CRESUD INC
Form 20-F
December 30, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

OR

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

For the fiscal year ended: June 30, 2008

OR

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

OR

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

Date of event requiring this shell company report _______

For the transition period from ______________________ to ________________________

Commission file number: 0-29190

CRESUD SOCIEDAD ANONIMA COMERCIAL INMOBILIARIA FINANCIERA Y AGROPECUARIA

(Exact name of Registrant as specified in its charter)

CRESUD INC.

(Translation of Registrant s name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Moreno 877, 23 Floor,

(C1091AAQ) Buenos Aires, Argentina

(Address of principal executive offices)

Gabriel Blasi

Chief Financial Officer

Tel +(5411) 4323-7449 finanzas@cresud.com.ar

Moreno 877 22nd Floor

(C1091AAQ) Buenos Aires, Argentina

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

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

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

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

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

The number of outstanding shares of Common Stock of Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria as of June 30, 2008 was:

Shares of Common Stock	501,531,865

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act: ¨ Yes x No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. x Yes ¨ No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨	International Financial Reporting Standards as issued by the International Accounting Standards Board ¨	Other x

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. ¨ Item 17 x Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

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CRESUD SOCIEDAD ANÓNIMA COMERCIAL

INMOBILIARIA FINANCIERA Y AGROPECUARIA

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DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a Safe Harbor for forward looking statements.

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

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

- changes in general economic, business or political or other conditions in Argentina or changes in general economic or business conditions in Latin America;
- changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies;
- changes in exchange rates or regulations applicable to currency exchanges or transfers;
- unexpected developments in certain existing litigation;
- increased costs;
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and
- the factors discussed under Risk Factors .

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

CERTAIN MEASURES AND TERMS

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

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

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PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

In this annual report where we refer to Peso , Pesos , or Ps. we mean Argentine pesos, the lawful currency in Argentina; when we refer to U.S. dollars , or US$ we mean United States dollars, the lawful currency of the United States of America; and when we refer to Central Bank we mean the Argentine Central Bank.

This Annual Report contains our audited consolidated financial statements as of June 30, 2008 and 2007 and for the years ended June 30, 2008, 2007 and 2006 (our Consolidated Financial Statements). Our Consolidated Financial Statements have been audited by Price Waterhouse & Co. S.R.L. Buenos Aires Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm, whose report is included herein. We prepare our Consolidated Financial Statements in Pesos and in conformity with generally accepted accounting principles used in Argentina, as set forth by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (FACPCE) and as implemented, adapted, amended, revised and/or supplemented by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* (CPCECABA) (collectively Argentine GAAP). In addition, we must comply with the regulations of the *Comisión Nacional de Valores* (CNV), the National Securities Commission in Argentina, which differ in certain significant respects from generally accepted accounting principles in the United States of America (US GAAP). Such differences involve methods of measuring the amounts shown in the Consolidated Financial Statements as well as additional disclosures required by US GAAP and Regulation S-X of the Securities and Exchange Commission (SEC). See Note 20 to our Consolidated Financial Statements for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of net income and shareholders equity.

As discussed in Note 2.d), in order to comply with regulations of the CNV, we discontinued inflation accounting as from February 28, 2003. Since Argentine GAAP required companies to discontinue inflation adjustments only as from October 1, 2003, the application of CNV resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March to September 2003, such a departure has not had a material effect on the Consolidated Financial Statements.

In addition, in accordance with the CNV regulations, we recognized deferred income taxes on an undiscounted basis. This accounting practice represented a departure from Argentine GAAP but did not have a material effect on the consolidated financial statements for the year ended June 30, 2006. However, as further discussed below, the CPCECABA issued revised accounting standards. One of these standards required companies to account for deferred income taxes on an undiscounted basis, thus aligning the accounting to that of the CNV. Since the CNV adopted the CPCECABA standards effective for the Company for the year ended June 30, 2007, there was no longer a difference on this subject between Argentine GAAP and the CNV regulations.

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

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Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset. Harvest is the detachment of produce from a biological asset or the cessation of a biological asset s life processes. Biological transformation results in the following types of outcomes: asset changes through (i) growth (an increase in quantity or improvement in quality of an animal or plant), (ii) degeneration (a decrease in the quantity or deterioration in quality of an animal or plant), or (iii) procreation (creation of additional living animals or plants).

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

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

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

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

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

The CNV issued General Resolutions 485 and 487 on December 29, 2005 and January 26, 2006, respectively which adopted, with certain modifications, the new accounting standards previously issued by the CPCECABA through its Resolution CD 93/2005. These standards were effective for our fiscal year ended June 30, 2007.

The most significant changes included in the accounting standards adopted by the CNV relate to (i) changes in the impairment test of long-lived assets and (ii) changes to deferred income tax accounting and (iii) accounting of deferred income taxes on a non-discounted basis.

Under the new standards, the carrying value of a long-lived asset is considered impaired by a company when its value in use or its net realizable value, whichever is greater, is less than its carrying value. Value in use is determined by the expected cash flows from the assets discounted at a rate commensurate with the risk involved. Net realizable value is determined by the selling price of the asset less costs of sell.

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The new standards provided for the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes when companies prepare price-level restated financial statements. The new accounting standard mandates companies to treat these differences as temporary but allowed a one-time accommodation to continue treating these differences as permanent at the time of adoption of the standard. As a result, we elected to continue treating differences as permanent.

