

CRESUD INC
Form 6-K
August 14, 2007
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15b-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

For the month of August, 2007

**CRESUD SOCIEDAD ANONIMA COMERCIAL INMOBILIARIA
FINANCIERA Y AGROPECUARIA**

(Exact name of Registrant as specified in its charter)

CRESUD INC.

(Translation of registrant's name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Moreno 877, 23rd Floor, (C1091AAQ)

Buenos Aires, Argentina

(Address of principal executive offices)

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

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CRESUD S.A.C.I.F. and A

(THE COMPANY)

REPORT ON FORM 6-K

Attached is an English translation of the Annual Report and Financial Statements corresponding to the fiscal year ended on June 30, 2007 and 2006.

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Cresud Sociedad Anónima

Comercial, Inmobiliaria, Financiera

y Agropecuaria

Annual Report and Financial Statements

corresponding to the fiscal years

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Cresud Sociedad Anónima

Comercial, Inmobiliaria, Financiera y Agropecuaria

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CORPORATE PROFILE

We are one of the leading agricultural and cattle breeding companies in Latin America. We seek to maximize the value of our assets based on two pillars: the Real Estate vision of the agricultural and cattle breeding business and the productive optimization. Our activities comprise the production of crop, including soy, corn, wheat and sunflower, beef cattle and milk. We also develop purchase and selling operations of rural farms aiming at producing a true transformation and the technical improvements necessary to produce a change in value.

Our shares are listed in the Buenos Aires Stock Exchange (BCBA) since March 1960 and in the United States NASDAQ since 1997.

With the incorporation of BrasilAgro, a Brazilian company listed in the San Pablo Stock Exchange (BOVESPA), in which we hold 7.4% shares, we have started a process of international expansion. The purpose of Cresud S.A.C.I.F. and A. (Cresud) is to continue expanding its operations in markets offering opportunities to implement its business model.

In addition, we are the principal shareholders of IRSA Inversiones y Representaciones S.A. (IRSA) one of the leading Real Estate operators in Argentina.

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LETTER TO SHAREHOLDERS

Dear Shareholders:

Net income for fiscal 2007 has been Ps. 49.4 million, that is, a 50% increase compared to the previous fiscal year. The good times in the sector reflect the changes in the agricultural and cattle breeding industry at world level, which, in our opinion, are here to stay. On top of the constrained situation seen in the global supply and demand of food in recent years, a new pressure factor is affecting the demand side, namely, the new application of crops as sources of energy. The plan announced by President Bush earlier this year, aimed at replacing fossil fuel usage by 20% with biofuels in a term of ten years, triggered the demand for ethanol, and hence, of corn. As a result, the prices of corn and other crops have skyrocketed and are now at levels inconceivable not long ago. Furthermore, this scenario emerges in a context of improved economies in the developing world, which in turn translates into an increase in the demand for higher quality foods which are to be produced in ever-decreasing surface areas. The indicators that measure land availability per capita have been pointing to a constant decrease due in part to increasing urbanization. All these factors have contributed to the current pressure currently perceived on the values of agricultural land in most of the countries with agricultural and cattle breeding potential.

In the agricultural sector, the 2006-2007 season has marked a new milestone in Argentine history: 95 million tons. This sets a new all-time record in crop production. The reason for these improvements are found in the incorporation of technology and the increase in planted surface areas also aided by very good weather in some of the production areas which favored the development of crops.

As regards our cattle beef activities, our company Cactus Argentina S.A. has associated with Tyson Foods, Inc, the US leading meat processing company. In turn, Cactus Argentina S.A., whose shareholders are Tyson Foods, Cactus Feeders (a leading feed-lot operator worldwide) and Cresud, has acquired a 100% stake in Exportaciones Agroindustriales Argentinas S.A. (EAASA) a company that owns a cold storage plant in Santa Rosa, Province of La Pampa, with capacity to slaughter and process approximately 9,500 cattle head per month. We are planning to expand slaughtering capabilities until we reach approximately 15,000 head per month. This is our first experience in vertical integration and we believe it shall be highly profitable for the company.

As regards our milk business, in the course of this fiscal year we have opened the second dairy facility in the La Juanita farm in the Province of Buenos Aires, which raises our total dairy farms to three. Hence, we have a total capacity of 3,300 cows in milking per day and we expect that with the application of new technologies and processes, total output should surpass the daily figure of 60,000 liters. As we see it, the sector in Argentina is offering major opportunities which shall contribute to an improvement in our operating income because of the high margins of this activity.

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Continuing with the Company's policy of selling properties that have reached an appreciation peak so as to reinvest profits in other ones with better profit potential, we have decided to sell the 20,833-hectare Tapenagá farm located in the Province of Chaco for US\$ 7.3 million, as a result of which we earned a US\$ 5.0 million profit. Additionally, we sold a fraction of 14,516 hectares at the Los Pozos farm located in the Province of Salta for US\$ 2.2 million which yielded a US\$ 2 million profit. And we also signed a bill of sale for a 50-hectare fraction in the El Recreo farm, located in the Province of Catamarca, for Ps. 0.7 million, which yielded profits for Ps. 0.5 million. These sales are proof of the profit potential of our properties, which is not reflected in our balance sheet as they have been booked at acquisition value.

Additionally, we have acquired the 8 de Julio 90,000-hectare farm, located in the Province of Santa Cruz, Argentine Patagonia, for US\$ 2.4 million. This farm has 15,000 sheep and it offers major appreciation potential.

With respect to marginal area development, we continued with the development of Los Pozos, located in the Province of Salta. Presently, the number of net hectares for cattle-beef production amounts to approximately 28,700 and the total number of heads is 30,992. We are also working on the development of the concession over 162,000 hectares held by Agropecuaria Cervera S.A. in the Province of Salta, acquired during the previous year and for a 60-year term. There are 35,000 hectares for agricultural use planned to enter the production stage in the medium term.

When it comes to own land reserves, as of June 30, 2007 Cresud had over 325,700 hectares in reserve, acquired at very attractive prices. As we have seen throughout our history, we are confident that, by continuously adding technology, the value of these land reserves will tend to appreciate which shall yield major profits for the company.

Fiscal 2007 marked the start of a new era of regional expansion for Cresud. BrasilAgro, a Brazilian company listed on the Bovespa since May 2006 and in which Cresud has been founding shareholder, has acquired its first properties in Brazil: Sao Pedro a 2,443-hectare farm in Chapado do Sul (MS), Cremaq a 32,375-hectare farm in Bahía Grande do Ribeiro (PI); Engenho a 2,022-hectare farm in Maracajú (MS) and Jatobá, a 31,603-hectare farm in Jaborandi (BA). In turn, it executed agreements to acquire two more properties, Araucária a 15,543-hectare farm in Mineiros (GO) and Alto Taquari a 5,266-hectare farm in Taquari (MT). Most of these properties were acquired at very attractive prices compared to the average in their respective regions. All of them offer major appreciation potential. In the course of the next fiscal year we will continue to look for new business opportunities with the aim of building a solid portfolio of properties.

We are currently analyzing the possibility of expanding our operations to other countries in the region where we have also identified land appreciation potential.

As regards our investment in IRSA, as of June 30, 2007, our ownership interest amounted to 25.01% of the Company's total outstanding stock capital. The earnings obtained in the course of fiscal 2007 represented a major profit for us in the amount of Ps. 33.1 million, with bright prospects for its business.

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Prospects for the agricultural and cattle beef sector are very interesting. In our opinion, companies which, like Cresud, have a solid track record of many years and enjoy high reputation in the sector, are well positioned to take advantage of the best opportunities offered by the market in this new global context.

These times of major challenges find us involved in projects with demanding objectives. I would hence like to thank our shareholders, investors, customers and suppliers for their trust and for their unwavering commitment and efforts, and to our Directors and employees for their unconditional effort and commitment, without whom it would be impossible to achieve our goals each year.

Autonomous City of Buenos Aires, July 27, 2007.

Eduardo S. Elsztain
President

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CORPORATE STRATEGY

We are one of the leading agricultural and cattle breeding companies in Latin America. We seek to maximize the value of our assets based on two pillars: the Real Estate vision of the agricultural and cattle breeding business and the productive optimization.

With the incorporation of BrasilAgro, a Brazilian company listed in BOVESPA, we have started a process of international expansion. Our purpose is to continue expanding our operations in markets offering opportunities to implement our business model.

We also seek to maintain the long-term value of our investment in IRSA of which we hold 25.01% of that company total shares.

Real Estate vision of the agricultural and cattle-breeding business

Our agricultural and cattle-breeding activities are developed with a Real Estate vision of the business. We rotate our portfolio of farms and pasture by acquiring large plots of land with high appreciation potential. Once the expected valuation has been attained, we sell the business. Although our portfolio is principally located in different regions of Argentina, we are now analyzing several alternatives to expand our company world-wide.

We believe that the appreciation potential of the land acquired lies in the following factors:

Changes in the use of the land: We acquire underused land to comply with our transformation goal: to transform the non-productive land acquired into cattle-rising, from cattle-rising to farming or changing the use of the land into more profitable activities. To such purpose we focus our investments out of the traditional farming regions.

Use of technology: We believe that investments in technology and the use of the most advanced agricultural techniques improves productivity levels of the land acquired and, consequently, improves its valuation.

Market cycle: We anticipate ourselves to the market trends by detecting opportunities arising from the evolution of the economy at local, regional and international level, detecting both increases and decreases in the medium and short-term supply and demand, provoked by changes in the world demography and by the use of land as a platform to produce food and energy, and for residential purposes.

Productive optimization

We will capitalize our sound agricultural and cattle-breeding know-how for a better sub-use of the land acquired by applying the following strategies:

Implementation of technology. We will continue using last generation technology to increase our productive yields. We have planed new investments in agricultural developments by applying farm techniques to improve cereal production. On the other hand, we consider that we can improve the yield of the crops using high potential fertilizers and seeds and introducing advanced techniques to rotate land. In the past we installed watering equipment in some of our farmlands so as to attain higher levels of production and we do not put aside this technique in our future developments.

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We try to improve our beef production applying the latest breeding techniques and health techniques. On the other hand, we plan to improve the use of pastures. Likewise, our project is to continue investing in infrastructure as, for instance, the development of installations for the supply of water and electrical fencing.

In respect of our milk production, our plan is to continue developing our activities through the use of last-generation technologies and the latest feed and health techniques. To date, we have one of the most modern dairy facilities in Argentina.

Production expansion. We have three forms of expanding our grain, meat and milk production:

- 1) Significantly increasing our total land surface in several regions of the country taking advantage of the opportunities to acquire pastures from the introduction of new technologies in under-developed land.
- 2) Through the leasing of land. Our policy of leasing land is designed to complement our expansion strategy, using our liquidity for productive investments in our main agro and cattle activities. On the other hand, our leasing strategy gives us an additional level of flexibility in respect of the mix of products that constitute our total production achieving a higher diversification to minimize the business risks.
- 3) Through the development of land in marginal areas, on June 30, 2007, Cresud had over 325,700 of land reserves, which are placed in areas in which there is little agricultural production and lots of un-used potential. We believe that by using the technology tools with which we count we will be able to carry out successful developments that will end in a good appreciation of our portfolio of land.

Geographic diversification of products. The purpose of Cresud is to continue expanding its operations in market that provide opportunities to implement our business model, in a direct form or through associations with third parties. This strategy aims at balancing the two main risks associated with our activity: the weather and the price fluctuation of commodities. To reduce such risks we maintain a diversification strategy in respect of our mix of products and the geographic location of our pastures. We own and lease land in several regions of Argentina with different climate conditions, sowing a diversified basket of products.

In addition, we are studying several alternatives to expand our business out of Argentina, allowing to diversify the country's specific risks:

Vertical integration. The growth of the volumes of our production generates for some of our activities the possibility of integrate vertically processing our own products. Even if we do not have defined terms for implementation, we continue evaluating any different alternatives. During the month of January 2007 we completed the first operation to integrate beef processing in Argentina. To concrete the opportunities of vertical integration we look for associations with third specialized parties so as to not advance in the productive chain without being sure of a positive differentiation in respect of the previous plan.

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Preservation over the long term of our investment in IRSA

We will maintain our participation and value in the long term as regards our significant investment in IRSA that, as of June 30, 2007 is 25.01%.

We believe that IRSA is the best way to have access to the Argentine Real Estate market due to the achievements obtained, the important and diversified portfolio of properties that place the company as leader in almost all the sector in which it has involved and the capacity and strength of its Management to benefit from opportunities and maximize the company value and the return to the shareholders.

Founded in 1943, IRSA is the largest Argentine company investor in Real Estate and the only Argentine company in its activity that lists its shares in the BCBA and in the New York Stock Exchange (NYSE).

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MACROECONOMIC CONTEXT

The Argentine Economy

After having been steadily moving forward during the calendar year 2006 the Argentine economy continues at present such clear path pushed by the internal expense and the favorable evolution of commodities. According to the indicators, we are able to consider that during the second quarter of the calendar year the economy would have slightly expanded above 2% seasonally adjusted. This means that the economy has accumulated 21 uninterrupted quarters of growth, which would allow the Gross Domestic Product (GDP) to situate 20% above the maximum prior to the crisis (8.3% per capita).

The rise of the GDP in calendar year 2007 would have been pushed mainly by private consumption, whereas public consumption would increase at a higher rate than in 2006. In the meantime, the Fixed Gross Domestic Investment (FGDI) would continue growing above the average of the economy although at a lesser speed than last years , led by durable equipment for production.

Taking these estimates into account and the statistical 3.3% push left by calendar year 2006, it is awaited that the economy will grow around 8% inter-annually towards December 2007. Consequently, the economy would be in its fifth consecutive year of growth thus entering into the largest and strongest expansive stage since the 1964-1974 period.

During the current calendar year expenses in investment would be showing signs of deceleration with respect to previous years. Higher expense levels would be the result of increasing investments both in the private and in the public sectors. In the first case, estimates of a higher economic growth and positive profitability would encourage investment decisions. On the other hand, higher investment in infra-structure (focused on the provision of electric energy) and housing plans would lead to an increase in the public sector share of the FGDI.

Specifically for the second quarter of the current calendar 2007 year investments seem to have accelerated expanding at a rate above 5% seasonally adjusted, also higher to last year's average (3.3% seasonally adjusted). The increase would be pushed mostly by purchases of durable equipment of production, and construction expense would remain relatively stable within the levels of the fourth quarter.

Consumption has been the principal booster in the growth of the economy along 2007, with the influence of higher expense by families and by the public sector. The rise of private consumption is connected with several issues, among which higher retirement payments and increasing salaries are to be highlighted in a context in which the credit for consumption continues an upward trend with high rates.

In accordance with estimates of the Argentine Central Bank (BCRA), private consumption is awaited to increase around 7% in the current year which, even being slightly lesser to the rise of previous years, it would be indicating that this component has an outstanding dynamism contributing with two thirds of the growth. Another issue is the good behavior of home consumption in wholesales, retailer and automotives, in a context in which personal credits still have high rates of growth.

The trade balance of goods and services would be in excess of income over expenses for the sixth consecutive year, although current trend is slowing down. To such extent, for the first six-month period of calendar year 2007, imports measured at constant prices continued increasing in inter-annual terms at a higher rhythm than exports.

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The push of imports was given by larger purchases of capital and intermediate goods, together with increases in all issues in a context of de-accumulation of stocks.

With the absence of a lender of international level and with the purpose of eradicating the external vulnerability that marked our economy during the last decades, the Argentine Central Bank continues with its policy of accumulating international reserves for precautionary reasons and, at the same maintaining a nominal rate of exchange of 3.10 pesos = 1 US\$, resulting in a solvent and predictable scenario. Consequently, the Argentine level of international reserves has reached an all-time record by exceeding the amount of US\$ 37,380 million reserves in January 2001.

We would mention that the Argentine Central Bank carries a monetary policy consistent with the balance between the supply and demand of the monetary market. This has become possible by sterilizing a significant portion of primary money via the acquisition of foreign currency through the placement of LEBAC and NOBAC, concentrating swap operations and collection of re-discounts. Particularly during the six-month period ended June 30, 2007, around 90% of the primary issue of money associated to the accumulation of international reserves was sterilized.

Furthermore, the hoarding of reserves is not the mere reflex of indebtedness with the outside world, but the other face of the external surplus within a context of tax surplus. To such extent, the current account still has favorable results and the estimate is that by December 2007 six consecutive years of positive balances will be completed, which has not happened in the last four decades. Last year the result of the current account was higher than year 2005 amounting to US\$ 8,000 million approximately (3.8% of the GDP), and the project for the current year is a surplus that in nominal values would be similar to year 2006 pushed by the balance of trade. Although during the second quarter of calendar year 2007 exports decelerated temporarily, mostly due to dispatches of certain primary products such as soy beans and copper concentrates, it is estimated that external sales during the next months will recover the prior upward trend, totaling approximately US\$ 52,000 million.

On the other hand, public accounts continue a positive performance due to increasing tax resources, which allows compensating partially the upward trend of the primary expense. For the remaining part of the year it is estimated that tax income will continue expanding and collections would be above 24% of the GDP. Collections of the National Non-financial Public Sector (NNPS) as of December 31, 2007 would reach the surplus guideline estimated in National Budget. However, considering the estimated financial surplus up to the end of the calendar year and the new issues of debt in foreign currency, the financing of the National General Treasury (NGT) would not be difficult during the current calendar year.

The positive evolution of the level of activities goes in line with the improvement in the labor and social variables. For the first quarter of calendar year 2007, unemployment rates are as awaited, that is 9.8%.

On the other hand, as of June 30, 2007 the Consumer Price Index of Greater Buenos Aires (CPI GBA) increased 8.8% inter-annually in June 2007. Furthermore, the Wholesale Domestic Price Index (WDPI) of June 2007 increased 1.9% with respect to the previous month and 9.3% inter-annually.

Bearing all the above issues in mind, the economic activity would continue moving upwards the rest of 2007 mostly due to the internal expense. Although during the second quarter the GDP has grown at a lesser rhythm to the average of the current expansive cycle, according to the Argentine Central Bank projections, certain acceleration is estimated for third and fourth quarters. Consequently, the average increase by the end of 2007 would be 8% approximately.

