

CRESUD INC
Form F-3
September 12, 2007
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As filed with the Securities and Exchange Commission on September 12, 2007

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-3

REGISTRATION STATEMENT

Under

The Securities Act of 1933

CRESUD SOCIEDAD ANÓNIMA COMERCIAL, INMOBILIARIA, FINANCIERA Y AGROPECUARIA

(Exact name of Registrant as specified in its charter)

CRESUD INC.

(Translation of the Registrant's name in English)

The Republic of Argentina
(Jurisdiction of incorporation)

Not Applicable
(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

Simpson Thacher & Bartlett

425 Lexington Avenue

New York, New York 10017

(212) 455-2000

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

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

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

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

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

Subject to completion, dated September 12, 2007

Prospectus

**CRESUD SOCIEDAD ANÓNIMA COMERCIAL, INMOBILIARIA,
FINANCIERA Y AGROPECUARIA**

Cresud Inc.

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

We are offering to our common shareholders rights, or common share rights, to subscribe for new common shares and warrants to acquire additional common shares. Each common share held of record at 11:59 p.m. (Buenos Aires, Argentina time) on _____, 2007 entitles its holder to one common share right. _____ common share rights will entitle their holder to subscribe for one new common share and to receive free of charge, for each new common share that it purchases pursuant to this offering, one warrant to purchase 0.3334 additional common shares. The subscription price for each new common share will be payable in Argentine pesos in an amount equal to the Argentine peso equivalent of the U.S. dollar subscription price for each new ADS, divided by 10, determined on the basis of the exchange rate quoted by the Banco de la Nación Argentina on _____, 2007.

The Bank of New York, as our depositary, will make available to holders of American depositary shares, or ADSs (each of which represents ten common shares), rights, or ADS rights, to subscribe for new ADSs and warrants to acquire additional common shares. Each ADS held of record at 5:00 p.m. (New York City time) on _____, 2007 entitles its holder to one ADS right. _____ ADS rights will entitle their holder to subscribe for one new ADS and to receive free of charge, for each new ADS that it purchases pursuant to this offering, 10 warrants each of which will entitle such holder to purchase 0.3334 additional common shares. The subscription price for each new ADS will be payable in U.S. dollars and will be published by us on _____, 2007 in *La Nación, Ámbito Financiero*, the *Official Gazette* of Argentina, the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and PR Newswire.

Each warrant will entitle its holder to purchase 0.3334 additional common shares on quarterly exercise dates prior to _____, 2012. The exercise price for each warrant will be payable in U.S. dollars and will be published by us on _____, 2007 in *La Nación, Ámbito Financiero*, the *Official Gazette* of Argentina, the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and PR Newswire. We will accept exercises of warrants for whole new common shares only. You must pay the exercise price of the warrants in U.S. dollars. ADS holders wishing to obtain additional ADSs upon exercise of their warrants must deposit common shares acquired under the warrants with The Bank of New York, as our depositary, to obtain ADSs in accordance with the terms of the applicable deposit agreement.

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

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

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

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

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

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

- (1) After payment of transaction expenses by us, currently estimated at approximately US\$.
- (2) Includes shares subscribed in Argentina and ADSs subscribed in the U.S. based on an exchange rate of Ps. per US\$1.00 as reported by the Banco de la Nación Argentina on , 2007.
- (3) No separate consideration will be received by us for the offering of the warrants prior of their exercise.

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

, 2007

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

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

Incorporation by Reference

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

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

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

Dealer Prospectus Delivery Obligation

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

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

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

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

IRSA

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

IRSA prepares its consolidated financial statements in Pesos and in conformity with Argentine GAAP and the regulations of the *Comisión Nacional de Valores* which differ in certain significant respects from US GAAP. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by US GAAP and Regulation S-X of the 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 US GAAP as they relate to IRSA and a reconciliation to US GAAP of IRSA's net income and shareholders' equity.

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

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Additionally, as discussed above, IRSA's consolidated financial statements reflect accounting for inflation until February 28, 2003. Since Argentine GAAP required companies to discontinue inflation accounting only as of October 1, 2003, the application of the *Comisión Nacional de Valores* resolution represented a departure from Argentine GAAP. However, due to the low level of inflation rates during the period from March to September 2003, such a departure has not had a material effect on IRSA's consolidated financial statements.