As mentioned in Note 4.b) to our consolidated financial statements, as of June 30, 2008 we owned a 42.13% equity interest in Inversiones y Representaciones Sociedad Anónima (IRSA).

Also contained in this Annual Report are the consolidated financial statements of IRSA, as of June 30, 2008 and 2007 and for the years ended June 30, 2008, 2007 and 2006, which have been audited by Price Waterhouse & Co. S.R.L. Buenos Aires Argentina, a member firm of PriceWaterhouseCoopers, an independent registered public accounting firm, whose report is included herein. As of June 30, 2008, IRSA has a significant investment in *Banco Hipotecario S.A.* that accounts for approximately 6.5% of IRSA s total consolidated assets.

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

As discussed in Note 3.n. to IRSA s financial statements, in order to comply with *Comisión Nacional de Valores* regulations, IRSA recognized deferred income tax assets and liabilities on a non-discounted basis. This accounting practice represented a departure from Argentine GAAP for the year ended June 30, 2006. However, such departure has not had a material effect on the IRSA s consolidated financial statements.

Additionally, as discussed in Notes 2.c. to IRSA s financial statements, in order to comply with regulations of the CNV, we discontinued inflation accounting as from February 28, 2003. The application of this CNV regulation represented a departure from Argentine GAAP. However, such departure has not had a material effect on our consolidated financial statements.

Certain amounts which appear in this annual report (including percentage amounts) may not sum due to rounding. Solely for the convenience of the reader, we have translated certain Peso amounts into U.S. dollars at the exchange rate quoted by the Central Bank for June 30, 2008, which was Ps.3.025 = US$ 1.00. We make no representation that the Peso or U.S. dollar amounts actually represent or could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all.

References to fiscal years 2004, 2005, 2006, 2007 and 2008 are to the fiscal years ended June 30 of each such year.

MARKET DATA

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

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PART I

Item 1. Identity of directors, Senior Management and Advisers

This item is not applicable.

Item 2. Offer statistics and expected timetable

This item is not applicable.

Item 3. Key information

A. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data has been derived from our audited consolidated financial statements as of the dates and for each of the periods indicated below. This information should be read in conjunction with and is qualified in its entirety by reference to our consolidated financial statements and the discussion in Operating and Financial Review and Prospects included elsewhere in this Annual Report. The selected consolidated statement of income data for the years ended June 30, 2008, 2007 and 2006 and the selected consolidated balance sheet data as of June 30, 2008 and 2007 have been derived from our consolidated financial statements which have been audited by Price Waterhouse & Co. S.R.L. Buenos Aires Argentina, a member firm of PricewaterhouseCoopers, Buenos Aires, Argentina, an independent registered public accounting firm.

The selected consolidated statement of income data for the years ended June 30, 2005 and 2004 and the selected consolidated balance sheet data as of June 30, 2006 and 2005 have been derived from our audited consolidated financial statements as of June 30, 2006 and 2005 and for the three years in the period ended June 30, 2006 which are not included herein.

Certain reclassifications have been made to consolidated financial data derived from our consolidated financial statements as of June 30, 2006 and 2005 and for the three years in the period ended June 30, 2006, which are not included herein, has been reclassified to conform to the presentation of our fiscal year ended June 30, 2008. The reclassifications had no impact on previously reported net income, net income per share, shareholders equity or cash flows.

The selected consolidated balance sheet data as of June 30, 2004 has been derived from our audited consolidated financial statements as of June 30, 2005 and 2004 and for the three years in the period ended June 30, 2005 which are not included herein.

Certain reclassifications have been made to financial data derived from our consolidated financial statements as of June 30, 2005 and 2004 and for the three years in the period ended June 30, 2005 to conform to the presentation of our fiscal year ended June 30, 2008. The reclassifications had no impact on previously reported net income, net income per share, shareholders equity or cash flows.

	As of the year ended June 30					
	2008[1]	2008	2007	2006	2005	2004
	(in US$, except for percentages)	(in Ps., except for percentages)				
INCOME STATEMENT DATA						
Argentine GAAP						
Production income:						
Crops	38,834,250	117,473,605	72,426,012	37,005,907	44,052,970	24,369,232
Beef cattle	7,909,727	23,926,925	19,462,410	20,452,655	19,993,923	20,637,512
Milk	6,089,368	18,420,338	10,911,397	7,892,462	3,463,144	3,191,948
Total production income	52,833,345	159,820,868	102,799,819	65,351,024	67,510,037	48,198,692

Cost of production:						
Crops	(27,157,260)	(82,150,711)	(51,538,292)	(34,635,590)	(34,463,844)	(17,616,790)
Beef cattle	(6,385,455)	(19,316,000)	(15,050,438)	(18,780,372)	(17,012,337)	(15,112,209)
Milk	(4,721,682)	(14,283,089)	(8,476,391)	(5,845,360)	(2,094,975)	(1,307,962)
Total cost of production	(38,264,397)	(115,749,800)	(75,065,121)	(59,261,322)	(53,571,156)	(34,036,961)
Gross income from production	14,568,948	44,071,068	27,734,698	6,089,702	13,938,881	14,161,731