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	2001	2002	2003	2004	2005	2006
Actual GDP growth (in %)	-4.4%	-10.9%	8.8%	9.0%	9.2%	8.5%
Inflation (price mix) in % *	-1.7%	49.4%	16.0%	5.9%	9.1%	9.8%
Unemployment rate ***	20.5%	20.7%	14.5%	13.0%	10.1%	8.7%
Fiscal result (without privatizing results) in % of the GDP	0.5%	0.7%	2.3%	3.9%	3.7%	3.5%
FOB exports (in million dollars)	26,610	25,710	29,565	34,550	40,107	46,569
CIF imports (in million dollars)	20,320	8,991	13,834	22,447	28,688	33,500
Trade balance (in million dollars)	6,289	16,719	15,731	12,103	11,419	12,410
Payment balance current account (in million dollars)**	-3,291	8,673	7,659	3,349	5,705	8,053

Annual average*

Accrual basis**

Country average (as a % of the economically active population)***

Source: Estudio M.A. Broda y Asoc.

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AGRICULTURE AND CATTLE BREEDING SECTORS IN ARGENTINA

Argentina has gained in strength in recent years as one of the world's leading food producers and exporters.

The agricultural and cattle breeding sector has been one of the main protagonists of the Argentine recovery, taking advantage of a suitable scenario and the technological improvements achieved during the last decade.

Jointly, agrifood exports continue to increase year after year, hitting all-time highs both in primary and fresh products and in manufactured products. The main increases in Argentina's share in the international market have been in the European Union and Asia. Therefore, the agrifood sector gains strength as one of the most important in the aggregate of the Argentine economy.

The optimism observed in the markets is empowered by two large engines: the need to produce ethanol and biodiesel as from the global modification of the energy matrix and the so-called China-India tandem, two countries that represent 40% of world population, which continues growing at a pace hardly ever seen throughout history, where 70% of revenues earmarked for food and soy demand grow from year to year.

Agriculture Sector

The 2006/07 agricultural campaign will be a new Argentine agricultural productive record, estimating that total production will be over 95 million tons. This figure represents an 11% increase as compared to the 2004/5 campaign, the prior historical record, and it is mainly based on larger historical soy and maize productions, exceeding 47 and 22 million tons, respectively.

Since 1994 agricultural production has been growing significantly as a result of changes in production systems with the extension of direct sowing and the larger use of agrochemicals, fertilizers and irrigation. In addition, the increase in sown areas with the incorporation of marginal areas to production and the expansion of agricultural activity into traditionally cattle breeding areas, added to higher yields, have been the major drivers of growth.

The indicators of grain production evolution show that from 1993 through 2007 the harvested volume grew by 130% from 41 million production for the 1993/94 campaign to 95 million for the 2006/07 cycle. This productive process was accompanied by grain exports, which increased constantly over the past few years. Exports of grains, its sub-products, and oils exceeded 63 million tons in 2006, 3% less than the prior year. Argentina is the first world exporter of soy sub-products (oils and flours), the second exporter of maize and it is among the five top exporters of wheat.

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As per a report of the United States Department of Agriculture (USDA), USDA Agricultural Baseline Projections to 2016 , Argentine production prospects are still very good, positioning the country as a strong competitor of the United States in the agricultural sector.

With a dramatic world economic growth and an increasing demand in agricultural products, global agricultural trade is expected to grow in the coming decade. Moreover, the quick expansion in the production of ethanol and biodiesel in some countries will materially impact on global demand for raw materials such as maize, vegetable oils, and sugar cane, also affecting world price relations.

As a general framework, a world growth time is expected, with a global average of 3.4% p.a. from 2007 to 2016, but with rates of 5.6% in developing countries. It is the growth of these countries which adopt changes in their diets as they acquire improved revenues what supports the expectations of a strong demand for food in the coming years.

Certain countries that had traditionally been exporters of commodities such as Argentina, Australia, Canada and the European Union will continue to play a fundamental role in the coming decade. But a growing presence of countries that are making major investments in their agricultural sectors, such as Brazil, Russia, Ukraine, and Kazakhstan is expected.

According to such report, biofuels production is experiencing a quick growth in a certain number of countries. The projections assume that the most significant increase in the production of these fuels for the coming ten years will occur in the United States, Brazil, Argentina, and Canada. This will cause the ever increasing demand for seeds used to produce oils to grow even further. Argentina is the first soy derivatives and oil exporter. This event shows its outstanding grinding capacity, the small domestic demand for these products, and a tax structure for exports that favors the exports of soy derivatives as opposed to grain.

With the increase in ethanol production based on the maize of the United States, the report expects an increase in maize production and export for countries such as Argentina and Brazil, among others. Argentina is expected to maintain its leadership as second world exporter of maize, increasing the area used for such crop in response to price increases.

Livestock Sector

Over the past few years, the world meat market presented outstanding structural changes and great dynamism owing to international supply and demand conditions.

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As to supply, international trade was affected by the influence of several animal diseases, particularly the bovine spongiform encephalopathy (BSE) and foot-and-mouth disease, which have affected production and the prices of the main exporting countries.

On the other hand, within a context of increased available revenues, caused by the increase at world scale of the per capita GDP and the recovery of trust in consumers, meat consumption increased in 2006, which gave rise to new investments in the production of cattle and meat.

As a result of the increase in demand jointly with the shrink in supply, the outbreak of animal diseases combined with the evolution in foreign exchange rates, a change occurred evidenced in the trade guidelines that favored the increase in the trade of meat from South America.

Argentina is one of the main world producers and exporters of beef with a stock close to 55 million heads. A total amount of 80% of Argentina's production is earmarked for the domestic market, where Argentines are ranked first in the beef consumption list with 62 Kg. per capita p.a. for 2006.

Owing to the strong domestic and foreign demand and a stagnated supply, consumer prices increased. This led the Government to take different measures to increase the local beef supply and boost a fall in domestic prices: exports duties increased, a minimum slaughter weight was established and, in March 2006, the beef exports were momentarily suspended. In the light of these restrictions, 2006 production presented a 3.6% year-to-year fall. This means that during 2006 the sector lost a production volume similar to the one achieved in 2005 as compared to 2004. Over the first five months of 2007, total production reached about 1.245 billion tons of boned beef, i.e. beef production accumulated a 6.5% increase as compared to the same period the prior year.

As to exports, after having achieved a record of 775,000 tons in 2005, in 2006, there was a 26.6% year-to-year fall. This resulted mainly from the government's decision to suspend beef exports for a short period. The government extended this decision and, under Ministry of Economy Resolution 367 issued in May 2007, exports may not exceed 50% of the volume placed in 2005. Over the first five months of 2007, beef exports reached 159,007 tons of product weight, 4.2% over the volume exported in the same period the prior year. In the accumulated 2007, the main customers of Argentine meat packers were Russia, Chile, Hong Kong, Germany, and Israel. These five countries accounted for 58.4% of the exported volume.

The development of the cattle sector in Argentina was always related to the foot-and-mouth disease control. After Argentina's having been declared country free from foot-and-mouth disease with vaccination, it lost such status in February 2006 since a focus of the disease was detected. The focus was controlled quickly and in early 2007 Argentina regained its status.

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BSE continues to affect the cattle-breeding activity around the world. Argentina, jointly with Australia, New Zealand, Singapore, and Uruguay, is one of the countries free from such disease. The SENASA (agriculture and food sanitation and quality agency) has played a fundamental role in this by establishing, from the very beginning, sanitary control measures aimed at isolating the country and preventing the disease from entering Argentina.

Milk Sector

According to the estimations obtained from FAO (Foreign Agricultural Service), the United Nations Organization agriculture and food agency, world milk production showed a 2.6% increase in 2006, reaching 641.7 million tons. Total milk production is relatively constant, with increases in South America, the United States, and Asia, while the drought may affect the performance of Australia and New Zealand. The largest increases in production were observed in Asia and that is why the region became the largest producer in the world. This area is also a strong importer of dairy products, absorbing a significant portion of world production.

In 2006, total milk production in Argentina has recorded a new growth level, thus maintaining the sustained increase since it bottomed out in the 1999-2003 period. Total production amounted to 10,162 billion liters, 7% up from 2005, thus Argentina was ranked 16th among the world cow milk producing countries, with a 1.8% share. In H1 2007, milk production ended low by 13% due to floods in the Province of Santa Fe and other problems such as closures of dairy farms and fewer investments in the sector. However, it is expected that this situation changes and the sector recovers to previous levels.

As regards external sales, the main dairy export destination during 2006 were Algeria, Venezuela, Brazil, Chile and México. As regards dairy products, Argentina is the third world whole powdered milk exporter, the 17th in low-fat powdered milk, the 19th in cheeses and 27th in butter. Based on official data, during 2006, 360,550 tons of dairy products were exported, which represents revenues for USD 798 million. These figures represented a 30% increase in volume and almost 27.8% in value, as regards the previous year.

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Appreciation Of Land Value

The prices of Argentina farmland rocketed between 2002 and 2005 due, among other things, to better international grain prices and the lack of investment alternatives in other sectors. In turn, the technological package that implies direct sowing, adding fertilizers, managing soil humidity, agrochemicals have helped to expand the agricultural boundaries into several areas. Better productivity has pushed prices upward in many areas previously considered to be marginal for agriculture.

The following chart shows the development of prices for core, mixed and cattle-breeding areas since 1990.

Product Prospects ⁽¹⁾

Wheat

USDA projections for the 2007/2008 campaign at global level estimate a production of 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 specially 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 shows 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.

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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 24 million tons, 7% higher than the previous campaign.

Soybean

In the case of soybean, for the 2007/2008 campaign, USDA projects a world production of 222.1 million tons, 14 million less than the previous year. This decrease is due to the USA decision to allot more land to corn to the detriment of the soybean sowed area by 15% in respect of the last campaign, estimating a 71 million-ton production. With world consumption growing from 9 million tons to 234.2 million tons, there would be a 12 million deficit, bringing world stock to 52 million tons.

On the other hand, USDA projects a strong increase in soybean sowing in South America where the soybean area would increase by 1.4 million hectares in Brazil and 900,000 hectares in Argentina. Argentine production is estimated at 47 million tons, slightly lower than the previous year. The area earmarked for soybean grows in a sustained manner since 1980 and it is estimated that the trend will continue due to its yield and results achieved by biotechnology.

Sunflower

Globally, sunflower production for the 2007/2008 campaign is projected at 31 million tons against 32 million tons in the previous year. This drop 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 bullish due to the strong biofuel demand, a situation that favorably impacts the sunflower oil prices due to the space allotted to other oils for fuels.

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 to 20% during the 2007/08 campaign vis-à-vis the previous cycle. Based on USDA projections, production for such campaign will stand at 4 million tons.

Beef Cattle

The scarce supply of beef has sustained world beef prices since late 2006. World beef exportable supplies continue to be limited due to the slow recovery of commercial trends from North America to the main Asian markets, due to the discovery of bovine spongiform encephalopathy (BSE) cases. Limited supplies are expected along with the increase in demand, thus strengthening the beef prices in the short term.

As in developing countries, consumers are diversifying the eating habits, leaving aside basic cereals and adopting more westernized foods and consumption practices, it is supposed that around 80% of the increase in the consumption of beef takes place in such areas.

Based on forecast, world beef production will increase in 2007 to 67 million tons. However, policies enforced in Argentina, such as taxes on exports and restrictions to beef exports to maintain domestic beef prices affordable to the population and inflation under reins are determining a production decrease for 2007.

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Milk

Over the last few months, prices of all dairy products in the international market have reached unprecedented levels, essentially for a deficient supply since world milk production has not kept up the pace of the solid demand. It is estimated that this milk price increase will boost a world production increase of 2.7% in 2007, thus reaching 675 million tons.

In Argentina, milk production will grow, based on forecasts, by 8% in 2007, given the high milk prices. Investments made in the milk producing sector, in spite of export taxes are leading Argentina to take up an important place on world export markets, especially in the whole powdered milk section, but also, and ever more increasing, in the cheese sector. However, growth may be affected by high prices in cereal crops, fodder cereals that reduce available pastures and affect the profitability of dairy products.

(1): Sources: Secretaría de Agricultura, Pesca y Alimentación de la República Argentina, United States Department of Agriculture, Instituto Interamericano de Cooperación para la Agricultura, Márgenes Agropecuarios, Food and Agriculture Organization of the United Nations and own information.

Table of Contents**DESCRIPTION OF THE BUSINESS****Commercial Outlook**

At present we are engaged in various operations and activities including crops, cattle breeding and fattening, milk production and certain forestry activities. We complement our operations with the purchase and sale of land to benefit from the real estate valuation.

Most of our farms are located in one of the vastest temperate prairie areas in the world and one of the richest for the purpose of agricultural and cattle-breeding production comprising parts of the provinces of Buenos Aires, Santa Fe, Córdoba, Chaco, San Luis, Catamarca, Salta, Entre Rios and La Pampa. During the fiscal year under consideration we gained presence in the Patagonian region, specifically in the Province of Santa Cruz, by buying a 90,000-hectare farm. As of June 30, 2007, together with our subsidiaries, we owned 17 farms. Approximately 28,272 hectares of our own land are applied to, and suitable for, crop production, whereas approximately 84,889 hectares are more suitable for the cattle beef business and 2,609 hectares are applied to milk production.

The remaining 483,677 hectares are basically land reserves. During fiscal year 2007, we leased 40 farms for agricultural and cattle-beef production, which together spanned a total surface of 54,515 hectares, including double crop.

The following chart shows for the periods indicated below, the amount of land allocated to each productive activity (including the total amount of own and leased farms):

	Use of land				
	Fiscal Year ended June				
	2003 ^{(1) (6)}	2004 ^{(1) (7)}	2005 ^{(1) (8)}	2006 ^{(1) (9)}	2007 ^{(1) (9) (10) (11)}
	<i>(in hectares)</i>				
Crops ⁽²⁾	27,255	27,358	40,722	41,283	53,579
Cattle ⁽³⁾	135,798	125,669	126,879	129,946	114,097
Milk	977	1,001	1,776	1,698	2,609
Land Reserves ⁽⁴⁾	272,318	266,916	263,177	418,477	483,677
Lease of own land to third parties		13,996	9,978	14,229	13,771
Total ⁽⁵⁾	436,348	434,940	442,532	605,633	667,733

⁽¹⁾ Includes 35.723% of approximately 8,299 hectares owned by Agro Uranga S.A.

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

⁽³⁾ Breeding and Fattening.

⁽⁴⁾ We used part of our land reserves to produce charcoal, posts and fence rods.

⁽⁵⁾ As of June 30, 2003, 14,578 hectares of land were leased for agriculture production. As of June 30, 2004, the surface area allocated to agricultural production in the farms leased was 9,766 hectares. During fiscal year 2005, 16,299 hectares were leased for agricultural production. As of June 30, 2006, 17,004 hectares were leased for agricultural production and 32,647 hectares were leased for cattle breeding. As of June 30, 2007, 25,307 hectares were leased for agricultural production and 29,208 hectares were leased for cattle breeding.

⁽⁶⁾ Includes 618 hectares of Los Maizales farm and 706 hectares of El Silencio / San Luis farm.

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- (7) Includes 8,360 hectares of El Tigre farm purchased on April 30, 2003 and does not include 6,478 hectares of El 41-42 farm whose title deeds were signed on November 26, 2003.
- (8) Includes 977 hectares of San Enrique farm and 30,350 hectares of El Ñacurutu farm sold during fiscal year 2005.
- (9) Includes 6,022 hectares of San Pedro farm acquired on September 1, 2005 and approximately 162,000 hectares through our 99.99% ownership interest in Agropecuaria Cervera S.A. which owns, among other assets and rights, the concession of the start-up of production for a comprehensive development project. It does not include 5,727 hectares of El Gualicho farm sold on July 25, 2005.
- (10) Includes 90,000 hectares corresponding to the 8 de Julio farm, allocated to land reserve. Does not include 20,833 hectares of the Tapenagá farm. Neither does it include 14,516 hectares at the Los Pozos farm, 50 hectares at Establecimiento El Recreo, as they were sold in the course of fiscal 2007.
- (11) Includes 24% out of 170 hectares owned by Cactus Argentina S.A.

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Operations and main business

During fiscal 2006, our operations were conducted on 17 owned farms, and 25 leased farms. During the fiscal year ended on June 30, 2007, our operations were performed on 17 farms belonging to our company and subsidiaries and 40 leased farms. Some of our own farms are applied to more than one productive activity simultaneously.

The following chart shows, for the periods indicated below, the volumes of our production by main product line:

	Production of primary agriculture products				
	Fiscal Year ended June 30				
	2003 ⁽¹⁾	2004 ⁽¹⁾	2005 ⁽¹⁾	2006 ⁽¹⁾	2007 ⁽¹⁾
Crops ⁽²⁾	70,369	74,612	149,785	106,867	175,455
Cattle ⁽³⁾	9,121	11,370	10,657	9,803	9,913
Milk ⁽⁴⁾	6,024	6,731	7,312	14,588	16,663

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

⁽²⁾ Production measured in tons.

⁽³⁾ Production measured in live weight tons. Production is the addition of net increases (or decreases) during a certain period of live weight of each cattle head belonging to the company.

⁽⁴⁾ Production measured in thousands of liters.

Farmlands

Farmlands acquisition. We intend to increase our farmland portfolio by acquiring large surfaces of land with high appreciation potential. We also intend to transform the land acquired from non-productive to cattle breeding, from cattle breeding to farming, or applying last generation technology to improve farming yields so as to generate higher appreciation.

In our view, the sector potential lies in developing underutilized areas, in which, thanks to current technology, we may achieve similar yields with higher profitability than core areas; this may result in the appreciation of land values.

Our financial capacity relative to other Argentine producers enables us to increase our land holdings at attractive prices, increase our production scale and create potential for capital appreciation.

Several important intermediaries, with whom we habitually work, present us with offers of farmlands available for sale. The decision to acquire farmlands is based on the assessment of a number of factors. In addition to the location of the land, we normally carry out an analysis of soil and water, including the quality of the soil and its adaptation to the intended use (either for agricultural, livestock or milk production), classify the various sectors of the lot and the prior use of the farmland; analyze the improvements in the property, any easements, rights of way or other variables in relation to the ownership right; examine satellite photographs of the property (useful in the survey of soil drainage characteristics during the different rain cycles) and detailed comparative data in relation to neighboring farms (generally covering a 50-km area). On the basis of these factors, we assess the farmland in terms of the sales price compared to the production potential of the land and the appreciation potential of the capital. We consider that competition for the acquisition of farmlands is, in general, limited to small farmers for the acquisition of smaller lots, and that there is less competition for the acquisition of bigger lots.

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In addition, we may consider the acquisition of farmlands in marginal zones and their improvement by irrigation in non-productive areas as well as the installation of irrigation devices in order to obtain attractive production yields and to create potential for capital appreciation.

