fall short of expectations or we may suffer losses in principal if securities that have declined in market value due to changes in interest rates are sold. To date, we have not utilized derivative financial instruments to hedge interest rate risk; however, there can be no assurance as to the employment of hedging strategies in the future.

Foreign Exchange Risk

From April 1, 1991, until the beginning of 2002, Convertibility Law No. 23,928 was applicable to Argentina. This law established a fixed exchange rate, under which the Central Bank was obliged to sell U.S. dollars to any person at a fixed rate of one Peso per U.S. dollar. Accordingly, the foreign currency fluctuations were reduced to a minimum level, during this period.

The primary economic change implemented by the current Argentine government in January 2002 was the announcement of the devaluation of the Peso. Due to the end of the Convertibility Plan, our foreign exchange exposure has increased considerably.

Foreign currency exchange rate fluctuations could impact our cash flow in Pesos, since some of our products and inputs are payable in U.S. dollars. Although most of our liabilities are denominated in Pesos, a small percentage is in U.S. dollars, and fluctuations in the foreign currency exchange rate may affect us.

Foreign currency exchange restrictions imposed by the Argentine government in the future could prevent or restrict our access to U.S. dollars, thus affecting our ability to service our U.S. dollar-denominated liabilities. Also, fluctuations in the exchange rate between the Peso and the U.S. dollar may adversely affect the U.S. dollar equivalent of the Peso price of our common shares on the Buenos Aires Stock Exchange, and as a result would likely affect the market price of our ADSs in the United States.

	As of December 31, 2007						
	Expected contractual maturity date (Ps. million)						
	Average Interest Rate[1]	**Total Long-Term Outstanding Debt 2007** [3]	**Under 1 year**	**More than 1 and not more than 2 years**	**More than 2 and not more than 3 years**	**More than 3 and not more than 5 years**	**More than 5 and not more than 10 years**
Long-Term Debt:							