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Sales:						
Crops	28,717,518	86,870,493	53,401,376	61,659,566	30,893,216	26,838,376
Beef cattle	10,721,299	32,431,928	31,966,582	33,713,479	36,826,885	27,723,604
Milk	5,782,662	17,492,552	9,730,929	7,892,462	3,463,144	3,191,948
Feed lot			3,102,229	2,721,377	2,129,838	7,120,335
Other	8,524,293	25,785,987	12,116,372	6,353,777	4,859,931	4,778,545
Total sales	53,745,772	162,580,960	110,317,488	112,340,661	78,173,014	69,652,808
Cost of sales:						
Crops	(25,106,948)	(75,948,518)	(47,350,203)	(52,948,920)	(26,272,586)	(23,992,089)
Beef cattle	(9,929,989)	(30,038,217)	(30,272,710)	(32,993,523)	(35,810,780)	(26,478,681)
Milk	(5,828,053)	(17,629,859)	(9,730,929)	(7,892,462)	(3,463,144)	(3,191,948)
Feed lot			(2,784,315)	(2,318,102)	(1,855,278)	(6,185,771)
Other	(5,745,198)	(17,379,224)	(6,737,019)	(3,257,448)	(1,546,204)	(1,196,060)
Total cost of sales	(46,610,188)	(140,995,818)	(96,875,176)	(99,410,455)	(68,947,992)	(61,044,549)
Gross income from sales	7,135,584	21,585,142	13,442,312	12,930,206	9,225,022	8,608,259
Gross profit	21,704,532	65,656,210	41,177,010	19,019,908	23,163,903	22,769,990
Selling expenses	(4,792,438)	(14,497,124)	(9,971,891)	(10,151,452)	(6,599,566)	(5,740,115)
Administrative expenses	(8,629,275)	(26,103,558)	(16,628,088)	(11,560,307)	(7,271,279)	(4,957,250)
Net gain on sale of farms	6,616,346	20,014,447	22,255,710	9,897,186	19,987,989	1,668,751
Unrealized gain on farm held for sale	292,565	885,009				
Unrealized gain (loss) on inventories:						
Beef cattle	2,821,539	8,535,154	5,102,943	2,847,711	11,620,779	2,236,255
Crops, raw materials and MAT	(3,595,940)	(10,877,719)	(3,926,654)	1,054,094	(4,644,234)	1,834,248
Operating income	14,417,329	43,612,419	38,009,030	11,107,140	36,257,592	17,811,879
Financial results, net	(17,278,539)	(52,267,581)	(10,457,994)	12,373,958	63,751,386	(18,969)
Gain on equity investees	12,699,903	38,417,207	40,198,825	22,140,997	28,087,632	26,669,884
Other expense, net	(1,352,894)	(4,092,503)	(4,250,800)	(3,367,594)	(5,065,386)	(363,761)
Management fee	(717,680)	(2,170,982)	(5,484,697)	(3,836,470)	(8,533,213)	(3,567,003)
Income before income tax and minority interest	7,768,119	23,498,560	58,014,364	38,418,031	114,498,011	40,532,030
Income tax expense	(93,908)	(284,073)	(8,375,095)	(5,431,831)	(37,787,594)	(8,570,269)
Minority interest	(88,082)	(266,449)	(277,000)	(102,924)	88,501	141,261
Net income	7,586,129	22,948,038	49,362,269	32,883,276	76,798,918	32,103,022
U.S. GAAP						
Total sales	53,745,772	162,580,960	104,493,979	105,371,504	75,582,982	62,179,287
Total cost of sales	(34,689,810)	(104,936,675)	(62,333,457)	(83,441,671)	(52,000,895)	(40,330,843)
Gross profit	19,055,962	57,644,285	42,160,522	21,929,833	23,582,087	21,848,444
Selling expenses	(4,795,301)	(14,505,785)	(9,935,884)	(10,195,068)	(6,612,375)	(5,674,857)
Administrative expenses	(10,618,964)	(32,122,366)	(24,306,848)	(16,096,656)	(19,677,287)	(4,561,060)
Operating income	3,641,697	11,016,134	7,917,790	(4,361,891)	(2,707,575)	11,612,527
Financial results, net	(18,466,472)	(55,861,079)	(15,752,831)	3,815,781	54,964,547	(8,998,813)
Gain on equity investees	14,084,411	42,605,343	40,562,309	21,758,975	47,201,959	3,455,098
Other expense, net	(1,350,030)	(4,083,842)	(4,126,463)	(3,245,776)	(1,815,594)	(539,804)
Income before income tax and minority interest	4,525,951	13,691,003	50,856,515	27,864,275	117,631,326	7,197,759
Income tax expense	988,443	2,990,040	(1,244,203)	(272,575)	(31,025,373)	(3,945,940)
Minority interest	(88,082)	(266,449)	(277,000)	(102,924)	88,501	35,483
Net income	5,426,312	16,414,594	49,335,312	27,488,776	86,694,454	3,287,302
BALANCE SHEET DATA						
Argentine GAAP						
Current assets:						
Cash and banks and investments	176,227,330	533,087,674	86,772,082	32,221,149	74,446,153	14,624,161
Inventories	36,867,855	111,525,262	52,460,289	28,932,135	46,293,640	35,441,885
Trade and other receivables, net	30,143,332	91,183,580	77,542,466	33,829,580	32,002,331	24,221,264
Other assets	353,886	1,070,506				
Non-current assets:						
Other receivables	13,674,317	41,364,810	43,236,560	36,005,292	6,480,334	101,758
Inventories	25,161,336	76,113,042	68,345,438	62,712,423	53,223,179	44,740,030