On May 15, 2007 a bill of purchase was signed for a surface area of 90,000 hectares in the 8 de Julio farm, located south of the Deseado River in the Province of Santa Cruz. The transaction was agreed for a price of US\$ 2.4 million. Upon execution of the bill of purchase a payment was made for US\$ 1.2 million and possession over the farm was taken. The balance shall be paid on August 13, 2007, and also on that date the deed shall be executed. This farm offers excellent potential for sheep production, both in terms of wool and mutton production. In addition, it has future potential as a tourist attraction and for leisure activities.

Sales of farmlands. We are permanently evaluating the realization value of our farmlands and we sell properties periodically to obtain profits from the real estate value increase. We analyze the possibility of selling based on a number of factors, including the expected future yield of the farmland for continued agricultural and livestock exploitation, the availability of other investment opportunities and cyclical factors that have a bearing on the global values of farmlands.

The following chart shows, for the periods indicated below, certain information referent to the farm's sales during each of the past five fiscal years ended on June 30:

Sale of farms

Fiscal Year	Amount of farms	Gross proceeds	Book value of assets sold	Profit / (Loss) (1)
		of sale (In million Pesos)		
2003	2	12.0	7.1	4.9
2004 ⁽²⁾	1	4.1	2.4	1.7
2005 ⁽³⁾	2	29.8	9.8	20.0
2006 ⁽⁴⁾	1	16.1	6.2	9.9
2007 ⁽⁵⁾	3	29.9	7.6	22.3

(1) Includes all taxes and commissions.

(2) Includes the sale of El 41-42 farm of 6,478-hectares, and IGSA's land reserves for 5,997 hectares.

(3) Includes the sale of Nacurutú and San Enrique farms, of 30,350 and 977 hectares, respectively. It also includes the results of the sale of a two-hectare parcel belonging to IGSA.

(4) Includes the sale of El Gualicho farm, of 5,727 hectares.

(5) Includes the total sale of Tapenagá, of 20,833 hectares, the partial sale of 14,516 hectares in Los Pozos and the partial sale of 50 hectares at El Recreo.

On June 6, 2007, the sales deed was executed for the 20,833-hectare Tapenagá farm, located in the Province of Chaco. This deal was consummated for US\$ 7.3 million. The property was valued in the Company's books at US\$ 97.5 per hectare. Therefore, the transaction yielded a US\$ 5.0 million profit.

In addition, a sales deed was executed for a 14,516-hectare fraction at the Los Pozos farm, located in Joaquín V. González, Province of Salta. The price of the transaction was US\$ 2.2 million, i.e., US\$ 150 per hectare. It is to be noted that on the Company's books, the lot sold had been recorded for a value of US\$ 7 per hectare. Therefore, this sale yielded a US\$ 2.0 million profit.

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Lastly, a bill of sale was executed for a 50-hectare fraction at the El Recreo farm, located in Recreo, Province of Catamarca, for Ps 0.7 million, which yielded a Ps 0.5 million profit.

Lease of farms. Our strategy is to diversify our mix of products and the geographic location of our farmlands in the search for an adequate balance between the two principal risks associated to our activities: the weather and the commodities' fluctuation of price. In order to reduce such risks, we own and lease land in several areas of Argentina with different climate conditions so as to be able of sowing a diversified range of products. The initial duration of lease agreements

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is habitually one or two seasons. Leases of farms for production of grains consist in lease agreements with payments based on a fixed amount of Pesos per hectare or crop sharing agreements (*aparcería*) with payments in kind based on a percentage of the crops obtained or a fixed amount of tons of grains obtained or their equivalent value in Pesos. Leases of farmlands for cattle breeding consist in lease agreements with fixed payments based on a fixed amount of Pesos per hectare or steer kilograms or capitalization agreements with payments in kind or in cash based on the weight gain in kilograms.

During the current fiscal year we have leased a total of 40 fields covering 53,059 hectares, of which 25,307 hectares were assigned to farming production, including the double harvest, and 29,208 hectares to cattle.

Farm management. In contrast to traditional Argentine farms, run by a family, we centralize political decisions in an executive committee that meets on a weekly basis in Buenos Aires. Individual farm management is delegated to farm managers, who are responsible for farm operations. The executive committee is responsible for evaluating and approving purchases and sales as well as assigning the risks on the basis of market expectations. The Executive Committee also sets forth both production and commercial guidelines.

We are applying the best practices related to the use of land, we rotate the use of our pasture lands between agricultural production and cattle feeding and the frequency depends on the location and characteristics of the farmland. The use of land habitually rotates in four-year periods of cattle feeding and four to twelve years of agricultural production, according to the region. The use of preservation techniques (including exploitation by direct sowing) frequently allows us to extend agricultural exploitation periods.

Subsequent to the acquisition of the properties, we make investments in technology in order to improve productivity and to increase the value of the property. It may be the case that upon acquisition, a given extension of the property is sub-utilized or the infrastructure may be in need of improvement. We have invested in traditional fencing and in electrical fencing, watering troughs for cattle herds, irrigation equipment and machinery, among other things.

Agricultural production

Our agricultural production consists mainly in crops and harvests of cereals and oilseeds. The main crops include wheat, corn, soybean and sunflower. Other crops, such as sorghum, are sown occasionally and only represent a small percentage of the total surface area sown. In addition, other agricultural activities are being carried out under specific agreements, such as beans, chickpeas and peas.

The following chart shows, for the periods indicated below, the production of the main crops:

	Agriculture production				
	Fiscal Year ended June 30				
	2003 ⁽¹⁾	2004 ⁽¹⁾	2005 ⁽¹⁾	2006 ⁽¹⁾	2007 ⁽¹⁾
	<i>(in tons)</i>				
Wheat	9,397	16,707	23,719	21,788	16,651
Corn	27,508	31,164	65,777	31,558	80,728
Sunflower	3,074	3,095	5,024	7,300	6,797
Soybean	25,056	20,439	48,730	42,797	61,283
Other	5,334	3,207	6,535	3,424	9,996
Total	70,369	74,612	149,785	106,867	175,455

⁽¹⁾ Does not include Agro Uranga S.A.'s production.

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The following chart shows, for the periods indicated below, the surface of owned and leased land applied to agricultural production. As of June 30, 2007, leased farms stand for 47% of total sown farms.

	Farm sown for agriculture production ⁽¹⁾				
	Fiscal Year ended June 30				
	2003 ⁽²⁾	2004 ⁽²⁾	2005 ⁽²⁾	2006 ⁽²⁾	2007 ^{(2) (3)}
	<i>(in hectares)</i>				
Own	12,677	17,592	24,423	24,279	28,272
Leased	14,578	9,766	16,299	17,004	25,307
Total	27,255	27,358	40,722	41,283	53,579

⁽¹⁾ The area of the farm sown may differ from that shown on the Use of land heading since some hectares are sown twice during the same season and therefore are included twice.

⁽²⁾ Includes Agro Uranga S.A. s hectares.

⁽³⁾ Includes Agropecuaria Cervera S.A. s hectares.

Wheat seeding takes place from June to September, and harvesting takes place from December to January. Corn, soybean and sunflower are sown during the period September/December and are harvested from February to June. Grains are available to be sold as commodities after the harvest during the period December/June and we habitually store part of our production until prices recover after the drop that normally takes place during the harvesting campaign. A major part of production, specially wheat, corn, soybean and sunflower is sold and delivered to buyers pursuant to agreements in which price conditions are fixed by reference to the market price at a specific time in the future that we determine.

As of June 30, 2007, our crop stocks consisted in 6,705 tons of wheat, 34,172 tons of corn, 27,890 tons of soybean, 2,203 tons of sorghum and 3,580 tons of sunflower; whereas as of June 30, 2006 such stocks consisted in 11,426 tons of wheat, 4,538 tons of corn, 11,662 tons of soybean, 193 tons of sorghum and 479 tons of sunflower.

During fiscal 2007 we have invested approximately Ps. 2.1 million in irrigation equipment, machinery and technology application.

Cattle Beef Production

Our cattle beef production specially involves the breeding and fattening of our own stock. In some cases, if market conditions are favorable, we purchase and fatten cattle which we sell to slaughterhouses and supermarkets.

As part of our strategy to move along the production chain, during 2003 we started to slaughter our own cattle, after obtaining the appropriate licenses. As of June 2007, the Company s cattle stock amounted to 83,727 head, with a total surface area of 84,848 hectares applied to these activities.

Cattle beef production amounted to 9,913 tons, a 1% increase compared to the previous year, mainly due to the delayed effect caused by last season s draughts on our herd s productivity and the effect of better weather on grass production. In addition, in the course of this fiscal year, the number of cattle stock head finished at the feedlot was lower than in the previous fiscal year.

Pregnancy indices, which have been improving year after year, showed satisfactory levels of efficiency in view of the weather conditions in the breeding farm areas. Furthermore, the continuous improvement of genetics and herd management will have a positive impact in productivity in the coming years.

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Currently, the cattle breeding farms are officially registered as export farmlands pursuant to the identification and traceability rules in force in Argentina. Animals are individually identified, thus allowing for the development of special businesses in this area.

Management by lot in our pastures is aided by electrical fencing, which may be easily relocated to supplement our land-rotation cycles. Our cattle herd is subject to a 160-kg to 360-kg fattening cycle by grazing in pastures located in our North and Center farmlands where conditions are adequate to initial fattening. Later, and according to the business trend, cattle are subsequently fattened until they reach 430 kg in the South farmlands and in our San Luis feedlot. The feedlot fattening system leads to homogeneity in production and beef of higher quality and tenderness because of the younger age at which animals are slaughtered. Demand and prices for this beef in international markets are higher.

The Company's cattle breeding activities are carried out with breeding cows and bulls and its fattening activities apply to steer, heifers and calves. Breeding cows calve approximately once a year and their productive lifespan is from six to seven years. Six months after birth, calves are weaned and transferred to fattening pastures. Acquired cattle is directly subject to the fattening process. Upon starting this process, cattle have been grazing for approximately one year to one and a half year in order to be fattened for sale. Steer and heifers are sold when they have achieved a weight of 380-430 kilograms and 280-295 kilograms, respectively, depending on the breed.

Our cattle stock is organized in breeding and fattening activities. The following chart shows, for the periods indicated below, the amount of cattle heads corresponding to each activity.

	Cattle head (1)				
	Fiscal Year ended June 30				
	2003 (2)	2004 (2)	2005 (2)	2006 (2)	2007 (2)
Breeding	51,062	58,092	57,775	63,015	62,181
Fattening	29,443	39,817	25,816	17,654	21,546
Total	80,505	97,909	83,591	80,669	83,727

(1) For classification purposes, at the moment of birth all calves are considered to be in the breeding process.

(2) Does not include Agro Uranga S.A.'s cattle head.

We seek to improve production and cattle quality in order to obtain a higher price through advanced breeding techniques. We have worked on crosses among our cattle of Indicus, British (Angus and Hereford) and Continental breeds in order to obtain herds with characteristics better suited to the pastures in which they graze. And to improve the quality of our herds even further, we are planning to continue improvement work in our pastures. This improvement is expected to result from a permanent investment in seeds and fertilizers to enhance pasture quality, the increase in the watering troughs available the pastures and the acquisition of round bailers to cut and roll grass for storage purposes.

Our emphasis on the quality improvement for our herd also includes the use of animal health related technologies. We comply with national animal health standards that include laboratory analyses and vaccination aimed at controlling and preventing disease in our herd, particularly FMD (Foot and mouth disease).

Direct costs in cattle breeding are relatively low because the main inputs are seeds for pasture (for instance, alfalfa, oats and barley) and purchases of cattle for fattening purposes.

During the fiscal year 2007 we have invested approximately Ps. 3.8 million in equipment, machinery, pastures and genetic improvement in relation to cattle production.

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During fiscal year 2007, milk production was 14.2% higher than in the prior fiscal year due to an increase in the number of cows in milking and to the increase in individual production.

The following chart shows, for the periods indicated below, the average amount of milking cows, the average daily milk production per cow and our total milk production:

	Milk production				
	Fiscal year ended June 30				
	2003 ⁽¹⁾	2004 ⁽¹⁾	2005 ^{(1) (2)}	2006 ^{(1) (2)}	2007 ^{(1) (2)}
Average milking cows	1,002	1,000	1,212	2,410	2,677
Dairy farm production (daily liters per cow)	16.5	18.4	16.5	16.5	17.1
Total Production (thousands of liters)	6,024	6,731	7,312	14,588	16,663

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

⁽²⁾ Includes production of new dairy farm, El Tigre, as from March 1, 2005.

During fiscal 2006, we had 6,214 cattle head in 1,505 hectares applied to milk production. As of June 30, 2007, we had 6,507 cattle head in 2,376 hectares applied to milk production.

Our milk production is based on a herd of top-quality Holando Argentina dairy cows, genetically selected by the use of imported frozen semen of North American Holando bulls. Male calves are sold, at calving, for a given amount per head, whereas female calves are weaned after 24 hours, spend approximately 60 days in breeding and approximately 100 days fed on the basis of grass, grains and supplements. Young heifers then graze for an additional 12 to 15 month period, prior to artificial insemination at the age of 18 to 20 months and they calve nine months later. Heifers are subsequently milked for an average of 300 days. Milking dairy cows are once again inseminated during the 60- to 90-day period following after giving birth. This process is repeated once a year during six or seven years. The pregnancy index of our dairy cows is 80-90%.

Our dairy herd is mechanically milked twice a day. The milk obtained is cooled to less than five degrees centigrade in order to preserve quality and it is then stored in a tank to be delivered once a day to trucks sent by buyers. Dairy cows are fed mainly with grass, supplemented as needed with grains, hay and silage. For winter grazing corn stubbles are also used.

We have invested in certain technologies that focus on genetic improvement, animal health and feeding in order to improve our milk production. These investments include imports of top quality frozen semen from genetically improved North American Holstein bulls, agricultural machinery and devices such as feed-mixer trucks, use of dietary supplements and the installation of modern equipment to control milk cooling. We are currently acquiring dietary supplements for our dairy cows and have made investments with the aim of increasing the quantity and quality of forage (pasture, alfalfa and corn silage) in order to reduce feeding costs.

During fiscal year 2007 we have invested an approximate amount of Ps. 3.5 million (including the milking yard) in equipment, machinery and survey, pastures and development for our milk rodeo.

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Main markets

Grains

Our grains production is entirely sold in the local market. The prices of our grains are based on the market prices quoted in Argentine grains exchanges such as the Bolsa de Cereales de Buenos Aires and the Bolsa de Cereales de Rosario that take as a reference the prices in international grains exchanges. The largest part of this production is sold to exporters who offer and ship this production to the international market. Prices are quoted in relation to the month of delivery and the port in which the product is to be delivered. Different conditions in price, such as terms of storage and shipment, are negotiated between the end buyer and ourselves.

Cattle

Our cattle production is sold in the local market. The main buyers are slaughterhouses and supermarkets.

Prices in the cattle market in Argentina are fixed in the Liniers Market (on outskirts of the province of Buenos Aires) where live animals are sold by auction on a daily basis. At Liniers Market, prices are negotiated by kilogram of live weight and are mainly determined by local supply and demand. Prices tend to be lower than in industrialized countries. Some supermarkets and meat packers establish their prices by kilogram of processed meat; in these cases, the final price is influenced by processing yields.

Milk

During the fiscal years 2006 and 2007 we sold our entire milk production to the largest Argentine dairy company, Mastellone S.A., which in turn manufactures a range of mass consumption dairy products sold in Argentina and abroad. We negotiated with this company the prices of raw milk on a monthly basis in accordance with domestic supply and demand. We understand that other major dairy companies in Argentina would be willing and in a position to buy our milk production, in whole or in part, if we decided to diversify our sales of milk. The price of the milk we sell is mainly based on the percentage of fat and protein that it contains and the temperature at which it is cooled. The price we obtain from our milk also rises or drops based on the content of bacteria and somatic cells.

Customers

In 2007 our sales amounted to Ps. 97.09 million and were made to approximately 140 customers. Sales to our ten largest customers represented approximately 72% of our net sales in 2006 and approximately 71% for the fiscal year ended June 30, 2007. Of these customers, our biggest three customers, Cargill S.A., Mastellone Hnos. S.A. and Quickfood S.A. represented, in the aggregate, approximately 46% of our sales for 2007, and the remaining seven customers in the aggregate represented approximately 26% of our net sales in the course of that fiscal year. We have signed with some of our largest customers non-binding letters of intent that allow us to estimate the volume of the demand for certain products and to plan production accordingly. We generally enter into short-term agreements with a term of less than a year.

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Sales channels and methods

Grains

We normally work with grains brokers and other intermediaries to trade in the exchanges. Habitually, we sell part of our production in advance, through futures contracts and buy and sell options for protection against a drop in prices. Approximately a 30% of the futures and options contracts are closed through the Bolsa de Granos de Buenos Aires (Buenos Aires Grains Exchange) and 70% in the Chicago Board of Trade.

Our storage capabilities allow us to condition and storage grains with no third-party involvement and thus to capitalize the fluctuations in the price of commodities. Our largest storage facilities, with capacity for 10,000 tons are located in Las Vertientes, close to Rfo Cuarto, Province of Córdoba.

Beef cattle

Basically, we sell directly to local meat processors and supermarkets, such as Quickfood S.A., Frigorífico La Pellegrinense S.A., Friar S.A., Swift Armour S.A., Coto S.A., Supermercados Norte S.A., Finexcor S.A., Forestal Andina S.A., Madelan S.A., Frigorífico Bermejo S.A. and Frigorífico Amancay S.A., at prices based on the price determined at Liniers Market.

We usually are responsible for the costs of the freight to the market and, in general, we do not pay commissions on our transactions.

Raw materials

The current direct cost of our production of grains varies in relation to each crop and normally includes the following costs: tillage, seeds, agrochemicals and fertilizers. We buy in bulk and store seeds, agrochemicals and fertilizers to benefit from discounts offered during off-campaign sales.

Competition

The agricultural and livestock sector is highly competitive with a huge number of producers. Cresud is one of Argentina's leading producers. However, if we compare the percentage of Cresud's production to the country's total figures, Cresud's production would appear as extremely low. Our leading position improves our bargaining power with suppliers and customers. In general, we obtain discounts in the region in the acquisition of supplies and an excess price in our seeds and cattle.

Historically, there have been few companies competing for the acquisition and leases of farmlands for the purpose of benefiting from land appreciation and optimization of yields in the different commercial activities. However, we anticipate the possibility that new companies, some of them international, may become active players in the acquisition of farmlands and the leases of sown land, which would add players to the market in coming years.