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

Adoption by the Comisión Nacional de Valores of CPCECABA standards

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

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

General

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

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

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

Market Data

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

Table of Contents**SUMMARY**

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

Our Company

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

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

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

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

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

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

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

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

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

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

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

Our Strategy

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

Focus on maximizing value of our agricultural real estate assets

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

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

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

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

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

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

Increase and optimize production yields

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

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

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

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

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

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

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

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

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

Preservation of long-term value of our investment in IRSA

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

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

Table of Contents**THE OFFERING**

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

The ADS Rights Offering

ADS rights offering	<p>Each ADS held of record as of 5:00 p.m. (New York City time) on _____, 2007 (as reflected in the depository's books and records) entitles its holder to one ADS right.</p> <p>ADS rights will entitle their holder to subscribe for one new ADS and to receive free of charge, for each new ADS that it purchases pursuant to this offering, 10 warrants to purchase, each of which will entitle such holder to 0.3334 additional common shares. The subscription price for each new ADS will be payable in U.S. dollars and will be published by us on _____, 2007 in <i>La Nación, Ámbito Financiero</i>, the <i>Official Gazette of Argentina</i>, the bulletin of the Buenos Aires Stock Exchange (<i>Bolsa de Comercio de Buenos Aires</i>) and PR Newswire.</p> <p>We will accept subscriptions for whole, new ADSs only and will round down any subscription submitted for fractional, new ADSs to the nearest whole number of new ADSs. The Bank of New York will act as the ADS rights agent and may, to the extent consistent with applicable law, assign or otherwise transfer (with or without consideration) unexercised ADS rights to us or to third parties.</p>
Subscription period	<p>From _____, 2007 through 5:00 p.m. (New York City time) on _____, 2007. You must deliver to the ADS rights agent a properly completed ADS rights certificate and full payment of the deposit amount (defined below), in each case by 5:00 p.m. New York City time on _____, 2007, or your ADS rights will lapse and you will have no rights other than the right to receive the net proceeds, if any (after deducting all applicable taxes and any fees and expenses of the depository and ADS rights agent), from the sale of the rights relating to such unexercised ADS rights. Deposit in the mail will not constitute delivery to the ADS rights agent. The exercise of ADS rights is irrevocable and may not be canceled or modified.</p>
ADS subscription price	<p>Holders of ADS rights subscribing for new ADSs must pay to the ADS rights agent, prior to _____, 2007, a subscription price equal to the subscription price for each new ADS to be published by us on _____, 2007 in <i>La Nación, Ámbito Financiero</i>, the <i>Official Gazette of Argentina</i>, the bulletin of the Buenos Aires Stock Exchange (<i>Bolsa de Comercio de Buenos Aires</i>) and PR Newswire plus an amount sufficient to cover the fee of the depository of US\$0.05 per new ADS.</p>

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Delivery of ADRs	ADRs evidencing new ADSs, and the related warrants, will be made available to subscribing ADS holders promptly upon receipt by the depository (or its agents) of the new common shares subscribed for.
Transferability of ADS rights	Any holder of ADS rights may transfer its ADS rights, but ADS rights will not be listed on any securities exchange.
No exchanges of ADS rights	You may not surrender ADS rights for the purpose of withdrawing rights to subscribe common shares.
Listing of ADSs	The ADSs are listed on the NASDAQ Global Select Market under the symbol CRESY.
ADS rights agent	The Bank of New York
Depository	The Bank of New York
The Common Share Rights Offering	
Common share rights offering	<p>Each common share held of record as of 11:59 p.m. (Buenos Aires, Argentina time) on _____, 2007 (as reflected on our share register) entitles its holder to one common share right. _____ common share rights will entitle their holder to subscribe for one new common share and to receive, free of charge, for each new common share that it purchases pursuant to this offering, one warrant to purchase 0.3334 additional common shares. The subscription price for each new common share will be payable in Argentine pesos in an amount equal to the Argentine peso equivalent of the U.S. dollar subscription price for each new ADS, divided by 10, determined on the basis of the exchange rate quoted by Banco de la Nación Argentina on _____, 2007.</p> <p>We will accept subscriptions for whole common shares only and will round down any subscription submitted for fractional shares to the nearest whole number of common shares. Holders of common share rights must pay the share subscription price for the full amount of common shares for which they are subscribing.</p>
Subscription period	From _____, 2007 through 4:30 p.m. (Buenos Aires, Argentina time) on _____, 2007, the common share rights expiration date. You must deliver to us a properly completed subscription form accompanied by a certificate of ownership issued by the <i>Caja de Valores</i> or evidence of assignment of the common share rights in his/her favor and full payment of the share subscription price by 4:30 p.m. (Buenos Aires, Argentina time) on _____, 2007, or your common share rights will lapse and will have no further value. Deposit in the mail will not constitute delivery to us. The exercise of common share rights is irrevocable and may not be canceled or modified.
New common share subscription price	Holders of common shares subscribing for new common shares must pay to us prior to _____, 2007 an amount in Argentine pesos equal to the Argentine peso equivalent (determined on the basis of the exchange rate quoted by the Banco de la Nación