Investments	306,105,954	925,970,511	474,022,374	428,598,147	364,468,960	367,512,830
Property and equipment, net	88,137,442	266,615,763	245,919,561	224,775,512	166,497,596	160,026,473
Intangible assets, net	7,546,790	22,829,041	23,581,646	23,581,646		
Total assets	684,218,244	2,069,760,189	1,071,880,416	870,655,884	743,412,193	646,668,401
Current liabilities:						
Trade accounts payable	16,376,703	49,539,528	30,935,851	26,438,528	17,894,529	10,840,177
Short-term debt	64,661,225	195,600,209	122,749,734	66,421,573	11,499,782	8,090,261
Other liabilities, taxes, charges, salaries and social security payable	5,688,412	17,207,447	14,006,121	9,048,990	36,585,829	10,370,898
Non-current liabilities:						
Long-term debt	693,129	2,096,716	27,085,386	99,550,449	114,798,751	125,920,201

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Taxes payable	13,824,075	41,817,828	51,312,237	42,770,882	39,285,385	26,213,217
Total liabilities	101,243,546	306,261,728	246,089,329	244,230,422	220,064,276	181,434,754
Minority interest	383,580	1,160,330	836,872	559,871	276,947	65,451
Shareholders equity	582,591,118	1,762,338,131	824,954,215	625,865,591	523,070,970	465,168,196
U.S. GAAP						
Non-current assets:						
Inventories	11,370,386	34,395,419	32,297,175	26,348,869	16,950,827	14,371,493
Investments	286,622,351	867,032,613	597,100,979	444,010,858	289,309,184	236,526,965
Property and equipment, net	88,198,764	266,801,260	245,919,561	224,775,512	166,497,596	160,026,473
Total assets	650,651,127	1,968,219,659	1,158,910,758	843,456,953	625,764,749	478,020,170
Non-current liabilities:						
Long-term debt	49,066,974	148,427,595	4,722,857	69,708,185	74,810,412	76,346,451
Taxes payable	13,433,194	40,635,413	60,586,895	59,020,118	60,714,471	53,809,128
Total liabilities	149,226,510	451,410,192	233,001,458	228,821,956	199,627,882	155,443,201
Shareholders equity	501,041,037	1,515,649,137	925,072,428	614,066,773	425,859,920	322,511,158
CASH FLOW DATA						
Argentine GAAP						
Net cash provided by (used in) operating activities	(25,217,658)	(76,283,416)	(56,140,794)	(21,470,041)	(10,100,935)	(280,751)
Net cash provided by (used in) investing activities	(134,428,461)	(406,646,096)	(866,877)	(110,865,934)	62,734,033	(25,089,388)
Net cash provided by (used in) financing activities	303,415,804	917,832,807	115,813,757	92,250,539	1,691,457	16,670,247
U.S. GAAP(8)						
Net cash (used in) provided by operating activities	(24,649,907)	(74,565,968)	(62,359,968)	(3,839,611)	54,735,816	(13,156,027)
Net cash (used in) provided by investing activities	(215,646,300)	(652,330,059)	5,295,891	(133,000,622)	(1,918,881)	(12,983,501)
Net cash provided by (used in) financing activities	303,415,804	917,832,807	115,813,757	92,250,539	1,691,457	16,670,247
Effects of exchange rate changes	(567,751)	(1,717,448)	56,406	4,504,528	(183,837)	1,272,280
OTHER FINANCIAL DATA						
Argentine GAAP						
Basic net income per share(2)	0.02	0.06	0.20	0.19	0.49	0.23
Diluted net income per share(3)	0.02	0.06	0.16	0.13	0.25	0.13
Basic net income per ADS(2)(4)	0.21	0.62	2.00	1.93	4.90	2.30
Diluted net income per ADS(3)(4)	0.20	0.60	1.60	1.32	2.50	1.30
Weighted average number of common shares outstanding		368,466,065	247,149,373	170,681,455	155,343,629	137,137,783
Weighted average number of common shares outstanding plus conversion(5)		385,300,115	321,214,392	321,214,392	321,214,392	321,214,392
Dividends paid(6)	7.00	20.0	8.25	5.50	10.00	3.00
Dividends per share	0.013	0.040	0.026	0.024	0.059	0.020
Dividends per ADS(4)	0.13	0.40	0.26	0.24	0.59	0.20
Depreciation and amortization	2,140,115	6,473,847	4,459,067	5,112,088	4,169,139	3,937,141
Capital expenditures(7)	9,262,371	28,018,672	29,326,622	55,770,620	25,959,614	15,189,386
Gross margin(9)	41.1%	41.1%	40.1%	29.1%	34.3%	47.2%
Operating margin(10)	27.3%	27.3%	37.0%	17.0%	53.7%	37.0%
Net margin(11)	14.4%	14.4%	48.0%	50.3%	113.8%	66.6%
Ratio of current assets to current liabilities	2.81	2.81	1.29	0.93	2.31	2.54
Ratio of shareholders equity to total liabilities	5.75	5.75	3.35	2.56	2.38	2.56
Ratio of non current assets to total assets	0.64	0.64	0.80	0.89	0.79	0.89
Ratio of Return on Equity ROE	0.02	0.02	0.07	0.06	0.16	0.07
U.S. GAAP						