Seasonality

As is the case with any company in the agro-industrial sector, our business activities are inherently seasonal. Harvest and sales of grains (corn, soybean and sunflower) in general take place from February to June. Wheat is harvested from December to January. Other segments

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of our activities, such as our sales of cattle and milk and our forestry activities tend to be more of a successive character than of a seasonal character. However, the production of beef and milk is generally higher during the second quarter, when pasture conditions are more favorable. In consequence, there may be significant variations in results from one quarter to the other.

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The following table shows the surface area of our properties (in hectares), main current use and book value. Overall, the closer the property is to Buenos Aires, the higher is its market value:

Owned farms as of June 30, 2007					Net book value
	Province	Gross surface area (in hectares)	Date of acquisition	Main current use	(Million Ps.) (1)
La Adela	Buenos Aires	1,054	Original	Agriculture	8.5
La Juanita	Buenos Aires	4,302	January 96	Agriculture / Milk	14.1
Las Vertientes	Córdoba	4		Silo	0.7
La Esmeralda	Santa Fe	11,841	June 98	Agriculture / Cattle breeding	12.9
La Suiza	Chaco	41,993	June 98	Cattle breeding	28.5
Santa Bárbara / Gramilla	San Luis	7,052	November 97	Crops under irrigation	19.5
Cactus ⁽²⁾	San Luis	41		Feed lot	0.7
Tali Sumaj / El Recreo ⁽³⁾	Catamarca	26,974	May 95	Cattle breeding / Land Reserve	5.7
Los Pozos	Salta	247,484	May 95	Cattle breeding / Agriculture / Land Reserve	38.5
El Invierno	La Pampa	1,946	June 05	Agriculture	9.2
San Nicolás / Las Playas ⁽⁴⁾	Santa Fe / Córdoba	2,965	May 97	Agriculture / Cattle breeding	12.8
El Tigre	La Pampa	8,365	April 03	Agriculture / Milk	33.8
San Pedro	Entre Ríos	6,022	September 05	Agriculture / Cattle breeding	46.4
8 de Julio	Santa Cruz	90,000	May 07	Land Reserve	7.8
Total		449,991			239.1

(1) Acquisition cost plus improvements and furniture necessary for the production, less depreciations.

(2) Hectares and carrying amount in proportion to our 24.0% interest in Cactus Argentina S.A.

(3) Hectares and carrying amount in proportion to our 99.99% interest in Inversiones Ganaderas S.A.

(4) Hectares and carrying amount in proportion to our 35.723% interest in Agro-Uranga S.A.

Farms

As of June 30, 2007, we owned, together with our subsidiaries, 17 farms, with a total surface area of 449,991 hectares. Two of them are located in Buenos Aires, two in the Province of Santa Fe, two in the Province of Córdoba, one in the Province of Chaco, three in the Province of San Luis, two in the Province of Catamarca, two in the Province of La Pampa, one in the Province of Salta, one in the province of Entre Ríos and one in the province of Santa Cruz.

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La Adela. La Adela, located 60 kilometers Northwest of Buenos Aires, is one of our original farms. Its total surface area is used for agricultural purposes. During this fiscal year ended June 30, 2007, 959 hectares were used for wheat, corn and soybean crops for high-yielding grain production. In March, 2005 72 hectares were bought and added to the existing 982 hectares.

La Juanita. La Juanita, located 440 kilometers Southwest of Buenos Aires, was acquired in January 1996. As of June 30, 2007, a number of 3,179 head of cattle were grazing in 716 hectares of sown and natural pastures, and 1,684 hectares were used in the production of grains. This farm produced 7.66 million liters of milk during the fiscal year ended June 30, 2007, with an average of 1,170 dairy cows in milking and 17.9 liters by cow per day.

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El Recreo. Weather conditions in the El Recreo farm, located 970 kilometers Northwest of Buenos Aires and acquired in May 1995, are similar to the Tali Sumaj farm, with semi-arid climate and annual rainfall not in excess of 400 mm. This farm is maintained as productive reserves. On July 29, 2003, Inversiones Ganaderas S.A. sold to Las Rejas S.A., three properties located in the Santo Domingo district, department of La Paz, Province of Catamarca with a total surface area of 5,997 hectares and for US\$ 0.43 million, which had been totally paid off at the time of executing the deed. This sale yielded a profit of Ps. 0.58 million. During the fiscal year a sale preliminary contract was signed for 50 hectares in an amount of Ps. 0.7 million.

Tali Sumaj. The Tali Sumaj farm, located 1,000 kilometers Northwest of Buenos Aires, was acquired in May 1995 and it is located in a semi-arid area. As of June 30, 2007, Tali Sumaj had 4,367 cattle head in approximately 12,700 hectares of natural land. The farm is divided into 16 lots with peripheral fencing and watering troughs with a reserve of 1,000,000 liters of water.

Los Pozos. The Los Pozos farm, located 1,600 kilometers Northwest of Buenos Aires and acquired in May 1995, is located in a semi-arid area with average rainfall of 500 mm., predominantly summer rainfall. The area is naturally suited to cattle breeding and forestry activities (poles and wood coal), and it has agricultural potential for summer crops such as sorghum and corn, among others. For this fiscal year ended June 30, 2007 we used 1,240 hectares in agricultural production. We completed the development of tropical pastures in approximately 28,741 hectares. As of June 30, 2007, there were 30,992 head of cattle in this farm. This farm has shown major growth through a complete cycle in the production of beef succeeding in raising, re-raising and fattening steer to be sold at an average weight of 392 kg. During fiscal year 2007 a preliminary sales contract was signed for a fraction of 14,516 hectares of reserve land, in an amount of US\$ 2,2 million.

San Nicolás. The San Nicolás farm is a 4,005-hectare farm owned by Agro-Uranga S.A., and located in the Province of Santa Fe, approximately 45 kilometers away from the Port of Rosario. As of June 30, 2007, approximately 5,736 hectares were in use, including double crops, for agricultural production. The farm has two plants of silos with storage capacity of 14,950 tons.

Las Playas. The Las Playas farm has a surface area of 4,294 hectares and it is owned by Agro-Uranga S.A. Located in the Province of Córdoba, it is used for agricultural and milk purposes. As of June 30, 2007, the farm had 540 hectares of pasture used for milk production, and a sown surface area of 6,192 hectares including double crops, for grain production.

La Gramilla and Santa Bárbara. These farms have a surface area of 7,052 hectares in Valle del Conlara, Province of San Luis. In contrast to other areas in the province, this valley has a good quality underground aquifer with good supply which makes these farms well suited for agricultural production after investments were made in the development of lands, pits and irrigation equipment. In the course of the season 2007, a total of 689 hectares was sown under contractual arrangement with seed producers and leases to third parties of 1,727 hectares. Commodities were also sown.

La Suiza. La Suiza has a surface area of 41,993 hectares and it is located in Villa Ángela, Province of Chaco. It has outstanding cattle breeding potential and it is used in cattle breeding. La Suiza may host over 30,000 cattle head. As of June 30, 2007, La Suiza had a stock of approximately 24,344 head.

La Esmeralda. La Esmeralda has a surface area of 11,841 hectares, and it is located in Ceres, Province of Santa Fe. This farm, acquired in June 1998 has potential for both agricultural production and cattle breeding. During the 2007 farm season, a total area of 1,787 hectares was used for production of corn, sunflower and sorghum. We also leased 3,662 hectares to third parties leased for grain production. As of June 30, 2006, La Esmeralda had 10,101 head in 6,754 hectares and as of June 30, 2007, has 9,937 head in 6,147 hectares, and the aim is to enhance cattle breeding efficiency and increase the surface area devoted to agriculture.

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El Tigre. El Tigre was acquired on April 30, 2003, with a surface area of 8,365 hectares, located in Trenel, Province of La Pampa. As of June 2007, 6,505 hectares were devoted to agriculture production. During the fiscal year ended June 30, 2007, this farm produced 9.01 million liters of milk, with an average of 1,507 cows being milked and 16.4 liters a day per cow.

El Invierno. The El Invierno farm was acquired on June 24, 2005 with a surface area of 1,946 hectares located in Rancul, Province of La Pampa, located 621 kilometers to the west of Buenos Aires. During the fiscal year ended June 30, 2007 land was completely used in agricultural production.

San Pedro. The farm in San Pedro was purchased on September 1, 2005. It has a surface area of 6,022 hectares located in Concepción del Uruguay, Province of Entre Ríos, 305 kilometers north of the province of Buenos Aires. During the fiscal year ended June 30, 2007, 5,344 hectares were devoted to agriculture production and 1,100 hectares are good for livestock activity.

8 de julio. The 8 de Julio farm was acquired on May 15, 2007 with a surface area of 90,000 hectares located in the department of Deseado, Province of Santa Cruz. Due to its large size, aptitudes and characteristics are highly diversified, with an excellent potential for sheep production, both for wool and lamb. In addition to the sheep production the land has potential for future tourism and recreational activities. The Southeast limit of the farm is cut by 20 kilometers of coast with good beaches for fishing. As of June 30, 2007 all the hectares were assigned to land reserve.

Silos

As of June 30, 2007, we had an approximate storage capacity of 15,341 tons (including 35.723% of the 14,950 tons available at Agro-Uranga S.A.).

The following table shows, for the specified fiscal years, our storage capacity in the following facilities:

	Storage capacity				
	Fiscal year ended on June 30				
	2003	2004	2005	2006	2007
	(in tons)	(in tons)	(in tons)	(in tons)	(in tons)
San Enrique	660	660	660		
El Gualicho	2,000	2,000	2,000		
Las Vertientes	10,000	10,000	10,000	10,000	10,000
San Nicolás ⁽¹⁾	5,330	5,341	5,341	5,341	5,341
Las Playas ⁽¹⁾	1,247				
Total	19,237	18,001	18,001	15,341	15,341

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

LAND LEASES

During fiscal 2007 a total 23,851 hectares were leased to third parties for agricultural production. Most leases were agreed under a modality consisting in fixed payments prior to harvest and only a small percentage were closed as crop sharing agreements.

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Faced with the rise in the price of land, the decision made by the Company was not to validate such prices and only lease land at prices which would allow it to obtain appropriate margins.

DEVELOPMENT OF HECTARES IN MARGINAL AREAS

We consider the potential offered by the sector to lie on the development of marginal areas, as has been the case in various countries worldwide. With current state-of-the-art technology, similar yields can be obtained with larger profits than those registered in core areas.

During fiscal 2007, we continued with the development of our Los Pozos farm which in the coming fiscal year shall add to production a surface area of 10,000 hectares that already have prairies, which totals at the end of fiscal 2006/2007 a net surface area of 63,000 hectares of prairies sown (Gatton Panic).

In addition, in 2007 we continued with the development of Agropecuaria Cervera S.A., which for the next year is adding 6,000 hectares to agricultural activities totaling at the close of 2006/7 approximately 4,000 agricultural hectares. Land development is also expected to continue in the framework of a project consisting of a total of 35,000 hectares which has been approved by the Secretariat of Environment and Sustainable Development of the Province of Salta.

As of June 30, 2007 Cresud had own land reserves amounting to more than 325,700 hectares that were purchased at very attractive prices. We are convinced that with the development of these areas and the aid of technological breakthroughs, the value of land will show an upward trend which will result in significant revenues for the company. In turn, we have 162,000 hectares in concession for agricultural activities.

INVESTMENT IN OTHER COMPANIES

On December 27, 2005, Cresud and its controlled company IGSA, acquired 100% of the shares in Agropecuaria Cervera S.A. (ACER) pursuant to a barter agreement. Agropecuaria Cervera S.A. has, among other assets and rights, the concession for the start-up of production pertaining to a comprehensive biological, economic and social development project over various properties located in the Department of Anta, in the Province of Salta, and it is duly authorized to implement a large-scale project covering agricultural, cattle breeding and forestry activities. The concession agreement covers 162,000 hectares for a 30-year period with an option to extend it for another 30 years. In the framework of the concession, there is a development project aimed at applying 35,000 hectares to agricultural uses. As of the end of this fiscal year, the implementation of the project has progressed by 12%.

EXPANSION TOWARDS BRAZIL: BRASILAGRO

BrasilAgro was created for the purpose of replicating Cresud S.A.C.I.F. y A. s business in Brazil. The Company will be engaged mainly in four business lines while keeping its focus on Real Estate for farming purposes: (i) sugar cane, (ii) grains and cotton, (iii) forestry and (iv) cattle beef.

BrasilAgro s founding shareholders include Cresud S.A.C.I.F. y A., Cape Town, Tarpon Investimentos, Tarpon Agro, Agro Managers and Agro Investment.

Cape Town is a company whose sole shareholder is Mr. Elie Horn, the Chairman of Cyrela Brazil Realty, one of the leading Real Estate companies in Brazil. Tarpon has vast experience in managing financial resources and it specializes in variable income. Agro Managers and Agro Investment are investment vehicles used by persons related to Cresud.

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On March 15, 2006 BrasilAgro entered into a consulting agreement with Parana Consultora de Investimentos. This firm shall supply consultancy services as to the purchase and sale of farming establishments, transactions in capital markets, hedging policies and mergers and acquisitions, among other issues. In consideration for its services, Parana shall collect from BrasilAgro an annual compensation equivalent to 1% of BrasilAgro's subscribed capital. Parana's shareholders include Tarpon, with a 50% interest, Consultores Asset Management with a 37.5% interest and Alejandro Elsztain with a 12.5% interest.

On March 24, 2006, Cresud S.A.C.I.F. y A. entered into a shareholder agreement with Mr. Elie Horn and Tarpon whereby stipulations were agreed including that both parties should have a joint vote at Shareholders' Meetings and that both parties have a preemptive right to acquire shares of the other party.

BrasilAgro's board of directors is made up by nine members. Cresud S.A.C.I.F. y A. in its position as founder of the company, appointed three members, Tarpon and Cape Town appointed three more and additionally, the Company has three independent directors. On May 2, 2006, BrasilAgro's shares started to be listed in the BOVESPA with the symbol AGRO3 meeting Brazil's highest Corporate Governance standards.

The shares were placed jointly with Banco de Investimentos Credit Suisse (Brazil) S.A. in the Brazilian market through investment mechanisms regulated by controlling authorities and with sales efforts abroad in full conformity with the U.S. Securities Act of 1933 and other applicable regulations set forth by the Securities and Exchange Commission. The amount originally offered amounted to Reais 432 million, equivalent to 432,000 book-entries, common shares at a price of Reais 1,000 per share of BrasilAgro.

In addition, as is customary in the Brazilian market, BrasilAgro had an option to increase the size of the issuance by 20% and the investment bank Credit Suisse had another option to increase it by 15% (Green shoe).

Given the excess demand shown by the placement, both BrasilAgro and Credit Suisse exercised such options increasing the placement up to 583,200 shares equivalent to Reais 583.2 million, which were fully placed and paid in.

In addition to the funds originally contributed, Cresud made contributions during the offer for a total amount of Reais 42.4 million (approximately US\$ 20.6 million). Following such contribution, Cresud held a total amount of 42,705 shares, equivalent to 7.3% of BrasilAgro capital.

On January 19, 2007 and January 22, 2007, Cresud acquired 400 and 100 shares of BrasilAgro, respectively. Thanks to these new acquisitions the holding of Cresud amounted to 43,205 shares, equivalent to 7.4% of BrasilAgro capital.

As compensation for having founded the Company, Cresud received at no cost 104,902 warrants to subscribe additional BrasilAgro shares for 15 years and at the same price as that established in the initial public offering, i.e., Reais 1,000, adjusted by the IPCA inflation index. Should it decide to exercise such warrants, Cresud might acquire 59,850 additional shares thereby becoming holder of 14.1% of BrasilAgro's diluted capital stock. One third of these warrants may be exercised as from the first anniversary of the placement; another third may be exercised as from the second anniversary and the balance as from the third anniversary.

In addition, Cresud received at no cost a second series of warrants for a total of 104,902, which may only be exercised at Cresud's discretion in the event of a third party bidding to acquire BrasilAgro's shares. The exercise price of these warrants shall be the same price as that bid to acquire the shares mentioned in the preceding sentence. The second series of warrants matures in the year 2021.

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As of June 30, 2007, the Company did not book any amount whatsoever to reflect the holdings of such warrants.

BrasilAgro has acquired its first 4 properties and it has entered into agreements for the acquisition of two additional properties in the first fiscal period of 2007.

Sao Pedro is a farm in Chapadao do Sul (MS). With a surface area of 2,443 hectares, was bought for US\$ 4.7 million. Located 1,000 km. from a major port, this farm was acquired at a price significantly lower than the average in the region. Its potential production area is 1,740 hectares. In our opinion, this land offers high potential for appreciation as a result of the sugar cane premises scheduled to be installed in the region.

Cremaq is a farm in Bahía Grande do Ribeiro (Piaui). Bought for US\$ 19.7 million and with a surface area of 32,375 hectares, this farm has 3,000 hectares already in production and 16,000 hectares undergoing land clearing activities. It is estimated that the total production area will be 23,000 hectares. The farm is close to the Itaqui Port and to the Norte-Sul railway. Weather and topographic conditions in the area are quite suited to soybean, corn and cotton crops. This property has also been bought for a value lower than average in the region and it offers major appreciation potential.

Engenho is a farm in Maracaju, in the State of Mato Grosso do Sul. The farm was acquired for US\$ 4.7 million and it has 2,022 hectares. This farm is presently under a lease agreement and it yields for the company amounts equivalent to 7.5 or 8 tons of sugar cane per year per hectare. Once the lease agreements currently in force are terminated, the Company is planning to develop sugar cane operations.

Jatobá is a farm in the Jaborandi district, in the State of Bahía. The acquisition price was US\$ 17.2 million and it has 31,603 hectares. The Company plans to start large-scale production of crops and cotton.

On April 20, 2007, the Company executed an irrevocable agreement for the purchase of a property known as Araucária, a farm of 15,543 rural hectares located in the district of Mineiros (State of Goias), intended for the production of sugar cane. The purchase price was US\$ 38.9 million and the transaction was made in association with Brenco (which holds a 25% interest).

On May 21, 2007, the Company executed an agreement for the purchase of Alto Taquari farm. The farm has 5,266 hectares and is located in the district of Taquari (Mato Grosso). The purchase price was US\$ 17.0 million. In this property, the Company plans to produce sugar cane. If any of the conditions in the Agreement is not met, the Company may, at its exclusive discretion, terminate the Agreement free of any liens or penalty.