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Argentina on _____, 2007) of the U.S. dollar subscription price for each new ADS published by us on _____, 2007 in *La Nación*, *Ámbito Financiero*, the *Official Gazette* of Argentina, the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and PR Newswire, divided by 10.

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Registration of new common shares	We will register new common shares issued upon exercise of common share rights 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.
Transferability of common share rights	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 (<i>Bolsa de Comercio de Buenos Aires</i>) from _____, 2007 to _____, 2007 but will not be eligible to trade on any securities exchange in the United States.
No exchange of common share rights	You may not exchange common share rights for ADS rights.
Listing of common shares	The common shares are listed on the Buenos Aires Stock Exchange (<i>Bolsa de Comercio de Buenos Aires</i>).
Buenos Aires Stock Exchange trading symbol	CRES.
ADS Rights Offering and Common Share Rights Offering	

Purchases by holders of rights

From _____, 2007 through _____, 2007, we will publish notice in *La Nación*, *Ámbito Financiero*, the *Official Gazette* of Argentina, the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and PR Newswire, announcing the statutory preemptive right of each existing holder of common shares or of ADSs to subscribe for common shares or ADSs, as the case may be. On _____, 2007, we will publish the subscription price for each new ADS and the exercise price of the warrants in *La Nación*, *Ámbito Financiero*, the *Official Gazette* of Argentina, the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and PR Newswire.

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

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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 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.

We will notify holders of our common shares who have indicated that they wish to exercise their accretion rights of the aggregate number of unsubscribed common shares by publication of a notice in *La Nación*, *Ámbito Financiero*, the *Official Gazette* of Argentina, the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), and PR Newswire. Based on this notice, we will allocate unsubscribed common shares to shareholders in accordance with their accretion rights.

Sale of unsubscribed ADSs and common shares After expiration of the subscription periods we may sell any unsubscribed common shares and ADSs to third parties at such times and on such terms as our board of directors may determine.

The Warrants

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

We will issue, free of charge:

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

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

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Exercise of the warrants	<p>Upon exercise, each warrant will entitle the holder thereof to purchase 0.3334 of our common shares. Prior to their expiration, the warrants will be exercisable during the 17th through the 22nd days of each February, May, September and November (to the extent that such dates are business days in New York City), commencing with the 17th through the 22nd days of February 2008. Unexercised warrants will not entitle their holders to any rights to vote at or attend our shareholders meetings or to receive any dividends in respect of our common shares. The number of our common shares for which, and the price at which, a warrant is exercisable are subject to adjustment upon the occurrence of certain events, as provided in the warrant agreement relating to the warrants.</p> <p>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.</p>
Exercise price	<p>Each warrant will entitle its holder to purchase 0.3334 additional common shares for an exercise price that will be payable in U.S. dollars and will be published by us on _____, 2007 in <i>La Nación</i>, <i>Ámbito Financiero</i>, the <i>Official Gazette</i> of Argentina, the bulletin of the Buenos Aires Stock Exchange (<i>Bolsa de Comercio de Buenos Aires</i>) and PR Newswire. As a result, three warrants must be exercised to purchase each common share.</p>
Expiration of warrants	<p>The warrants will expire automatically and become void on _____, 2012.</p>
Shelf registration	<p>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.</p>
Listing	<p>Application will be made to list the warrants on the Buenos Aires Stock Exchange (<i>Bolsa de Comercio de Buenos Aires</i>).</p>
Warrant agent	<p>The Bank of New York and _____.</p>

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General

Use of proceeds

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

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

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

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

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

Outstanding common shares immediately before and after the preemptive rights offering

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

Principal shareholders

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

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Information

Any questions or requests for assistance may be directed to:

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

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

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

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

Risk factors

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

Timetable for the Offering

Share record date 11:59 pm (Buenos Aires time) _____, 2007

Commencement date of common share rights offering _____, 2007

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

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

Commencement date of ADS rights offering _____, 2007

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

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

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

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

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

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

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

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

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

US GAAP

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

BALANCE SHEET DATA

Argentine GAAP

Current assets:

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

Non-current assets:

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

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

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

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	As of the year ended June 30					
	2003 ⁽¹⁾	2004	2005	2006	2007	2007 ⁽²⁾
	(Ps.)	(Ps.)	(Ps.)	(Ps.)	(Ps.)	(US\$)
Other liabilities, taxes, charges, salaries and social security payable	7,158,058	10,370,898	36,585,829	9,048,990	14,006,121	4,528,329
<i>Non-current liabilities:</i>						
Long-term debt	137,995,607	125,920,201	114,798,751	99,550,449	27,085,386	8,756,995
Taxes payable	22,749,374	26,213,217	39,285,385	42,770,882	51,312,237	16,589,795
Total liabilities	177,330,987	181,434,754	220,064,276	244,230,422	246,089,329	79,563,314
Minority interest	206,712	65,451	276,947	559,871	836,872	270,570
Shareholders' equity	391,799,125	465,168,196	523,070,970	625,865,591	824,954,215	266,716,526
US GAAP						
<i>Non-current assets:</i>						
Inventories	11,158,969	14,371,493	16,950,827	26,348,869	32,297,175	10,442,022
Investments	206,463,936	236,526,965	289,309,184	444,010,858	597,100,979	193,049,136
Total assets	423,698,035	478,020,170	625,764,749	843,456,953	1,158,910,758	374,688,250
<i>Non-current liabilities:</i>						
Long-term debt	82,925,903	76,346,451	74,810,412	69,708,185	4,722,857	1,526,950
Taxes payable	54,668,735	53,809,128	60,714,471	59,020,118	60,586,895	19,588,392
Total liabilities	151,247,284	155,443,201	199,627,882	228,821,956	233,001,458	75,331,865
Shareholders' equity	272,349,817	322,511,158	425,859,920	614,066,773	925,072,428	299,085,816
CASH FLOW DATA						
Argentine GAAP						
Net cash provided by (used in) operating activities	12,435,796	(280,751)	(10,100,935)	(21,470,041)	(56,140,794)	(18,150,919)
Net cash provided by (used in) investing activities	(200,614,009)	(25,089,388)	62,734,033	(110,865,934)	(866,877)	(280,271)
Net cash provided by (used in) financing activities	165,644,376	16,670,247	1,691,457	92,250,539	115,813,757	37,443,827
US GAAP⁽⁹⁾						
Net cash (used in) provided by operating activities	14,521,304	(13,156,027)	54,735,816	(3,839,611)	(62,359,968)	(20,161,645)
Net cash (used in) provided by investing activities	(194,782,124)	(12,983,501)	(1,918,881)	(133,000,622)	5,295,891	1,712,218
Net cash provided by (used in) financing activities	165,644,376	16,670,247	1,691,457	92,250,539	115,813,757	37,443,827
Effects of exchange rate changes	(13,656,319)	1,272,280	(183,837)	4,504,528	56,406	18,237
Effects of inflation accounting	4,863,453					
OTHER FINANCIAL DATA						
Argentine GAAP						
Basic net income per share ⁽³⁾	0.54	0.23	0.49	0.19	0.20	0.06
Diluted net income per share ⁽⁴⁾	0.19	0.13	0.25	0.13	0.16	0.05
Basic net income per ADS ⁽³⁾⁽⁵⁾	5.40	2.30	4.90	1.93	2.00	0.65
Diluted net income per ADS ⁽⁴⁾⁽⁵⁾	1.90	1.30	2.50	1.32	1.60	0.52
Weighted average number of common shares outstanding	121,388,429	137,137,783	155,343,629	170,681,455	247,149,373	
Weighted average number of common shares outstanding plus assumed conversion ⁽⁶⁾	246,526,666	321,214,392	321,214,392	321,214,392	321,214,392	
Dividends paid ⁽⁷⁾	1.50	3.00	10.00	5.50		
Dividends per share	0.012	0.020	0.059	0.024		
Dividends per ADS ⁽⁵⁾	0.12	0.20	0.59	0.24		
Depreciation and amortization	3,825,546	3,937,141	4,169,139	5,112,088	4,333,122	1,400,945