Basic net income per share[2]	0.01	0.04	0.20	0.16	0.56	0.02
Diluted net income per share[3]	0.01	0.04	0.18	0.15	0.34	0.02
Basic net income per ADS[2][4]	0.13	0.40	2.00	1.61	5.58	0.24
Diluted net income per ADS[3][4]	0.13	0.40	1.80	1.54	3.38	0.24
Weighted average number of common shares outstanding		368,466,065	247,149,373	170,681,455	155,343,629	137,137,783
Weighted average number of common shares outstanding plus conversion [5]		388,439,848	305,057,442	270,811,838	283,140,627	137,137,783
Gross margin[9]	35.5%	35.5%	40.3%	20.8%	31.2%	35.1%
Operating margin[10]	6.8%	6.8%	7.6%	(4.1%)	(3.6)%	18.7%
Net margin[11]	10.1%	10.1%	47.2%	26.1%	114.7%	5.3%

(1) Solely for the convenience of the reader, we have translated Peso amounts into U.S. dollars at the exchange rate quoted by Banco de La Nación Argentina for June 30, 2008 which was Ps.3.025 = US$1.00. We make no representation that the Peso or U.S. dollar amounts actually represent, could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all. See Exchange Rates.

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

(3) Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common shares assuming the total conversion of outstanding notes. See Notes 12 and 20.II.f) to our consolidated financial statements for details on the computation of earning per share under Argentine GAAP and U.S. GAAP, respectively.

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

(5) Assuming (i) conversion into common shares of all of our outstanding convertible notes due 2007 and (ii) exercise of all outstanding warrants to purchase our common shares.

(6) The shareholders meeting held on October 31, 2008 approved by majority the distribution of a cash dividend amounting to Ps.20.0 million.

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

(8) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of SFAS No. 95 under U.S. GAAP. See Note 20.II.e) to our consolidated financial statements for details of the differences in classifications affecting the categories of cash flows.

(9) Gross profit divided by the sum of production income and sales.

(10) Operating income divided by the sum of production income and sales.

(11) Net income divided by the sum of production income and sales.

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Exchange Rates

In April 1991, Argentine law established a fixed exchange rate according to which the Central Bank was statutorily obliged to sell U.S. dollars to any individual at a fixed exchange rate of Ps.1.00 per US$1.00. On January 7, 2002, the Argentine congress enacted the Public Emergency Law, abandoning over ten years of fixed Peso-U.S. dollar parity at Ps.1.00 per US$1.00. After devaluing the Peso and setting the official exchange rate at Ps.1.40 per US$1.00, on February 11, 2002, the government allowed the Peso to float. The shortage of U.S. dollars and their heightened demand caused the Peso to further devalue significantly in the first half of 2002. Since June 30, 2002, the Peso has appreciated versus the U.S. dollar from an exchange rate of Ps.3.80=US$1.00 to an exchange rate of Ps.3.4060=US$1.00 at December 17, 2008 as quoted by *Banco de la Nación Argentina* at the U.S. dollar selling rate. Due to external shocks and aiming to maintain a stable parity, during the fiscal year 2008 the Central Bank has indirectly affected the exchange rate market, through active participation.

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

	Exchange Rate			
	High(1)	**Low(2)**	**Average(3)**	**Period Closing**
Fiscal year ended June 30, 2003	3.7400	2.7120	3.2565	2.8000
Fiscal year ended June 30, 2004	2.9510	2.7100	2.8649	2.9580
Fiscal year ended June 30, 2005	3.0400	2.8460	2.9230	2.8670
Fiscal year ended June 30, 2006	3.0880	2.8590	3.0006	3.0860
Fiscal year ended June 30, 2007	3.1080	3.0480	3.0862	3.0930
Fiscal year ended June 30, 2008	3.1840	3.0160	3.1396	3.0250
June 2008	3.1110	3.0160	3.0485	3.0250
July 2008	3.0440	3.0140	3.0230	3.0440
August 2008	3.0520	3.0250	3.0333	3.0300
September 2008	3.1350	3.0280	3.0833	3.1350
October 2008	3.3880	3.1340	3.2423	3.3880
November 2008	3.3870	3.2850	3.3264	3.3730
December 2008 (As of December 17, 2008)	3.4680	3.3830	3.4175	3.4060

Source: *Banco de la Nación Argentina*

(1) The high exchange rate stated was the highest closing exchange rate of the month during the fiscal year or any shorter period, as indicated.

(2) The low exchange rate stated was the lowest closing exchange rate of the month during the fiscal year or any shorter period, as indicated.

(3) Average month-end closing exchange rates.

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

B. CAPITALIZATION AND INDEBTEDNESS

This section is not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

This section is not applicable.

D. RISK FACTORS

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

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Risks Related to Argentina

Argentina s recent growth may not be sustainable.

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high inflation and currency devaluation. During 2001 and 2002, Argentina experienced a period of severe political, economic and social crisis, which caused a significant economic contraction and led to radical changes in government policies. Although the economy has recovered significantly since then, uncertainty remains as to whether the recent growth is sustainable, since it has depended, to a significant extent, on favorable exchange rates, high commodity prices and excess capacity. The recovery, however, has resulted in inflation and has intensified the country s need for capital investment, with many sectors, in particular the energy sector, operating near full capacity. Additionally, the current global financial crisis and economic downturn has begun to have a significant adverse impact on the country s performance and could worsen in the foreseeable future. Commodities prices, particularly those related to Argentine exports such as soybean, have declined significantly recently. Access to international financing, already limited as a result of the sovereign default in 2002, is currently virtually unavailable. Moreover, the country s relative stability since 2002 has been affected recently, by increased political tension and government intervention in the economy.