BrasilAgro will continue to focus its activities on agricultural Real Estate and on the development of its four main business lines: sugar cane; crops and cotton; forestry and cattle breeding.

FUTUROS Y OPCIONES.COM S.A.

Fyo.com, the supplier of commercial services for the agricultural and cattle beef sectors in which we have a controlling interest showed major increases in its volume of businesses and in its operating income, succeeding at year end in posting income almost three times higher than that of the previous period.

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The company's total revenues increased by 105% compared to the previous fiscal year, with 48% growth in the revenues yielded by its main business, i.e., grains brokerage. In addition, the business consisting in sales of inputs grew by 431%, widely surpassing the budget projections.

In the course of this fiscal year, the Company started to trade futures and options. It acquired a share of Mercado a Término de Buenos Aires and has also become a dealer. Trading volumes have surpassed expectations and the service consisting in hedging with futures has turned into an essential tool for our customers to manage their price risks.

The portal keeps consolidating as the leading site for the agricultural and cattle-beef sector where various private polls have agreed that it is the most visited site by farmers engaged in both agricultural and cattle-beef activities. The site presently has an average of 15,000 visitors per day and it is strengthening its position as a leading supplier of market information for the sector.

For the coming year the Company expects to maintain its high growth rate.

Fyo.com's goal is to become a leading company in the supply of financial and commercial services. To attain such objective, we shall continue to enhance the range of products we offer to the sector in the coming fiscal years.

CACTUS ARGENTINA S.A.

In 2007 Cactus Argentina S.A. associated with US-based Tyson Foods, the largest beef and poultry meat processing company.

As a result, Cactus Argentina S.A.'s new share structure is as follows: Cactus Feeders Inc. holds a 24% interest, Cresud holds a 24% interest and Tyson Foods holds a 52% interest through Provomex Holdings LLP.

In January 2007, Cactus Argentina S.A. acquired Exportaciones Agroindustriales Argentinas S.A. a company engaged in cold storage activities based in the Province of La Pampa, in the Santa Rosa district.

As a result of this acquisition, Cactus Argentina S.A. is now the only Argentine company with vertical integration in the cattle-beef industry. Growth has been highly dynamic in feedlot cattle beef production with a corn-based diet.

The process started has generated the costs inherent in all new undertakings. Expectations in terms of beef production and processing under the same administrative scheme are promising in the short run and Cactus Argentina S.A. is well-equipped with production and human resources to be up to the challenge.

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	12 months ended June 30, 2007	12 months ended June 30, 2006	%
Sales (volume)			
Wheat (tons)	20,921	15,842	32.1%
Corn (tons)	47,486	74,575	-36.3%
Sunflower (tons)	3,604	6,708	-46.3%
Soybean (tons)	44,868	62,162	-27.8%
Other (tons)	7,773	4,817	61.4%
Total Crops (tons)	124,652	164,104	-24.0%
Cattle beef (tons)	13,332	14,762	-9.7%
Milk (Thousands of liters)	16,663	14,588	14.2%
Production			
Wheat (Tons)	16,651	21,788	-23.6%
Corn (Tons)	80,728	31,558	155.8%
Sunflower (Tons)	6,797	7,300	-6.9%
Soybean (Tons)	61,283	42,797	43.2%
Cattle beef (Tons)	9,913	9,803	1.1%
Milk (Thousands of liters)	16,663	14,588	14.2%
Exploited Surface (in hectares)			
Crops	22,712	20,018	13.5%
Leased Farms	25,307	17,004	48.8%
Farms under concession	1,225		
Cattle beef	84,848	97,299	-12.8%
Leased Farms	29,208	3,425	752.8%
Dairy farm	2,376	1,505	57.9%
Land reserves (in hectares)			
Owned Farms	325,728	258,477	26.0%
Farms under concession	157,949	161,984	-2.5%
Surface under irrigation (in hectares)			
Owned Farms	3,701	3,750	-1.3%
Leased Farms	1,000	1,011	-1.1%
Storage capacity (tn.)			
Owned Plants	10,000	10,000	0.0%
Leased Plants	8,000	8,000	0.0%
Total cattle head	90,234	88,790	1.6%
Dairy farm Stock (head)	6,507	6,214	4.7%
Milking cows (head)	3,264	3,231	1.0%

Note:

- Does not include Agro-Uranga S.A. (35.72% of 8,299 hectares).
- During fiscal 2006 a surface area of 32,647 hectares was leased for cattle beef production purposes. They are not included in the exploited surface area of leased farms whose agreements expired prior to the end of this fiscal year.

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- Land reserves in owned farms in fiscal 2007 include 90,000 hectares at the 8 de julio farm in Santa Cruz. Possession over the farm was gained with the execution of the bill of sale dated May 15, 2007.
- Farms under concession correspond to a surface area proportional to our 99.99% interest in Agropecuaria Cervera S.A.

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OPERATING RESULTS

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

Production Income

Production income amounted to Ps. 102.8 million, 57.3% higher than the amount recorded the previous year. Higher income was recorded in the grains 95.7% and milk 38.3% segments, compensated by a slight decrease in the cattle segment 4.8%.

Crops. Grain production increased 95.7%, from Ps. 37.0 million in fiscal year 2006 to Ps. 72.4 million in fiscal year 2007. Production volumes increased 64.2%, from 106,867 tons in fiscal year 2006 to 175,455 tons in fiscal year 2007 (the corn and soy production increased 155.8% and 43.2%, respectively and the wheat and sunflower production decreased 23.6% and 6.9% respectively).

The production increase resulted, among other matters, from an increase of 29.7% of the surface in production. The total surface produced increased from 37,022 hectares in fiscal year 2006 to 49,244 hectares in fiscal year 2007. The privately owned surface for production increased from 20,018 hectares in year 2006 to 22,712 hectares in fiscal year 2007 whereas the leased surface produced increased from 17,004 hectares in year 2006 to 25,307 hectares in year 2007. The surface produced in concession was 1,225 hectares.

During the current year average global yields obtained were 23.4% higher to those of the previous year (from 2.89 tons per hectare in year 2006 to 3.56 tons per hectare in year 2007). Higher production income had a positive impact in line with the actual average price increase of 19.2% of commodities.

Beef Cattle. Beef cattle production decreased 4.8%, from Ps. 20.5 million in year 2006 from Ps. 19.5 million in year 2007. Production volumes increased slightly 1.1%, from 9,803 tons in year 2006 to 9,913 tons in year 2007.

It is worth mentioning that during the current year, the income and volume of beef cattle production include the proportional consolidation of 50% in the subsidiary Cactus Argentina S.A. for 6 months up to December 2006 (due to the change of valuation method for decrease in the share participation) in comparison with 12 months of year 2006.

The higher production level during the current fiscal year with respect to the previous, was due to a higher volume of beef cattle generated in privately owned fields, to the late effect of the drought during the past campaign on the productivity of rodeos and an improvement of the weather conditions on the production of grass. Also, during 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.

Although the beef cattle segment had a price increase in the rodeo categories, the re-classification of cattle produced a negative impact on the income for production of the current year, which generated a slight decrease of 5.9% 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.

The number of hectares dedicated to cattle production increased from 100,724 hectares in fiscal year 2006 to 114,056 hectares in fiscal year 2007. 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.

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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 (includes Ps. 1.2 million generated by the re-categorization of the milking yard cattle). Production volumes increased 14.2%, from 14.6 million liters in fiscal year 2006 to 16.7 million liters in fiscal year 2007.

This increase was mainly due to the higher price per liter produced, higher production volume of the milk in line with higher number of milking cows, and improvement in the efficiency level of daily production of milk per cow in the current fiscal year respect the previous year. We have started production in the new milking facility of La Juanita farm, Province of Buenos Aires, which increased its capacity to 1,800 cows per day. Considering the good performance of this sector, we are analyzing the growing possibilities of this activity. The investment in this project as of closing of fiscal year 2007 was Ps. 2.0 million, approximately.

The higher production volume was accompanied by an increase in the price level of milk of 7.9% en the current fiscal year in respect of the previous.

Cost of production

Production costs were Ps. 75.9 million and were 25.7% higher to those recorded the past year. Higher costs were recorded in the grains and milk segments by 46.4% and 45.0%, respectively, which were compensated by a decrease in the cattle segment of 19.9%.

Crops. Grain cost of production increased 46.6%, from Ps. 35.8 million in fiscal year 2006 to Ps. 52.4 million in fiscal year 2007. The cost increase was mainly due to a higher volume of grains production of 64.2% as a consequence of higher grain surface produced of 29.7% in the current fiscal year in respect of the previous. Better yields of the segment in the current fiscal year allowed a higher absorption or dilution of the costs structure. To such purpose, production expenses per ton produced were 12.5 % lower, from Ps. 345 in fiscal year 2006 to Ps. 302 in fiscal year 2007. Production costs of fiscal year 2006 received the negative impact due to the effects of the drought.

Another reason which, in a lower degree, generated the increase of production costs in the current fiscal year was the price increase of raw materials and other production factors.

Beef Cattle. Beef cattle cost of production decreased 19.9%, from Ps. 18.8 million in fiscal year 2006 to Ps. 15.1 million in 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. This decrease was mainly due to higher volume of beef cattle production that allowed diluting the cost per kilogram produced in the current fiscal year.

Higher costs of fiscal year 2006 respect of fiscal year 2007 were due to the increase in feeding and health costs in line with the effects of the drought. Considering the global production increase in the current year, the decrease in costs 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. Milk cost of production increased 45.0%, from Ps. 5.8 million in fiscal year 2006 to Ps. 8.5 million in fiscal year 2007. Such increase mainly relates to higher level of milk production in the current fiscal year, together with the impact of higher feeding costs as a consequence of the increase in corn prices and other raw materials of the milk segment.

Milk cost of production per thousand liters increased from Ps. 401 in fiscal year 2006 to Ps. 509 in fiscal year 2007.

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Sales

Sales were Ps. 110.3 million that is 1.8% lower than the previous year. Lower sales were recorded in the grain and cattle segments that is 13.4% and 5.2%, respectively, compensated by higher sales in the milk, feedlot and other segments by 23.3%, 14.0% and 90.7%, respectively.

Crops. Sale of grain decreased 13.4%, from Ps. 61.7 million in fiscal year 2006 to Ps. 53.4 million in fiscal year 2007. The decrease of 24.0% in the sales volume of 164,104 tons to 124,652 tons was compensated by a higher average unit price of 14.0% in fiscal year 2007 in comparison with fiscal year 2006. The average price per ton sold was Ps. 428 in fiscal year 2007 and Ps. 376 in fiscal year 2006.

Although the production volume of grain was higher in the current year, the lower sales volume was for a lower number of stocks at the beginning of 61,745 tons in the current year in respect of the previous.

Beef Cattle. Beef cattle sales decreased 5.2%, from Ps. 33.7 million in fiscal year 2006 to Ps. 32.0 million in year 2007. The 9.7% decrease in the sales volume was compensated by an average increase of 5.0% in the price per tone sold. Sales volume decreased from 14,762 tons to 13,332 tons whereas sales price increased from Ps. 2.28 per kilogram in fiscal year 2006 to Ps. 2.40 per kilogram 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.

The average cattle stock increased from 91,500 heads in fiscal year 2006 to 97.111 in fiscal year 2007.

Milk. Milk sales increased 23.3%, from Ps. 7.9 million in fiscal year 2006 to Ps. 9.7 million in fiscal year 2007, mainly due to the increase of 14.2% in production volume and the increase of 7.9% in the milk price, from Ps. 541 in fiscal year 2006 to Ps. 584 in year 2007 per thousand liter of milk.

Feedlot. Feedlot sales increased 14.0%, from Ps. 2.7 million in fiscal year 2006 to Ps. 3.1 million in fiscal year 2007. This was mainly due to an increase in the level of occupation of the feedlot and an increase in the price of feeding portion as a consequence of the corn price increase. Also, during fiscal year 2007 the cattle raiser sent for feeding in the feedlot cattle of higher kilograms, which requires higher feeding portion volumes until the finishing. The average occupancy level was 19.400 and 15.400 heads during year 2007 and 2006, respectively. It should be mentioned that, due to the above-mentioned reasons, income of the feedlot segment are only for the six-month period of the year.

Others. Other sales increased 90.7%, from Ps. 6.4 million in year 2007 to Ps. 12.1 million in year 2006, mainly due higher level of income for services to third parties and leasing and to higher income arising from Futuros y Opciones.com. Income for services to third parties are services for weigh and re-conditioning of cereal and watering to third parties. Although hectares devoted to leasing were slightly lower in year 2007 in comparison with year 2006, the attraction of the sector's prices continue benefiting this segment.

Cost of sales

The cost of goods sold was Ps. 99.1 million and was 0.6% slightly lower than the one recorded the previous year. The lower costs of sales was recorded in the grain and cattle segment by 5.4% and 8.2%, respectively, which was compensated by higher cost of sales in the milk, feedlot and other segments by 23.3%, 21.8% and 180.4%, respectively.

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The cost of goods sold as percentage of net sales increased 87.8% in fiscal year 2006 and 89.9% in fiscal year 2007.

Crops. Grain cost of sales decreased 5.4%, from Ps. 53.3 million in year 2006 to Ps. 50.4 million in year 2007. Such decrease is mainly due to a lower volume of grain sales compensated by a higher level of average prices of commodities in the current year. The average cost per ton sold was Ps. 405 in year 2007 and Ps. 325 in year 2006.

Beef cattle. Beef cattle cost of sales decreased 8.2%, from Ps. 33.0 million in year 2006 to Ps. 30.3 million in year 2007. Such decrease is mainly due to lower volume of beef cattle sales of 9.7% in respect of the previous year due to a lower number of finished cattle in the feedlot.

Milk. Milk cost of increased 23.3%, from Ps. 7.9 million in year 2006 to Ps. 9.7 million in year 2007. Such increase is mainly due to higher volume of milk sales in the current year.

Feedlot. Feedlot cost of sales increased 21.8%, from Ps. 2.3 million in year 2006 to Ps. 2.8 million in year 2007. The increase is mainly due to higher level of average occupation of the feedlot in the current year and to higher volumes in the feeding portion due to incoming cattle of higher weigh that required higher feeding costs. The price per ton of feeding portion increased 37.0% approximately, from Ps. 207 in year 2006 to Ps. 284 in year 2007, mainly due to the increase in the corn price during the current year. The cost of feedlot services as percentage of sales increased 85.2% in year 2006 to 91.0% in year 2007. We would mention that, due to the above mentioned reasons, the feedlot segment costs are only for the first six-month period of the year.

Others. Other cost of sales increased 180.4%, from Ps. 2.1 million in year 2006 to Ps. 5.9 million in year 2007 mainly due to higher costs arising from Futuros y Opciones.com and costs generated by services to third parties.

Gross profit

As a result of the above mentioned issues, gross income increased 103.7%, from Ps. 18.7 million income in fiscal year 2006 to Ps. 38.1 million income in fiscal year 2007.

Selling expenses

Selling expenses decreased slightly by 1.8%, from Ps. 10.1 million in year 2006 to Ps. 10.0 million in year 2007. Selling expenses of the farming, cattle and other activities represented 77.8%, 11.4% and 10.0%, respectively, of the total selling expenses of year 2007. Selling expenses of grains as percentage of sales increased from 14.1% in year 2006 to 14.5% in year 2007. Selling expenses per ton of grain sold increased in the current year from Ps. 53 and Ps. 62 per ton in fiscal years 2006 and 2007 respectively. Selling expenses of cattle as percentage of sales increased from 3.1% in year 2006 to 3.6% in year 2007.

Milk sales did not generate significant selling expenses as all the production is marketed directly.

Administrative expenses

Administrative expenses increased 43.8%, from Ps. 11.6 million in year 2006 to Ps. 16.6 million in year 2007, mainly due to the increase in fees and compensations for services (includes consulting fees for the SOX projects and change of accounting and legal systems), salaries and social contributions, taxes, rates and contributions and office and administration expenses of the Company. Administrative expenses includes general expenses of the Company, and excludes those related to farmland management, which are exposed as operating expenses in the production costs schedule.

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Net gain on sale of farms

The result for sales of farms was Ps. 9.9 million in year 2006 and Ps. 22.3 million in year 2007, due to the sales operations that follow:

- During year 2007:

On June 6, 2007 the sales deed for 20,833 hectares of Tapenagá farm was signed. The operation was agreed in US\$ 7.3 million. To date, US\$ 1.0 million were collected. This sale generated an income of US\$ 5.0 million approximately.

On June 5, 2007 the sales deed for 14,516 hectares of Los Pozos farm was signed. The operation was agreed in US\$ 2.2 million, which have been fully collected. This sale generated an income of US\$ 2.0 approximately.

- During year 2006:

On February 24, 2005 the preliminary sales contract was signed for El Gualicho farm of 5.272 hectares in General Roca and Presidente Roque Sáenz Peña, Province of Córdoba. The sales price of the farm was agreed in US\$ 5.7 million. The date of the deed was July 25, 2005 and the sale produced an income of Ps. 9.9 million.

Gain from inventory holding

The income for holding amounted to Ps. 4.2 million in year 2006, in comparison with Ps. 4.3 million in year 2007. The income for holding of cattle, grain and raw materials is based on the increase of actual prices during year 2007.

Operating income

Due to the above mentioned issues, the operating income was Ps. 11.1 million in year 2006 in comparison with the income of Ps. 38.0 million recorded in year 2007. The operating margin over production and sales income was 6.3% in year 2006 and 17.8% in year 2007.

Net Financial results

Financial results generated an income of Ps. 12.4 million in year 2006 and a loss of Ps. 10.5 million in year 2007. The main differences between both years were mainly due to the income for the exchange of convertible Negotiable Bonds of IRSA for shares of Agropecuaria Cervera of Ps. 14.9 million in year 2006, higher net interest of Ps. 5.1 million loss, mainly as a consequence of higher financial charge for the increase of medium and short term debt structure in year 2007 respect to 2006 and due to the negative impact of Ps. 3.2 million between both years due to the net effect generated by the difference of exchange and discounts.

Financial results arise from (i) an income of Ps. 1.1 million derived from operations with securities and shares (ii) a net income of Ps. 2.2 million for the interests of the convertible Negotiable Bonds issued, acquired and other interest (iii) a loss of Ps. 10.0 million generated by the negative impact of interests for debt financing (iv) a loss of Ps. 1.9 million generated by the debits and credits tax and (v) a loss of Ps. 1.9 million derived from exchange differences and other.