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

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- (1) We have complied with the *Comisión Nacional de Valores* resolution in connection with the discontinuance of inflation accounting and accordingly have recorded the effects of inflation until February 28, 2003. We have restated comparative figures until that date. In addition, in fiscal year 2003, as required by Argentine GAAP, we restated the prior year's financial statements to give retroactive effect to new accounting standards adopted in that year, except for certain valuation and disclosure criteria that in accordance with the transition provisions were applied prospectively. See notes 2.d and 3 to our audited consolidated financial statements included elsewhere in this prospectus.
- (2) Solely for the convenience of the reader, we have translated Argentine Peso amounts into U.S. dollars at the exchange rate quoted by Banco de la Nación Argentina for June 30, 2007 which was Ps.3.093 = US\$1.00. We make no representation that the Argentine Peso or U.S. dollar amounts actually represent, could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all. See Exchange Rates.
- (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 US GAAP, respectively.
- (5) Determined by multiplying per share amounts by ten (one ADS equals ten common shares).
- (6) Assuming (i) conversion into common shares of all of our outstanding Convertible Notes due 2007 and (ii) exercise of all outstanding warrants to purchase our common shares.
- (7) The amount of dividends, if any to be paid in respect of our fiscal year ended June 30, 2007, will be determined by our shareholders at our next shareholders' meeting currently expected to occur in October, 2007.
- (8) Includes the purchase of farms and other property and equipment.
- (9) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of SFAS No. 95 under US GAAP. See Note 17.II.e) to our audited consolidated financial statements included elsewhere in this prospectus for details of the differences in classifications affecting the categories of cash flows.
- (10) Gross profit divided by the sum of production income and sales.
- (11) Operating income divided by the sum of production income and sales.
- (12) Net income divided by the sum of production income and sales.

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Summary Consolidated Financial and Other Information for IRSA

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

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

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

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

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

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

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

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

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

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

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

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	2003	2004	Year Ended June 30,		2007	2007 ⁽¹⁾
			2005	2006		(US\$ thousands)
		(Ps. thousands ⁽²⁾)				
Gain on purchasers rescissions of sales	9					
Net income (loss) from retained interest in securitized receivables	1,392	(1,526)	4,591	(12,274)	(115)	(37)
Operating (loss) income	(4,752)	27,291	82,043	121,716	205,669	66,495
(Loss) gain on equity investees	(5,621)	(20,161)	138,560	64,697	42,957	13,888
Financial results, net	265,753	21,195	(31,072)	(50,854)	(43,705)	(14,130)
Other incomes (expenses), net	9,880	(4,026)	(10,271)	(7,338)	(13,433)	(4,343)
Income before taxes and minority interest	265,260	24,299	179,259	128,221	191,488	61,910
Income tax and minimum presumed income tax	3,020	(12,528)	(34,747)	(18,678)	(39,176)	(12,666)
Minority interest	(33,154)	(8,946)	(15,114)	(19,597)	(49,090)	(15,871)
Net income	235,126	2,825	129,398	89,946	103,222	33,373
BALANCE SHEET DATA						
Argentine GAAP						
Cash and banks and current investments	232,001	163,900	211,934	233,438	856,707	276,983
Inventories	23,854	29,711	99,811	162,110	256,203	82,833
Mortgages and lease receivables, net	39,181	37,267	73,246	147,955	212,065	68,563
Non-current investments ⁽³⁾	412,789	519,499	542,863	647,981	673,273	217,676
Fixed assets, net	1,235,223	1,274,675	1,445,551	1,413,212	2,027,311	655,451
Total current assets	297,476	261,651	389,735	481,788	1,175,790	380,145
Total assets	2,081,956	2,208,326	2,524,426	2,740,121	4,144,899	1,340,090
Short-term debt ⁽⁴⁾	96,159	143,126	130,728	142,140	214,193	69,251
Total current liabilities	188,738	256,022	310,977	419,228	652,082	210,825
Long-term debt ⁽⁵⁾	592,104	468,807	422,412	295,282	1,222,423	395,222
Total non-current liabilities	629,988	522,213	515,381	385,138	1,395,693	451,242
Minority interest	454,044	470,237	445,839	449,989	450,410	145,622
Shareholders' equity	809,186	959,854	1,252,229	1,485,766	1,646,714	532,400
US GAAP						
Cash and banks and current investments	231,293	163,435	212,855	233,032	856,318	276,857
Inventories	23,584	25,374	46,702	61,720	160,961	52,040
Mortgages and lease receivables, net	39,181	37,267	72,577	145,718	205,267	66,365
Other receivables and prepaid expenses	80,799					