Our business depends to a significant extent on macroeconomic and political conditions in Argentina. We cannot assure you that Argentina s recent growth will continue. A deterioration in the country s economy would likely have a significant adverse effect on our business, financial condition and results of operations.

Continuing inflation may have an adverse effect on the economy.

The devaluation of the Peso in January 2002 created pressures on the domestic price system that generated high inflation throughout 2002, before inflation substantially stabilizing in 2003. However, inflationary pressures have since reemerged with consumer prices increasing by 12.3% in 2005. In 2006 and in 2007, inflation was 9.8% and 8.5%, respectively, in part due to actions implemented by the Argentine government to control inflation, which included limitations on exports and price arrangements agreed to with private sector companies. However, in spite of this decline in inflation, uncertainty surrounding future inflation may impact the country s growth.

As of November 30, 2008, according to the argentine statistics and census agency, or INDEC, consumer prices increased by 7.9% on an annualized basis.

In the past, inflation has undermined the Argentine economy and the government s ability to create conditions conducive to growth. A return to a high inflation environment would impact in the long term credit market and real estate market and may also affect Argentina s foreign competitiveness by diluting the effects of the Peso devaluation and negatively impacting the level of economic activity and employment. If inflation remains high or continues to rise, Argentina s economy may be negatively impacted and our business could be adversely affected.

There are concerns about the accuracy of Argentina s official inflation statistics.

In January 2007, INDEC modified its methodology used to calculate the consumer price index, which is calculated as the monthly average of a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households. Several economists as well as the international and Argentine press have suggested that this change in methodology was related to the Argentine government s policy aimed at curbing inflation. At the time that INDEC adopted this change in methodology, the Argentine government also replaced several key personnel at INDEC, prompting complaints of governmental interference from the technical staff at INDEC . In addition, the International Monetary Fund, or IMF, has requested that the government clarify its inflation rates. More recently, in June 2008, INDEC published a new consumer price index that eliminates nearly half of the items included in previous surveys and introduces adjustable weightings for fruit, vegetables and clothing, which have seasonal cost variations. INDEC has indicated that it based its evaluation of spending habits on a study of a national household consumption survey from 2004 to 2005 in addition to other sources; however, the new index has been criticized by economists and investors after its debut report found prices rising well below expectations. These events have affected the credibility of the consumer price index published by INDEC, as well as other indexes published by INDEC which require the consumer price index for their own calculation, including the poverty index, the unemployment index and real gross domestic product. Argentina s inflation rate may be significantly higher than the rates indicated by official reports. In addition, if it is determined that it is necessary to correct the consumer price index and the other INDEC indexes derived from the consumer price index, there could be a significant decrease in confidence in the Argentine economy, which could, in turn, have a materially adverse effect on our ability to access international credit markets at market rates to finance our operations.

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

In the first half of 2005, Argentina restructured part of its sovereign debt that had been in default since the end of 2001. The Argentine government announced that as a result of the restructuring, it had approximately US$126.6 billion in total outstanding debt remaining. Of this amount, approximately US$19.5 billion are defaulted bonds owned by creditors who did not participate in the restructuring of the external financial debt. As of June 30, 2008, the total outstanding debt was approximately US$ 149.8 billion.

Some bondholders in the United States, Italy and Germany have filed legal actions against Argentina, and holdout creditors may initiate new suits in the future. Additionally, foreign shareholders of certain Argentine companies have filed claims in excess of US$17 billion before the International Centre for the Settlement of Investment Disputes, or ICSID, alleging that certain government measures are inconsistent with the fair and equitable treatment standards set forth in various bilateral treaties to which Argentina is a party. As of the date of this annual report, the ICSID has rendered decisions in eight cases, requiring the Argentine government to pay approximately US$ 1.0 billion plus interest in claims.

Argentina has recently reinitiated discussions with holdout creditors and certain multilateral institutions. However, Argentina s past default and its failure to restructure completely its remaining sovereign debt and fully negotiate with the holdout creditors may prevent Argentina from reentering the international capital markets. Litigation initiated by holdout creditors as well as ICSID claims may result in material judgments against the Argentine government and could result in attachments of, or injunctions relating to, assets of Argentina that the government intended for other uses. As a result, the government may not have the financial resources necessary to implement reforms and foster growth which could have a material adverse effect on the country s economy and, consequently, our business. In addition, the difficulties Argentina faces to access financing in the international markets could have an adverse effect on our capacity to obtain financing in the international markets in order to finance our operations and growth.

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

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

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

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

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

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

The Argentine government has historically exercised significant influence over the country s economy. Additionally, the country s legal and regulatory frameworks have at times suffered radical changes, undue political influence and significant uncertainties. Moreover, during its crisis in 2001 and 2002, Argentina experienced significant social and political turmoil, including civil unrest, riots, looting, nationwide protests, strikes and street demonstrations. Despite Argentina s economic recovery and relative stabilization, social and political tension and high levels of poverty and unemployment continue. In 2008, Argentina faced nationwide strikes and protests from farmers due to increased export taxes on agricultural products, which disrupted economic activity and have heightened political tension. Future government policies to preempt, or in response to, social unrest may include expropriation, nationalization, forced renegotiation or modification of existing contracts, suspension of the enforcement of creditors rights, new taxation policies, including royalty and tax increases and retroactive tax claims, and changes in laws and policies affecting foreign trade and investment. Such policies could destabilize the country and adversely and materially affect the economy, and thereby our business.