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Other income and expenses, net

Other income and expenses, net showed a loss of Ps. 3.4 million in fiscal year 2006 compared to the loss 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 goods of the shareholders paid by the Company in the current year in respect of the previous.

Income from related companies

The result for participation in subsidiary companies increased 81.6%, from an income of Ps. 22.1 million in fiscal year 2006 to an income of Ps. 40.2 million in fiscal year 2007. Income during the current year, was mainly due to the positive result of our share in IRSA, which increased to Ps. 33.1 million (included amortization of the goodwill of Ps. 4.9 million), to the income of Ps. 4.2 million for our participation in BrasilAgro, to the income of Ps. 3.2 million in the holding of shares of Agro Uranga S.A. and the loss of Ps. 1.2 million for our participation in other subsidiary and affiliated companies.

We would mention that during the current year the shareholding in Cactus Argentina S.A. was modified from 50% to 24% due to the joining of a new shareholder. Consequently, for the results as of December 31, 2006 and the balance sheet information, the proportional consolidated of 50% with Cactus Argentina S.A. is included up to such date.

Management Fee

The Company subscribed a management contract with Dolphin Fund Management S.A. (currently denominated Consultores Asset Management S.A.), which renders to Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria technical advising services in operations related to the agricultural activity, intermediation of operations and advising in investments of real estate values.

As consideration for such services, the payment of ten percent (10%) of the net income recorded in the annual and especial financial statements was established.

Consequently, the financial statements as of June 30, 2007 and 2006 include a charge to the income accounts of Ps. 5.5 million and Ps. 3.8 million, respectively.

Income tax expense

Income tax increased from Ps. 5.4 million in year 2006 to Ps. 8.4 million in year 2007.

The Company has recognized the charge for income tax on the basis of the liabilities method for deferred tax, accepting the temporary difference between measurements of accounting and tax assets and liabilities. The principal temporary differences originate in the valuation of cattle and sales and replacement of fixed assets.

For the purpose of determining deferred assets and liabilities, it has been applied on the identified temporary differences and tax losses the tax rate that is awaited to be effective at the time of reversion or use, considering the legal regulation effective to the date of issue of the financial statements (35%).

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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 all the above-mentioned issues, the net income increased 50.1%, from Ps. 32.9 million income for year 2006 to Ps. 49.4 million income for year 2007. The net margin, calculated as the net income of the year over the total income for production and sales was 18.5% for year 2006 and 23.2% for year 2007.

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RESULT FROM THE INVESTMENT IN IRSA

IRSA is Argentina's largest real estate company with a fully diversified portfolio of properties. IRSA is engaged in the following business segments:

Office rental with more than 138,070 m2 for lease.

Operation of **Shopping Centers** through its 62.5% ownership interest in Alto Palermo S.A. (APSA) (APSA) (Nasdaq: APSA, BCBA: APSA). APSA is one of the leading operators of shopping centers in Argentina and owns or has majority ownership interests in 10 shopping centers with 252,879 m2 of Gross Leaseable Area.

Sale of **residential properties**.

Holding and operation of luxury **hotels** through its equity interest in 3 five-star hotels. Furthermore, IRSA owns residential properties for sale and land reserves for current and future developments which amount to a book value of Ps. 554.3 million. IRSA's Total Consolidated Assets as of June 30, 2007 amounted to Ps. 4,144.9 million and its net shareholder's equity amounted to Ps. 1,646.7 million.

IRSA owns an 11.8% equity interest in Banco Hipotecario, the largest Argentine bank in terms of mortgage loans granted which has a shareholder's equity of Ps. 2,601.4 million.

During fiscal year 2007, all of IRSA's lines of business have improved their performance, which places the Company in an unbeatable position to embark upon new growth opportunities in the future.

The evidence of IRSA's major growth is reflected in all of its business lines, which led to a 10.9% increase in its net income, from Ps. 96.6 million to Ps. 107.1 million in the year ended June 30, 2007. In addition, the Company's operating income amounted to Ps. 198.5 million in the fiscal year. As a result of this improvement, and as a part of its investment strategy, acquisitions were consummated and several projects were launched in all of the Company's activities.

The increase in the Company's net income for fiscal 2007 compared to the same period of the previous fiscal year is mainly due to an increase in the operating income posted by the Shopping Centers and Office Rental segments, in the region of 18.2% and 62.5% respectively and a considerable improvement in financial results. As regards the Hotels business unit, although its operating income remained unchanged, gross income in the segment grew by 17.3%, as a result of the increase in revenues, which, in proportion, rose more than their related costs.

As of June 30, 2007, Cresud held 116,305,767 shares in IRSA, equivalent to 25.01% of IRSA's capital stock. In addition, the Company held as of that date, 12,000,000 Convertible Notes issued by IRSA and 32,958,011 Warrants also issued by IRSA.

Our investment in IRSA during fiscal 2007 amounted to a Ps. 28.2 million profit for us.

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OTHER RELEVANT EVENTS

Debt reduction resulting from the conversion of ONC and the exercise of warrants

As regards our indebtedness, we issued Convertible Notes on November 14, 2002 under the laws of the State of New York at an 8% interest rate (payable semi-annually) maturing on November 14, 2007 and convertible at a price of US\$ 0.5078 per share with par value of \$ 1 each (1.9693 shares per Convertible Note). In addition, the Convertible Notes contain a warrant that allows holders to acquire 1.9693 shares of par value \$ 0.1 per share at a price of US\$ 0.6093 each per Convertible Note.

As of the date of this report, our indebtedness arising from the issuance of Convertible Notes dropped by US\$ 47,204,363 due to the conversions received.

Additionally, a total of 46,893,748 warrants have been exercised, in exchange for which the Company received US\$ 56.3 million.

Therefore, considering all conversions and exercises of warrants received, the number of outstanding Convertible Notes as of today is US\$ 2,795,637 while the number of outstanding warrants is 3,106,252. A total of 185,305,347 shares were issued breeding the Company's total number of outstanding shares to 309,589,739.

As of June 30, 2007 the Company holds Convertible Notes issued by IRSA for a total of US\$ 12.0 million, which bear interest at the same rate as those issued by our company as well as a stock of warrants of 32,958,011.

Note: Total conversion refers to the situation in which all the holders of Convertible Notes exercise their conversion rights and exercise all their Warrants.

Table of Contents**FINANCIAL INDEBTEDNESS**

As a result of the excellent investment opportunities seized in the course of the previous fiscal year, such as our ownership interest in BrasilAgro, the acquisition of farms and the growing investments in developments in Northwestern Argentina in the course of this fiscal year, we have assumed indebtedness for levels higher than those incurred in previous fiscal years, totaling as of June 30, 2007 indebtedness in the amount of Ps. 138.7 million exclusive of our convertible notes.

The analysis of the structure of such indebtedness shows a loan granted by Credit Suisse for the purpose of financing our investment in BrasilAgro for Ps. 24.7 million (please see Note 12.b) and Ps. 16.8 million for the purpose of financing our crop production, the balance, i.e. Ps. 97.2 million, is short term indebtedness with various entities in Argentina.

For the coming fiscal year we intend to match these maturities to the Company's 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 Company's indebtedness as of June 30, 2007:

	Currency	Timetable of Maturity or Depreciation					Total	Interest rate Annual average %
		Under 1 year	Over 1 year and up to 2 years	Over 2 year and up to 3 years	Over 3 year and up to 5 years	Over 5 years		
(in million Pesos, constant, as of June 30, 2007) ⁽¹⁾								
Loans								
Non-guarateed loans								Flotante (promedio)
	ARS	97,2				97,2		8,17)
Non-guarateed loans	US\$	16,8				16,8	5,6	6,05
Guarateed loan contract	US\$		24,7			24,7	Libor + 3,75	
CRESUD Convertible Notes	US\$	8,7				8,7	8,00	
Total loans		122,7	24,7			147,4		
Total debt		122,7	24,7			147,4		

(1) Exchange rate as of June 30, 2007 US\$ 1.00 = Ps. 3.093.

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AGREEMENT FOR SHARED SERVICES WITH IRSA AND APSA

Given that the Company, IRSA and APSA have operational areas with certain common characteristics, the Board deemed it advisable to implement alternatives to reduce certain fixed costs in its activities for the purpose of decreasing their incidence on operating results, taking advantage and optimizing the individual efficiencies of each company in the different areas that make up operational management.

In this respect, the Company has run a partial operational integration trial in the areas of Human Resources, Finances, Institutional Relations, Administration, Information Technology, Insurance, Purchases, Contracts and Operations, among others. The outcome has shown the feasibility of the referred project taking into account that the project is not covered by the provisions of Decree 677/01, Section 73, currently in force and an independent third party (Deloitte Argentina) has been retained to prepare a report on the definition of guidelines for liquidation and distribution basis for the implementation of the project. Internal Audit and Corporate Services Management have been recently added to it.

Thus, a master agreement was signed to exchange corporate services, related to the previously mentioned areas that relate tasks carried out by one or more companies. Such tasks are firstly paid by a compensation because of services supplied in any of the areas, and secondly, in case of difference between the value of services rendered, in cash, between the companies involved.

This master agreement to exchange corporate services is initially effective for 24 months, and may be automatically renewed by like term except upon by written termination by any of the parties thereto.

It should be mentioned that irrespective of such operation, APSA, IRSA and Cresud are absolutely independent in their strategic and commercial decisions, while costs and profits are allocated under operating efficiency and equity grounds, not seeking individual economic profits for the companies.

Implementing this project does not impair identifying economic transactions or services involved, nor does weaken the efficiency of internal control systems or internal audit task of each company, or the possibility of disclosing transactions related to the agreement under FACPCE Technical Resolution 21. Likewise, Alejandro Gustavo Elsztain holds the position of General Coordinator and Mr. Gabriel Adolfo Gregorio Reznik has been appointed as individual person in charge.

Systems migration

During fiscal 2007, we completed the systems migration that consisted in integrating the various interfaces and processes existing in the various areas coexisting in our company. The improvement provides a more flexible, efficient and agile organization to respond to the business requirements, apart from providing more competitiveness to the entire organization. Likewise, the integration strategy allows us to automate, standardize and formalize process to align them to SEC requirements, especially under Sarbanes-Oxley Act.

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PROSPECTS FOR THE NEXT FISCAL YEAR

Global and Argentine economic conditions continue to lead the agricultural and cattle breeding sector and our Company towards a position favorable to taking advantage of new market opportunities.

At present, there is a strong pressure in agricultural land values in most of the countries with agricultural and cattle breeding potential, and a strong demand for crops. On top of the constrained situation seen in the global supply and demand of food in recent years, a new pressure factor is affecting the supply side, namely, the new application of crops as sources of energy. The plan announced by President Bush, aimed at replacing fossil fuel usage with biofuels in a term of ten years, triggered the demand for ethanol, and hence, of corn. As a result, the prices of corn and other crops have skyrocketed and are now at levels inconceivable not long ago. Furthermore, this scenario emerges in a context of improved economies in the developing world, which in turn translates into an increase in the demand for higher quality foods which are to be produced in ever-decreasing surface areas. The indicators that measure land availability per capita have been pointing to a constant decrease due to increasing urbanization. We believe that this favorable context is structural and that it will subsist over the next years, offering a great opportunity to Cresud.

As in prior years, we will continue with our strategy consisting in supplementing agricultural activities in our own farms with activities in leased farms, as long as the return on the investments for such activities amounts to the minimum levels required for the business. In this way, we seek to reduce production risks and dilute overhead. For the 2008 season, our mission is to increase our agricultural production even more by seizing the excellent prospective crop prices, which have inevitably led to an increase in rental prices.

As regards the cattle beef business, our strategy is to increase output by adding new productive hectares and improving breeding rates, taking advantage of the good prospects for this sector, as evidenced by rising prices resulting from increased demand. The recent association with Tyson Foods and the incorporation of a cold storage plant in the Province of La Pampa will allow us to conduct new businesses in an integrated manner and thereby access international markets. We believe that this new vertical integration stage will result in significant profits for the Company.

With respect to marginal area development, we will continue with the development of Los Pozos, located in the Province of Salta. By the end of the next fiscal year, 30% of the third module will be in production, increasing total productive hectares to 42,000. On the other hand, we plan to continue with the development of the concession over 162,000 hectares held by Agropecuaria Cervera S.A. in the Province of Salta, where productive hectares are expected to reach 10,000 by the end of fiscal year 2008.

As concerns the milk business, during this fiscal year we opened the second dairy facility at La Juanita farm in the Province of Buenos Aires, which has increased capacity to 1,800 cows per day. Given the good performance in this sector, we continue to analyze the possibility of expanding this activity.

Fiscal 2007 marked the start of a new era of regional expansion for Cresud. BrasilAgro, a Brazilian company listed on the Bovespa since May 2006 and in which Cresud has been founding shareholder, has acquired its first properties in Brazil for implementing its business plan. In this new season, BrasilAgro expects to develop both the production area, which will be mainly devoted to the production of soybean among other crops, and the commercial area, where we expect to apply the know-how developed by Cresud over all these years and take advantage of the experience of its human resources to form specialized work teams.

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Also as a part of the regional expansion strategy, we are now analyzing new investment alternatives in other countries in Latin America with agricultural, ecological and infrastructure conditions comparable to those in Argentina. Our plan is to form a regional portfolio with high appreciation potential.

Table of Contents**BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

The Board of Directors, which is responsible for our Company's management, is made up of nine directors and three alternate directors, each of whom is appointed by our shareholders at an ordinary meeting, to hold office for a term of three years, provided that a third of the members may be appointed annually. The Directors and alternate directors can be reelected to hold office unlimitedly.

Our current Board of Directors was designated by the Shareholders' meetings held on October 22, 2004, November 29, 2005 and October 31, 2006 for terms of office expiring in fiscal years 2007, 2008 and 2009.

The following table shows the current members of the Board of Directors:

Name	Date of birth	Position held at Cresud	Year of appointment to current position	End of office since	Current position
Eduardo S. Elsztain	01/26/1960	Chairman	2005	2008	1994
Saúl Zang	12/30/1945	First vice-chairman	2005	2008	1994
Alejandro G. Elsztain	03/31/1966	Second vice-chairman	2004	2007	1994
Clarisa D. Lifsic	07/28/1962	Director	2004	2007	1994
Gabriel A. G. Reznik	11/18/1958	Director	2006	2009	2003
Jorge O. Fernández	01/08/1939	Director	2006	2009	2003
Fernando A. Elsztain	01/04/1961	Director	2004	2007	2004
David A. Perednik	11/15/1957	Director	2004	2007	2004
Pedro D. Labaqui Palacio	02/22/1943	Director	2006	2009	2006
Salvador D. Bergel	04/17/1932	Alternate Director	2005	2008	1996
Juan C. Quintana Terán	06/11/1937	Alternate Director	2005	2008	1994
Gastón A. Lernoud	06/04/1968	Alternate Director	2005	2008	1999

A brief biographic description of each Board member is as follows:

Eduardo S. Elsztain. Mr. Elsztain studied Economic Sciences at the University of Buenos Aires. He has been carrying out activities in the Real Estate sector for more than twenty years. He is the Chairman of the Board of IRSA, Alto Palermo, Shopping Alto Palermo S.A., Cresud, Consultores Asset Management S.A. and BACS Banco de Crédito & Securitización, among other companies; furthermore he is Vice-Chairman of the Board of Banco Hipotecario and E-Commerce Latina S.A. and Director of BrasilAgro. Eduardo S. Elsztain is the brother of Alejandro G. Elsztain and cousin of Fernando A. Elsztain.

Saúl Zang. Mr. Zang is a lawyer graduated from the University of Buenos Aires. He is member of the International Bar Association and of the Interamerican Federation of Lawyers. He has been a founding member of the law firm Zang, Bergel & Viñes. He is also the First Vice-Chairman of the Board of Directors of IRSA and SAPSA, Vice-Chairman of Alto Palermo, Puerto Retiro and Fidesa; Director of Nuevas Fronteras S.A., BrasilAgro, Banco Hipotecario S.A., Palermo Invest and Tarshop.

Alejandro G. Elsztain. Mr. Elsztain is an Agricultural Engineer graduated from the University of Buenos Aires. He is Chairman of BrasilAgro, Inversiones Ganaderas S.A. and Cactus Argentina S.A. He is also Second Vice-Chairman of Cresud and IRSA, Executive Vice-Chairman of APSA and Shopping Alto Palermo S.A. and Director of IBOSA and FyO.com S.A. Mr. Alejandro G. Elsztain is the brother of the Chairman of de Board of Directors, Eduardo S. Elsztain and cousin of Fernando A. Elsztain.

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Clarisa D. Lifsic. Mrs. Lifsic is a graduate in Economic Sciences from the University of Buenos Aires and she obtained a Masters Degree in Sciences with management expertise at the Massachusetts Institute of Technology. She has also held offices on research and financial analysis areas in the private sector since 1987. At present, she is the Chairman of the Board of Directors of Banco Hipotecario S.A., among others.

Gabriel A. G. Reznik. Mr. Reznik is a Civil Engineer graduated from the University of Buenos Aires. From 1992 to May 2005, he worked for IRSA. Formerly, he worked for an Argentine independent building company. He is a Director of APSA, IRSA and Banco Hipotecario S.A, and Alternate Director ERSA, Fibesa S.A. and Tarshop S.A., among other companies.

Jorge Oscar Fernández. Mr. Fernández graduated from the University of Buenos Aires in Economic Sciences. He has carried out commercial and professional activities as Manager, Director and Second Vice-Chairman for Banco Río de la Plata and he was also a member of the Board of Directors of several financial services companies. He is a regular board member of the Buenos Aires Stock Exchange and he is a member of different industrial and service related companies.

Fernando A. Elsztain. Mr. Elsztain studied architecture in the University of Buenos Aires. Since March, 1994 he has been Commercial Director with IRSA. He has also worked as consultant in the real estate business and executive officer of a family-owned real estate company. He is Chairman of Llao Llao Resort S.A., Palermo Investment S.A. and Nuevas Fronteras S.A. He is also member of the Board of Directors of IRSA, APSA, SAPSA, Hoteles Argentinos and Tarshops and alternate director of the Board of Directors of Banco Hipotecario S.A. and Puerto Retiro, among other companies. Mr. Fernando A. Elsztain is cousin of Mr. Eduardo S. Elsztain, Chairman of the Board of Directors, and Alejandro G. Elsztain, second Vice-Chairman.

Pedro Damaso Labaqui Palacio. Mr. Labaqui is a Lawyer graduated from the University of Buenos Aires. He is also director of the Board of Directors of Bapro Medios de Pago and REM Sociedad de Bolsa S.A., statutory auditor of Bayfe S.A. Fondos Comunes de Inversión, and director of the Board of Directors and member of the Supervisory Committee of J. Minetti S.A.

David A. Perednik. Mr. Perednik is a Certified Public Accountant graduated from The University of Buenos Aires. He has worked in many companies, such as Marifran Internacional S.A., a subsidiary of Louis Dreyfus Amateurs where he was Financial Director between 1986 and 1997. He also worked for Deloitte & Touche as Senior Consultant in the Administration and Systems department between 1983 and 1986. Also he is currently Administrative Director of IRSA and APSA.

Salvador D. Bergel. Mr. Bergel is a Lawyer graduated from the National University of the Litoral and Doctor in Social and legal sciences. He is a founding member of Zang, Bergel & Viñes and legal advisor of Repsol YPF S.A. He is also an alternate director of IRSA.

Juan C. Quintana Terán. Mr. Quintana Terán is a Lawyer graduated from the University of Buenos Aires. He is also a legal advisor of the law firm Zang, Bergel & Viñes. He has been President and Judge of the Honorable National Court of Appeals in Commercial Matters of the City of Buenos Aires. He is an alternate director of Cresud, APSA, Banco Hipotecario S.A. and Nuevas Fronteras S.A.

Gastón Armando Lernoud. Mr. Lernoud graduated as a Lawyer from University of El Salvador, Buenos Aires, in 1992. He obtained a Masters degree in Corporate Law in 1996 from the University of Palermo, Buenos Aires. He was a senior associated member of Zang, Bergel & Viñes until June 2002, when he joined Cresud as senior manager.

Table of Contents**Senior management**

The Board of Directors has the authority to appoint and remove the members of the senior management. Such members shall follow the guidelines given by the Board of Directors. There are no agreements, by which the members of the senior management are appointed.

The following table shows information related to the actual senior management appointed by the Board of Directors:

Name	Date of birth	Position	Current position since
Alejandro G. Elsztain	03/31/1966	Executive Manager	1994
Gabriel Blasi	11/22/1960	Financial Manager	2004
David A. Perednik	11/15/1957	Administrative Manager	1997
Alejandro Bartolomé	12/09/1954	Production Manager	1996
Alejandro Casaretto	10/15/1952	Real Estate Manager	2000
Carlos Blousson	09/21/1963	Comercial Manager	2000
José Luis Rinaldini	08/14/1963	Insurance Manager	1995

The following table shows a brief biographic description of each senior manager, who is not a member of the Board of Directors:

Gabriel Blasi. Mr. Blasi is a Bachelor in Business Administration and obtained financial postgrade degrees at the University of CEMA (Centro de Estudios Macroeconómicos Argentinos) and IAE (Universidad Austral). He developed in Investment Bank and Capital Market in entities such as Citibank and Banco Rio (BSCH). Before joining the group, he was Financial Director of Grupo Carrefour Argentina and Goyaique SACIFIA (Grupo Perez Companc). At present, he is also Financial Manager of Cresud, IRSA and APSA.

Alejandro Bartolomé. Mr. Bartolomé is an Agricultural Engineer graduated from the University of Buenos Aires. He obtained a financial postgrade degree at Reading University, England. He worked as treasurer of Monte Buey Inrville s CREA and coordinator of Grupo Lechero Santa Emilia between 1993 y 1996. He also worked as Farmland Manager and was partner of Administración Abelenda, Magrane, Anchorena.

Alejandro Casaretto. Mr. Casaretto is an Agricultural Engineer graduated from the University of Buenos Aires. He has worked in the company as Tehnical Manager, Farmland Manager and Technical Coordinator since 1975. At present, he works as Real Estate Manager.

Carlos Blousson. Mr. Blousson is an Agricultural Engineer graduated from the University of Buenos Aires. He works as our comercial manager since 1996. Before joining Cresud, he worked in Vanexva Bursátil Sociedad de Bolsa as broker of futures and options. Previously, he worked as Farmland Manager and Technical Adviser in Leucon S.A.

José Luis Rinaldini. Mr. Rinaldini is an Agricultural Engineer graduated from the University of Buenos Aires. He worked at Inversiones Ganaderas S.A. and for an agricultural and forestry company in production and marketing areas.

Table of Contents**Supervisory Committee**

The Supervisory Committee is charged with the revision and supervision of management actions and of our company's affairs and monitors compliance with the by-laws and the resolutions of the shareholders' meetings, in accordance with the Section 294 of the Argentine Corporations Law. The members of the Supervisory Committee are appointed by the annual regular shareholders' meeting and hold office for one year. The Supervisory Committee consists of three regular members and three alternate members.

The following table includes information about the members of our Supervisory Committee appointed at the Annual Regular Shareholders Meeting held on October 31, 2006:

Name	Date of birth	Position	Current position since
José Daniel Abelovich	07/20/1956	Statutory Auditor	1992
Marcelo Héctor Fuxman	11/30/1955	Statutory Auditor	1992
Roberto Murmis	04/07/1959	Statutory Auditor	2005
Alicia Rigueira	12/02/1951	Alternate Statutory Auditor	2006
Sergio Kolaczyk	11/28/1964	Alternate Statutory Auditor	2005
Silvia Cecilia De Feo	10/07/1958	Alternate Statutory Auditor	2003

The following is a brief biographical description of each member of our Supervisory Committee:

José D. Abelovich. Mr. Abelovich obtained a degree in accounting from the University of Buenos Aires. He is a founding member and partner of SC International/Abelovich, Polano and Associates, a public accounting firm of Argentina. Formerly, he has been a manager of Harteneck, López y Cía/ member firm of Coopers & Lybrand Price Waterhouse and has served as a senior advisor in Argentina for the United Nations and the World Bank. Moreover, he is a member of the Supervisory Committee of IRSA, SAPSA, Hoteles Argentinos and Inversora Bolívar, among others.

Marcelo H. Fuxman. Mr. Fuxman obtained the degree of Accountant at Universidad de Buenos Aires. He is a partner of Abelovich, Polano y Asociados / SC International a public accounting firm of Argentina. He is also a member of the Supervisory Committee of IRSA, APSA, SAPSA and Inversora Bolívar S.A.

Roberto Murmis. Mr. Murmis obtained the degree of Accountant at Universidad de Buenos Aires. He is a partner of Abelovich, Polano y Asociados / SC International. He has worked as a Public Income Secretariat consultant. He is also a member of the Supervisory Committee of IRSA, SAPSA, Futuros y Opciones S.A. and of the Llao Llao Resorts S.A.

Silvia De Feo. Ms. De Feo is a public accountant graduated from the University of Belgrano. She works as a manager of Abelovich, Polano y Asociados/SC International, an Argentine accounting firm. Formerly, she was a manager of Harteneck, López y Cía/Coopers & Lybrand. She is also a member of the Supervisory Committee of IRSA, SAPSA, Inversora Bolívar S.A. and Baldovinos S.A.

Alicia Graciela Rigueira. Ms. Rigueira is a public accountant graduated from the University of Buenos Aires. Since 1998, she works as a manager of Abelovich, Polano y Asociados/SC International. From 1974 and up to 1998 Ms. Rigueira worked for Harteneck, López y Cía/ member firm of Coopers & Lybrand Price Waterhouse. She has given lectures at the Economics Faculty of the University of Lomas de Zamora.

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Sergio Leonardo Kolaczyk. Mr. Kolaczyk is a public accountant graduated from the University of Buenos Aires. He works for Abelovich, Polano y Asociados/SC International. He is also an alternate member of the Supervisory Committee of Cresud, IRSA and APSA.

Internal Control - Audit Committee

According to the Regime of Transparency in Public Offerings provided for by Decree 677/01 and the regulations of the Comisión Nacional de Valores (CNV), our Board of Directors created the Audit Committee.

Such Committee is a Board Committee, which main duties shall be to assist the Board in complying with its duty to act with due care, diligence and skill in respect of our company, particularly in the application of the accounting policies and issuance of the accounting and financial information, management of business risks and internal control systems, the company's business behavior and ethics, in monitoring the sufficiency of our financial statements, the company's compliance with the laws, independence and capacity of independent auditors and performance of the internal audit duties both by our company and external auditors.

Effective December 15, 2006, our Board of Directors appointed Jorge Oscar Fernández, Pedro Damasco Labaqui Palacio and Gabriel Adolfo Reznik—all of them independent directors—as members of the audit committee.

Method of compensation

Board of Directors

Under the Argentine Corporations Law, if the compensation of the Board is not provided for in the company's by-laws, it shall be determined by the shareholders' meeting. The maximum amount of compensation to be received by Board members, including compensation for permanent technical-administrative duties shall not exceed 25% of the company's profits. Such amount shall be limited to 5% when no dividend is distributed to shareholders and shall be increased in proportion to such distribution. When one or more Directors are assigned to special committees or technical-administrative duties and profits are either non-existent or limited, the shareholders' meeting may approve compensations in excess of the aforementioned limits.

The compensation of our Directors for each fiscal year is determined in accordance with the Argentine Corporations Law, taking into account the results for the year and the performance of additional technical-administrative duties. Upon the amounts being determined they are submitted to our shareholders for consideration at the shareholders' meeting.

At our shareholders' meeting held on October 31, 2006, our shareholders approved the decision to pay a compensation of Ps 1.62 million to our Board of Directors for their services rendered during the fiscal year ended June 30, 2006.

Senior Management

We pay our senior management a fixed amount based on their abilities and experience, and a variable bonus in accordance with their individual development and our total results.

The total compensation due to our senior management for the fiscal year ended June 30, 2007 was Ps. 2.1 million.

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Supervisory Committee

On October 31, 2006, the Board of Directors approved, by majority of votes, not to pay any compensation to the Supervisory Committee.

Capitalization Program for Executive Management

The Company is currently developing a capitalization program for executive management staff through contributions made by employees and by the Company.

The Program is addressed to employees selected by the Company with the purpose of keeping them in the company and increasing their total compensation through an extraordinary reward, provided that certain specific conditions are complied with.

Participation and contributions to the Plan are on a voluntary basis. Once the beneficiary has accepted, he will be able to make two types of contributions: a monthly one (based on the salary) and an extraordinary one (based on the annual bonus). The suggested contribution is up to 2.5% of the salary and up to 15% of the annual bonus. On the other hand, the Company contribution will be 200% of the monthly contributions and 300% of the employee's extraordinary contributions.

Funds collected from participants' contributions will initially be sent to an independent financial means especially created for such purpose and placed in Argentina as a Common Investment Fund, which will be approved by the C.N.V. Such funds will be freely redeemed under the requirement of the participants.

The funds arising from the Company contributions will flow to other independent financial means separated from the previous one. The participants will have access to 100% of the Program benefits (that is, including Company contributions made in favor of the financial means especially created) under the circumstances that follow:

ordinary retirement in line with the applicable working regulations

total or permanent disability or inability

death.

In case of resignation or discharge without legal justification, the participant will obtain the amounts contributed by the Company only if he has participated in the plan during a minimum term of 5 (five) years, provided certain conditions were complied with.

On June 30, 2007 the Company made contributions to the Program that amount Ps. 136,307.

Dividends and dividend policy

According to the Argentine Law, the distribution and payment of dividends to shareholders may only be validly made if they result from the company's net and realized profits arising from the annual financial statements approved by shareholders. The approval, amount and payment of dividends are subject to the approval of our shareholders at the annual regular shareholders' meeting. The approval of dividends requires the affirmative vote of the majority of voting shares.

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According to the Argentine law and to our by-laws the net and realized profits of each fiscal year shall be distributed as follows:

5% of net profits to our legal reserve, until it reaches 20% of our adjusted corporate capital stock;

a specified amount fixed by resolution of the shareholders meeting is assigned to compensation of our Directors and members of our Surveillance Committee; and

dividends, additional dividends on preferred shares, if any, or application of proceeds to optional or contingent reserves or to a new account, or for any other purpose as may be determined by the shareholders meeting.

On May 2, 2006 Cresud took a debt with Credit Suisse amounted US\$ 8 million, with a 30-month maturity, which accrued interest at variable rate equal to 3-month LIBOR plus 375 basic points. The related loan has been initially granted with Convertible Notes of IRSA for a total amount of US\$ 10 million, which were later replaced by 1.834.860 IRSA's ADRs plus a bank deposit, that may be released and/or increased depending on the market value of the share underlying the ADRs and subsequent payment. This loan was aimed at financing our investment in BrasilAgro.

In accordance with such agreement, there are some covenants regarding the appropriation of cash dividends. We can only appropriate and pay up to the amount of US\$ 5.000.000 per calendar year, direct or indirectly, either cash nor in kind.

In our shareholders meeting that took place in October 31, 2006, our shareholders approved the distribution of Ps. 5.5 million as dividends or Ps. 0.0248 per share of nominal value Ps. 1.00 (Ps. 0.248 per ADR), minus the amount equivalent to 5% for our Legal Reserve. The payment was effective as from November 29, 2006.

The following table shows the ratio of dividends paid and total amount of dividends paid per fully paid-in common share for each year since 1996. The amounts in pesos are stated in historic pesos as of the relevant payment dates.

Year of declaration	Cash dividends ⁽¹⁾ (Pesos)	Total per share (Pesos)
1996		
1997		
1998	0.099	0.099
1999	0.092	0.092
2000	0.011	0.011
2001	0.030	0.030
2002		
2003	0.012	0.012
2004	0.019	0.019
2005	0.059	0.059
2006	0.024	0.024

⁽¹⁾ It corresponds to payments per share. To compute the dividends paid per ADS, the payment per share shall be multiplied by ten. The amounts in Pesos are stated in historic Pesos as of the relevant payment date.

Although we intend to distribute cash dividends in the future, we may not assure that we shall be in a position to do so.

Table of Contents**STOCK INFORMATION****Information on the value of our shares at the Bolsa de Comercio de Buenos Aires**

Our common shares are listed on the Bolsa de Comercio de Buenos Aires under the CRES symbol. They have been listed on the Bolsa de Comercio de Buenos Aires since December 12, 1960.

The following table shows the highest and lowest closing prices of our common shares at the Bolsa de Comercio de Buenos Aires during the specified periods.

Fiscal year	Pesos per share	
	Highest	Lowest
2007	7.40	3.09
2006	5.73	3.10
2005	4.91	2.88
2004	4.40	2.24
2003	2.73	1.48
2007		
4th quarter	7.40	6.14
3rd quarter	6.75	5.08
2nd quarter	5.35	4.33
1st quarter	5.70	3.09
2006		
4th quarter	5.73	3.73
3rd quarter	4.38	3.22
2nd quarter	3.93	3.10
1st quarter	4.03	3.19
2005		
4th quarter	4.03	2.88
3rd quarter	4.91	3.79
2nd quarter	4.37	3.41
1st quarter	3.62	2.94
2007		
January	5.70	5.08
February	6.75	5.75
March	6.35	5.65
April	7.40	6.38
May	7.13	6.84
June	7.00	6.14

Source: Bloomberg.

Table of Contents**Information of the value of our shares at the NASDAQ**

Each American Depositary Share of CRESUD represents 10 common shares. The ADS are listed and traded on the NASDAQ under the CRESY symbol. The ADS have been traded at the NASDAQ since March 1997 and were issued by the Bank of New York, Inc. as Depository for the ADS.

The following table shows the highest and lowest closing prices of our ADS at the NASDAQ during the specified periods.

Fiscal Year	US Dollars per ADS	
	Highest	Lowest
2007	24.28	12.42
2006	19.45	10.12
2005	16.87	9.78
2004	14.91	7.74
2003	9.78	4.01
2007		
4th quarter	24.28	19.81
3rd quarter	22.08	16.58
2nd quarter	17.53	14.23
1st quarter	15.43	12.42
2006		
4th quarter	19.45	12.10
3rd quarter	14.44	10.42
2nd quarter	13.71	10.12
1st quarter	13.97	11.10
2005		
4th quarter	13.74	9.78
3rd quarter	16.87	12.93
2nd quarter	14.99	11.23
1st quarter	12.22	9.81
2007		
January	18.60	16.58
February	22.08	18.87
March	20.53	18.10
April	24.28	20.65
May	23.38	21.70
June	22.70	19.81

Source: Bloomberg

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Name of the Company: **Cresud Sociedad Anónima**
Comercial, Inmobiliaria,
Financiera y Agropecuaria

Legal Address: Moreno 877, 23rd Floor
 Ciudad Autónoma de Buenos Aires

Principal Activity: Agriculture, livestock and real-estate

Fiscal year No. 72 started on July 1, 2006
 Financial Statements for the fiscal year ended June 30, 2007
 In comparative format with previous fiscal year

DATES OF REGISTRATION AT THE PUBLIC REGISTRY OF COMMERCE

Of the by-laws: February 19, 1937
 Of the latest amendment: September 22, 1999
 Duration of the Company: June 6, 2082

Information on controlled companies in Note 2 to the consolidated Financial Statements

CAPITAL STATUS (Note 3 of basic financial statements)

SHARES

Type of stock	Authorized Pesos	Subscribed Pesos	Paid-in Pesos
Ordinary certified shares of Ps.1 face value and 1 vote each	309,576,220	309,576,220	309,576,220

Table of Contents**Cresud Sociedad Anónima****Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries****Consolidated Balance Sheet as of June 30, 2007 and 2006**

	June 30, 2007 (Notes 1, 2 and 3) Pesos	June 30, 2006 (Notes 1, 2 and 3) Pesos
ASSETS		
Current Assets		
Cash and banks (Note 4.a.)	46,930,644	25,997,361
Investments (Note 4.b.)	39,841,438	6,223,788
Trade accounts receivable (Note 4.c.)	37,930,596	11,084,617
Other receivables (Note 4.d.)	39,611,870	22,744,963
Inventories (Note 4.e.)	52,460,289	28,932,135
Total current assets	216,774,837	94,982,864
Non-current assets		
Other receivables (Note 4.d.)	43,236,560	36,005,292
Inventories (Note 4.e.)	68,345,438	62,712,423
Investments on controlled and related companies (Note 4.b.)	503,860,500	468,371,269
Other investments (Note 4.b.)	37,468,260	37,052,716
Fixed assets, net (Schedule A)	245,919,561	224,775,512
Intangible assets, net (Schedule B)	23,581,646	23,581,646
Subtotal Non-Current Assets	922,411,965	852,498,858
Goodwill (Note 4.b.)	(67,306,386)	(76,825,838)
Total Non-Current Assets	855,105,579	775,673,020
Total Assets	1,071,880,416	870,655,884
LIABILITIES		
Current Liabilities		
Debts:		
Trade accounts payable (Note 4.f.)	30,935,851	26,438,528
Loans (Note 4.g.)	122,749,734	66,421,573
Salaries and social security payable (Note 4.h.)	4,219,120	2,293,130
Taxes payable (Note 4.i.)	6,699,044	3,313,836
Other debts (Note 4.j.)	3,087,957	3,442,024
Total Debts	167,691,706	101,909,091
Total current liabilities	167,691,706	101,909,091
Non-current liabilities		
Trade accounts payable (Note 4.f.)	246,231	835,292
Taxes payable (Note 4.i.)	51,312,237	42,770,882
Loans (Note 4.g.)	24,744,000	98,096,955