The nationalization of Argentina s pension funds will adversely affect local capital markets.

In December 2008, the Argentina government transferred the approximately Ps. 94.4 billion (US$29.3 billion) in assets held by the country s ten private *Administradoras de Fondos de Jubilaciones y Pensiones* (pension fund management companies, or AFJPs) to the government-run social security agency (ANSES).

AFJPs were the largest participants in the country s local capital market. With the nationalization of their assets, the local capital market is expected to diminish in size and be substantially concentrated in the hands of the government. In addition, the government will become a significant shareholder in many of the country s private companies. As a result, access to liquidity may be further limited, funding costs may rise and the government may have greater influence over the operations of private companies.

The nationalization of the AFJPs has adversely affected investor confidence in Argentina. In addition, we cannot assure you that the government will not take similar measures in the future that interfere with private sector businesses and adversely affect the economy.

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

In 2001 and 2002, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of companies to retain foreign currency or make payments abroad. Many of these restrictions were substantially eased after the crisis. However, in June 2005, the government issued decree No. 616/2005, that established additional controls on capital inflows, including the requirement that, subject to limit exemptions, 30% of funds remitted to Argentina remain deposited in a domestic financial institution for one year without earning any interest. This measure increases the cost of obtaining foreign funds and limits access to these funds.

The Argentine government may impose additional controls on the foreign exchange market and on capital flows from and into Argentina, in the future, for example in response to capital flight or depreciation of the peso. These restrictions may have a negative effect on the economy and our business if imposed in an economic environment where access to local capital is substantially constrained.

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

Beginning in February 2002, the payment of dividends, irrespective of amount, outside Argentina required prior authorization from the Central Bank. On January 7, 2003, the Central Bank issued communication A 3859 eliminating the limitation on companies ability to purchase foreign currency and transfer it outside Argentina to pay dividends. However similar restrictions may be enacted by the Argentine government or the Central Bank again and, if this were to occur, it could have an adverse effect on the value of our common shares and the ADSs. Moreover, in such event, restrictions on the transfers of funds abroad may impede your ability to receive dividend payments as a holder of ADSs.

The stability of the Argentine banking system is uncertain.

During 2001 and the first half of 2002, a significant amount of deposits were withdrawn from Argentine financial institutions. This massive withdrawal of deposits was largely due to the loss of confidence of depositors in the Argentine government s ability to repay its debts, including its debts within the financial system, and to maintain peso-dollar parity in the context of its solvency crisis. To prevent a run on the U.S. dollar reserves of local banks, the government restricted the amount of money that account holders could withdraw from banks and introduced exchange controls restricting capital outflows. While the condition of the financial system has improved, adverse economic developments, even if not related to or attributable to the financial system, could result in deposits flowing out of the banks and into the foreign exchange market, as depositors seek to shield their financial assets from a new crisis. Any run on deposits could create liquidity or even solvency problems for financial institutions, resulting in a contraction of available credit.

In the event of a future shock, such as the failure of one or more banks or a crisis in depositor confidence, the Argentine government could impose further exchange controls or transfer restrictions and take other measures that could lead to renewed political and social tensions and undermine the Argentine government s public finances, which could adversely affect Argentina s economy and prospects for economic growth.

The Argentine economy could be adversely affected by economic developments in other global markets, in particular the current global financial crisis and economic downturn.

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors perception of the events occurring in one country may substantially affect capital flows into other countries, including Argentina and the availability of funds for issuers in such countries. Lower capital inflows and declining securities prices negatively affect the real economy of a country through higher interest rates or currency volatility.

The Argentine economy was adversely impacted by the political and economic events that occurred in several emerging economies in the 1990s, including Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation in January 1999.

In addition, Argentina may also be affected by the economic conditions of major trade partners, such as Brazil, or countries such as the United States, that are significant trade partners and/or have influence over world economic cycles. If interest rates rise significantly in developed economies, including the United States, Argentina and other emerging market economies could find it more difficult and expensive to borrow capital and refinance existing debt, which would negatively affect their economic growth. In addition, if these countries, which are also Argentina s trade partners, fall into a recession the Argentine economy would be impacted by a decrease in exports. All of these factors would have a negative impact on us, our business, operations, financial condition and prospects.

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In 2008, particularly in recent months, the global financial system has been experiencing unprecedented volatility and disruption. The current financial turmoil has led to a significant tightening of credit, low levels of liquidity, extreme volatility in fixed income, credit, currency and equity markets and capital outflows away from emerging markets, including Argentina. This financial crisis has also begun to significantly and adversely impact global economic conditions. Countries around the world are currently experiencing a significant deterioration in economic conditions, including the United States which is currently in a pronounced recession. These conditions have had a negative impact on the Argentine economy, and could continue to adversely affect the conditions in the country in the foreseeable future. Although the extent of the impact is difficult to predict at this time, current global financial and economic conditions are expected to have a material adverse effect on Argentina s economy, and consequently on our business.

If the decline in international prices for Argentina s main commodity exports continues it could have an adverse effect on Argentina s economic growth and on our business

Argentina s economy has historically relied on the export of commodities, the prices of which have been volatile in the past and largely outside its control.

Argentina s recovery from the crisis at 2001 and 2002 has depended to a significant extension the rise in commodity prices, particularly prices of its main commodity exports, such as soybean. High commodity prices have contributed significantly to government revenues from taxes on exports. In recent months, the prices of the commodities that Argentina exports have decline significantly. If commodity prices continue to decline, the growth of the Argentine economy, could be adversely affected. Such occurrence would have a negative impact on the levels of government revenues, the government s ability to service its debt and on our business.

Restrictions on the supply of energy could negatively affect Argentina s economy.

As a result of several years of recession, and the forced conversion into Pesos and subsequent freeze of gas and electricity tariffs, there has been a lack of investment in gas and electricity supply and transport capacity in Argentina in recent years. At the same time, demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and price constraints. The federal government has been taking a number of measures to alleviate the short-term impact of energy shortages on residential and industrial users. If these measures prove to be insufficient, or if the investment that is required to increase natural gas production and transportation capacity and energy generation and transportation capacity over the medium-and long-term fails to materialize on a timely basis, economic activity in Argentina could be curtailed.

Risks Relating to Brazil

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

Our business is dependent to some extent on the economic conditions in Brazil. As of June 30, 2008*,* approximately 8.3% of our consolidated assets were located in Brazil through our affiliate BrasilAgro.

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

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

- fluctuation in exchange rates in Brazil;

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

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

Inflation and government policies to combat it in Brazil may adversely affect the operations of BrasilAgro which could adversely impact our financial condition and results of operations.

Brazil has experienced high and generally unpredictable rates of inflation for many years in the past. Inflation itself, as well as governmental policies to combat inflation, has had significant negative effects on the Brazilian economy in general. Inflation, government efforts to control inflation and public speculation about future governmental actions have had, and can be expected to continue to have, significant impact on the Brazilian economy and on our operations in Brazil. As measured by the Brazilian *Índice Nacional de Preços au Consumidor* (National Consumer Price Index), or INPC, inflation in Brazil was 5.1%, 2.8% , 5.2% and 4.3% in 2005, 2006, 2007 and for the six-month period ended June 30, 2008, respectively. We cannot assure you that levels of inflation in Brazil will not increase in future years and have a material adverse effect on our business, financial condition or results of operations. Inflationary pressures may lead to further government intervention in the economy, including the introduction of government policies that could adversely affect the results of operations of BrasilAgro and consequently our financial condition and results of operations and the market price of our common shares and ADSs.

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

Brazil s rate of inflation and the government s actions to combat inflation have also affected the exchange rate between the *real* and the U.S. dollar. As a result of inflationary pressures, the Brazilian currency has been devalued periodically during the last four decades. Throughout this period, the Brazilian federal government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini devaluations (during which the frequency of adjustments has ranged from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets. During 2005, 2006, and 2007, the *real* appreciated 11.8%, 8.7% and 17.2%, respectively, against the U.S. dollar. As for the period of eleven-months ended November 30, 2008, as an impact of the world s economy crisis that unfolded in mid 2007 as a result of the disruption of the United States s subprime mortgage market, the real depreciated 31.7% against the U.S. dollar. Despite the recent depreciation there can be no assurance that the rate of exchange between the *real* and the dollar will not fluctuate significantly. In the event of a devaluation of the *real*, the financial condition and results of operations of our Brazilian subsidiary could be adversely affected.

Depreciation of the *real* relative to the U.S. dollar may increase the cost of servicing foreign currency-denominated debt that we may incur in the future, which could adversely affect our financial condition and results of operations. In addition, depreciation of the *real* could create additional inflationary pressures in Brazil that may adversely affect our results of operations. Depreciation generally curtails access to international capital markets

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and may prompt government intervention. It could also reduce the U.S. dollar value of BrasilAgro s revenues, distributions and dividends, and the U.S. dollar equivalent of the market price of our common shares. On the other hand, the appreciation of the *real* against the U.S. dollar may lead to the deterioration of Brazil s public accounts and balance of payments, as well as to lower economic growth from exports.

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

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

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

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

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

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

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

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Risks Relating to Our Region

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

We had made investments in farmland in Argentina, Brazil, Paraguay and Bolivia and we may possibly make investments in other countries in and outside Latin America. Because demand for agricultural products and farmland usually is correlated to economic conditions prevailing in the local market, which in turn is dependent on the macroeconomic condition of the country in which the market is located, our financial condition and results of operations are, to a considerable extent, dependent upon political and economic conditions prevailing from time to time in the countries where we operate. Latin American countries have historically experienced uneven periods of economic growth, as well as recession, periods of high inflation and economic instability. Certain countries have experienced severe economic crises, which may still have future effects. As a result, governments may not have the financial resources necessary to implement reforms and foster growth. Any of these adverse economic conditions could have a material adverse effect on our business.

Currently, the world s economy is experiencing the effects of the crisis that unfolded in mid 2007 as a result of the disruption of the United States s subprime mortgage market. The final impact of the crisis on the economic conditions is difficult to predict. However, this crisis could trigger a less favorable or an unfavorable international environment for the countries where we operate and intend to operate, forcing domestic policy adjustments, which could trigger adverse economic conditions and adversely affect our business.

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

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

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

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

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

- exchange rates and exchange control policies;
- inflation rates;
- interest rates;
- tariff and inflation control policies;
- import duties on information technology equipment;

liquidity of domestic capital and lending markets;

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electricity rationing;

tax policies; and

other political, diplomatic, social and economic developments in or affecting the countries where we intend to operate.

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

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

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

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

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

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

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

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

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

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

Risks Relating to Our Business

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

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

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

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

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

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

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

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

Our cattle are subject to diseases.

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

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