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Other debts (Note 4.j.)	347,549	434,309
Provisions (Schedule E)	1,747,606	183,893
Total Non-current liabilities	78,397,623	142,321,331
Total Liabilities	246,089,329	244,230,422
Minority interest	836,872	559,871
SHAREHOLDERS EQUITY	824,954,215	625,865,591
Total Liabilities and Shareholders Equity	1,071,880,416	870,655,884

The accompanying notes and schedules are an integral part of the consolidated financial statements

Eduardo S. Elsztain
President

Table of Contents**Cresud Sociedad Anónima****Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries****Consolidated Statement of Income**

For the fiscal years beginning on July 1, 2006 and 2005

and ended June 30, 2007 and 2006

	June 30, 2007 (Notes 1, 2 and 3) Pesos	June 30, 2006 (Notes 1, 2 and 3) Pesos
Production:		
Crops	72,426,012	37,005,907
Beef cattle	19,462,410	20,452,655
Milk	10,911,397	7,892,462
Total production	102,799,819	65,351,024
Cost of production (Schedule F.2):		
Crops	(52,401,684)	(35,799,706)
Beef cattle	(15,050,438)	(18,780,372)
Milk	(8,476,391)	(5,845,360)
Total cost of production	(75,928,513)	(60,425,438)
Production profit	26,871,306	4,925,586
Sales:		
Crops	53,401,376	61,659,566
Beef cattle	31,966,582	33,713,479
Milk	9,730,929	7,892,462
Feed Lot	3,102,229	2,721,377
Others	12,116,372	6,353,777
Total Sales	110,317,488	112,340,661
Cost of sales (Schedule F.1):		
Crops	(50,434,966)	(53,286,035)
Beef cattle	(30,272,710)	(32,993,523)
Milk	(9,730,929)	(7,892,462)
Feed Lot	(2,823,865)	(2,318,102)
Others	(5,870,058)	(2,093,332)
Total cost of sales	(99,132,528)	(98,583,454)
Sales profit	11,184,960	13,757,207
Gross profit	38,056,266	18,682,793
Selling expenses (Schedule H)	(9,971,891)	(10,151,452)
Administrative expenses (Schedule H)	(16,628,088)	(11,560,307)

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Net gain on sale of farms	22,255,710	9,897,186
Holding gain Beef cattle (Schedules F.1 and F.2) (1)	5,102,943	2,847,711
Holding gain Crops (Schedules F.1 and F.2) (1)	(805,910)	1,391,209
Operating (loss) income	38,009,030	11,107,140
Financial gain (loss)		
Generated by assets:		
Exchange differences and discounts	(1,151,529)	11,510,779
Interest income	1,833,687	490,288
Doubtful Accounts		(43,616)
Tax on banking debits and credits	(1,901,855)	(2,177,198)
Holding gain	3,991	
Holding gain and result of transactions on securities investment	1,070,221	
Gain on sale of Convertible Notes		14,872,000
Interest on bons	2,959,795	7,123,844
Others	68,666	2,083,587
	2,882,976	33,859,684
Generated by liabilities:		
Reference stabilization index (CER)	1,551	(22,776)
Interest loss	148,239	37,400
Financial expenses:		
Interest on Convertible Notes (Note 7)	(2,718,240)	(8,330,855)
Interest on loans	(9,980,808)	(2,015,792)
Others	(996,160)	(1,850,902)
Exchange differences and discounts	204,448	(9,302,801)
	(13,340,970)	(21,485,726)
Other income and expenses, net		
Gains from other fixed assets sales	7,542	116,650
Donations		(1,600,000)
Others	(1,829,527)	(86,304)
Shareholders personal assets tax and miscellaneous	(2,428,815)	(1,797,940)
	(4,250,800)	(3,367,594)
Income from related companies	40,198,825	22,140,997
Management fee	(5,484,697)	(3,836,470)
Net Income before income tax and minority interest	58,014,364	38,418,031
Income tax expense	(8,375,095)	(5,431,831)
Minority interest	(277,000)	(102,924)
Net income for the year	49,362,269	32,883,276

The accompanying notes and schedules are an integral part of the consolidated financial statements

- (1) As of 30 June, 2007 the difference between Schedule F1 and F2 of \$ 74,563 is due to the effect of Cactus consolidation reversion as of December 31, 2006

Table of Contents**Cresud Sociedad Anónima****Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries****Consolidated Statement of Cash Flows**

For the fiscal years beginning on July 1, 2006 and 2005

and ended June 30, 2007 and 2006

	June 30, 2007 (Notes 1, 2 and 3) Pesos	June 30, 2006 (Notes 1, 2 and 3) Pesos
Changes in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	27,377,050	67,462,486
Cash and cash equivalents at the end of the year (1)	86,183,136	27,377,050
Net increase (decrease) in cash and cash equivalents	58,806,086	(40,085,436)
Causes of changes in cash and cash equivalents		
Operating activities		
Income for the year	49,362,269	32,883,276
Accrued interest during the year	12,699,048	10,292,047
Income tax	8,375,095	5,431,831
Adjustments made to reach net cash flow from operating activities		
Income from interest in related companies	(40,198,825)	(22,140,997)
Minority interest	277,000	102,924
Increase in allowances, provisions and accruals	9,053,039	10,940,250
Amortization and depreciation	4,459,067	5,112,088
Holding gain- Inventory	(4,371,596)	(4,238,920)
Financial results	(2,363,592)	(6,663,008)
Gain from sales of permanent investments		(14,872,000)
Gain from sale of fixed assets	(22,263,252)	(10,013,836)
Changes in operating assets and liabilities		
Decrease in current investments	6,162,768	7,262,688
Increase in trade accounts receivable	(28,541,205)	(1,339,921)
Increase in other receivables	(24,206,407)	(27,029,018)
Increase (Decrease) in inventories	(28,274,045)	11,331,834
Increase (Decrease) in social security payables, taxes payable and advances from customers	5,581,373	(18,293,933)
Decrease in trade accounts payable	(2,873,413)	(4,833,940)
Dividends collected	1,352,941	1,108,923
Increase in non-current investments	(89,987)	
(Decrease) Increase in other debts	(281,072)	3,489,671
Cash flows applied to operating activities	(56,140,794)	(21,470,041)
Investment activities		
Increase in interest in related companies	(726,804)	(64,608,293)
Acquisition and upgrading of fixed assets	(29,326,622)	(55,770,620)
Collection of receivables from sale of fixed assets	3,850,808	5,736,964
Sale of fixed assets	25,335,741	5,634,000
Additions in intangible assets		(1,857,985)
Cash flows applied to investment activities	(866,877)	(110,865,934)

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Financing activities		
Capital contributions from minority shareholders		180,000
Exercise of Warrants	84,175,558	53,587,195
Dividends paid	(5,500,000)	(10,000,000)
Increase in financial loans	84,508,257	83,957,134
Decrease in financial loans	(45,139,498)	(18,959,790)
Decrease in other liabilities	(2,230,560)	(16,514,000)
Cash flows provided by financing activities	115,813,757	92,250,539
Net increase (decrease) in cash and cash equivalents	58,806,086	(40,085,436)

- (1) The difference with the cash and cash equivalents at the end of the year is due to the effect of Cactus consolidation reversion since December 31, 2006 (\$ 939,275). Please see Note 1.
- (2) See reference (1) at Consolidated Statement of Income.

Eduardo S. Elsztain
President

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Cresud Sociedad Anónima

Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries

Consolidated Statement of Cash Flows (Continued)

For the fiscal years beginning on July 1, 2006 and 2005

and ended June 30, 2007 and 2006

Items not involving changes in cash and cash equivalents		
Transfer of inventory to fixed assets	1,460,459	779,347
Increase in other receivables by sale of fixed assets	3,646,002	8,572,080
Increase in fixed assets by increase in other liabilities	3,714,000	7,160,617
Decrease in other liabilities by decrease in fixed assets		(2,055,200)
Repayment of financial loans through issue of stock by exercise of conversion right	69,659,906	45,108,945
Increase in interest in related companies by a decrease in non-current investments		66,338,239
Increase in intangible assets by a decrease in non-current investments		21,723,661
Complementary information		
Interest paid	9,200,569	10,336,890
Income tax expense paid	1,738,045	33,317,971

The accompanying notes and schedules are an integral part of the consolidated financial statements

Eduardo S. Elsztain
President

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**Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries**

Notes to the Consolidated Financial Statements (Continued)

Notes to the Consolidated Financial Statements

Corresponding to the fiscal years beginning on July 1, 2006 and 2005 and ended on June 30, 2007 and 2006

NOTE 1: BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

As a consequence of the application of the unifying accounting standards approved by the Comisión Nacional de Valores (C.N.V.), which require that consolidated Financial Statements be presented as established by Technical Resolution No. 21 of the Federación Argentina de Consejos Profesionales de Ciencias Económicas (F.A.C.P.C.E.), the Balance Sheet as of June 30, 2007 and 2006 and the Statements of Income and the Statements of Cash Flows were consolidated on a line by line basis with the financial statements of such companies in which it holds a majority of the voting shares (see Note 1.b to the basic financial statements).

Since December 31, 2006, Cresud S.A. has stopped the application of the proportional consolidation method with Cactus Argentina S.A. (Cactus), due to the reduction of the interest in Cactus from 50% to 24% (please see note 12.c of the basic financial statements).

The financial statements of the subsidiary companies Inversiones Ganaderas S.A., Futuros y Opciones.Com S.A. and Agropecuaria Cervera S.A. as of June 30, 2007 and 2006 have been used in order to determine the investment at its equity value and line by line consolidation.

For purposes of comparability, certain reclassifications have been made on the information as of June 30, 2006.

These Financial Statements and the corresponding notes and schedules are presented in Argentine Pesos.

NOTE 2: CORPORATE CONTROL

The Company's interest in other companies is shown in the following table.

COMPANY	CRESUD	CONSOLIDATED
	PERCENTAGE OF	PERCENTAGE OF
	VOTING SHARES	VOTING SHARES
	OWNED	OWNED
Inversiones Ganaderas S.A.	99.99	99.99
Futuros y Opciones.Com S.A.	70.00	70.00
Agropecuaria Cervera S.A.	90.00	99.99(*)

(*) Includes Interests in Participations of Inversiones Ganaderas S.A.

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**Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries**

Notes to the Consolidated Financial Statements (Continued)

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements of the Subsidiary Companies mentioned in Note 2 have been prepared based on accounting principles consistent with those followed by Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria for the preparation of its Financial Statements, as detailed in Note 2.a of the basic financial statements.

As a result of the acquisition of Agropecuaria Cervera S.A. (ACER), as of June 30, 2007 the Company recorded in fixed assets the amount of Ps. 4,320,000 as tree plantations and Ps. 23,581,646 as right of concession (Schedule B) under the premise that only individual identifiable assets were acquired and not a whole business.

High relevant valuation and disclosure criteria applied in preparing the financial statements of Agropecuaria Cervera S.A. (ACER) and not explained in the valuation criteria note of the holding company are as follows:

Valuation criteria - fixed assets

The tree plantations included in the caption have been valued at replacement cost in accordance with the Tree Plantation Increase Report made on December 2003 by a forestry expert at the request of ACER previous shareholders.

ACER former board of directors based on such report as well as on own estimates accepted the value of Ps. 4,320,000 and recorded an equal amount in retained earnings in shareholders equity.

The current ACER management has reclassified such asset as Fixed Asset on the basis of its destination of use.

Other considerations concessions granted

Among other goods and rights ACER has the concession planning an execution of an integral development project including: biological, economical and social issues on several real estates located in the department of Anta, province of Salta. The company is also duty authorized to perform a significant agricultural, cattle farming and forestry project which was awarded under resolution No. 190/99 and bidding No. 58/98 of the Ministry of Production and Employment.

Such concession was granted for a 35 year term with a postponement option of 29 additional years by ACER.

Among other obligations ACER has to invest Ps. 16 million in agriculture, cattle farming, hydraulic resources, continuing education, forestry development, forest planting, fauna, natural reserve and eco-tourism, and has to pay an annual US\$ 60,000 cannon to the province of Salta to be paid as from the 20th year as from the commencement of the concession.

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**Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries**

Notes to the Consolidated Financial Statements (Continued)

NOTE 4: Details of consolidated balance sheet and consolidated statement of income accounts**a. Cash and banks**

	June 30, 2007	June 30, 2006
	Pesos	Pesos
Cash	75,085	55,495
Foreign currency (Schedule G)	4,137	92,744
Local currency checking account	7,258,440	1,689,103
Foreign currency checking account (Schedule G)	39,189,438	23,770,872
Local currency saving account	49,708	106,504
Foreign currency saving account (Schedule G)	4,360	6,367
Checks to be deposited	349,476	276,276
	46,930,644	25,997,361

b. Investments and Goodwill

	June 30, 2007	June 30, 2006
	Pesos	Pesos
Investment		
Investment (Schedules C and G)	39,841,438	6,223,788
	39,841,438	6,223,788
Investment		
Investment from related companies (Notes 12 and 15 and Schedule C)	503,860,500	468,371,269
	503,860,500	468,371,269
Other investments		
Other investments (Schedules C and G)	37,468,260	37,052,716
	37,468,260	37,052,716
Goodwill		
Goodwill (Schedule C)	(67,306,386)	(76,825,838)

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**Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries**

Notes to the Consolidated Financial Statements (Continued)

NOTE 4: (Continued)**c. Trade accounts receivable**

	June 30, 2007	June 30, 2006
	Pesos	Pesos
Current		
Accounts receivable in local currency	36,594,225	11,401,950
Less:		
Allowance for doubtful accounts (Schedule E)	(372,359)	(374,830)
Accounts receivable in foreign currency (Schedule G)	638,020	44,982
Subsidiaries, related companies Law No. 19,550 Section 33 and related parties:		
Cactus Argentina S.A.	1,069,777	12,515
Alto City.Com S.A.	933	
	37,930,596	11,084,617

d. Other receivables

	June 30, 2007	June 30, 2006
	Pesos	Pesos
Current		
Prepaid leases	6,434,233	8,836,242
Income tax prepayments and tax credit (net of accrual for income tax)	10,276,688	3,880,156
Guarantee deposits and premiums (Schedule G)	2,805,415	1,447,771
Secured by mortgage (Schedule G)	6,995,220	3,497,490
Prepaid expenses	193,568	338,368
Gross sales tax credit	14,086	4,539
Other tax credit	249,905	
Tax prepayments (net of accrual)	7,083,007	3,545,790
Subsidiaries, related companies Law No. 19,550 Section 33 and related parties:		
Cactus Argentina S.A.	4,266,771	191,651
IRSA Inversiones y Representaciones S.A. (Schedule G)	106,903	
Agro-Uranga S.A.	511,221	39,993
BrasilAgro Companhia Brasileira de Propiedaes Agrícolas	30,537	559,088
Credits to employees	225,994	85,980
Directors	735	
Others	417,587	317,895

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39,611,870 22,744,963

Non-current		
Prepaid leases	179	13,924
Income tax prepayments and others	19,966,998	24,351,881
Secured by mortgage (Schedule G)	13,097,871	8,265,284
Tax on minimum presumed income	7,750,517	2,422,271
Valued Added Tax credit	1,636,291	
Deferred tax	538,473	93,791
Subsidiaries, related companies Law No. 19,550 Section 33 and related parties:		
Cactus Argentina S.A.	4,100	8,353
Alto Palermo S.A. (Schedule G)	178,341	584,704
IRSA Inversiones y Representaciones S.A. (Schedule G)	41,117	150,353
Others (Schedule G)	22,673	114,731
	43,236,560	36,005,292

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**Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries**

Notes to the Consolidated Financial Statements (Continued)

NOTE 4: (Continued)**e. Inventories**

	June 30, 2007	June 30, 2006
	Pesos	Pesos
Current		
Beef cattle	11,130,777	10,957,079
Crops	30,866,271	10,550,495
Unharvested crops	2,673,752	1,662,592
Seeds and fodder	2,250,776	770,647
Materials and others	5,538,713	4,642,675
Advances to suppliers		348,647
	52,460,289	28,932,135
Non-Current		
Beef cattle	68,345,438	62,712,423
	68,345,438	62,712,423

f. Trade accounts payable

	June 30, 2007	June 30, 2006
	Pesos	Pesos
Current		
Suppliers in local currency	1,021,578	7,346,542
Suppliers in foreign currency (Schedule G) (1)	13,233,514	10,980,242
Interest to be accrued (Schedule G) (2)		(112,863)
Subsidiaries, related companies Law No. 19,550 Section 33 and related parties:		
Inversora Bolivar S.A.	40,508	42,092
Alto City.Com S.A.		298
Alto Palermo S.A.	1,075,643	35,620
IRSA Inversiones y Representaciones S.A.	124,752	34,127
Cactus Argentina S.A.	669,346	481,353
Estudio Zang, Bergel & Viñes	328,551	73,851
Fundación IRSA	1,800,000	2,200,000
Accrual for other expenses (Schedule G)	11,478,248	5,311,539
Accrual for harvest expenses	1,163,711	45,727

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30,935,851 26,438,528

Non-Current

Accrual for other expenses (Schedule G)

246,231 835,292

246,231 835,292

-
- (1) As of December 31, 2006 includes US\$ 1,449,726 from the acquisition of farm San Pedro corresponding to suppliers in foreign currency secured by mortgage. Please see note 11 to the basic financial statements.
- (2) Corresponds to the liability above mentioned.

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**Cresud Sociedad Anónima,
Comercial, Inmobiliaria, Financiera y Agropecuaria and Subsidiaries**

Notes to the Consolidated Financial Statements (Continued)

NOTE 4: (Continued)

g. Loans

June 30,	June 30,
2007	2006
Pesos	Pesos