

IRSA INVESTMENTS & REPRESENTATIONS INC

Form 6-K

September 22, 2008

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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 September, 2008

Irsa Inversiones y Representaciones Sociedad Anónima

(Exact name of Registrant as specified in its charter)

Irsa Investments and Representations Inc.

(Translation of registrant's name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

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Bolívar 108

(C1066AAB)

Buenos Aires, Argentina

(Address of principal executive offices)

Form 20-F T 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 T

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IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

(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, 2008 and 2007.

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CORPORATE PROFILE

Founded in 1943, IRSA Inversiones y Representaciones Sociedad Anónima (IRSA or the Company) is Argentina s largest real estate company and the only Argentine real estate company whose shares are listed on the Buenos Aires Stock Exchange (BASE) and on the New York Stock Exchange.

We are one of Argentina s leading real estate companies. We are engaged, directly and indirectly through subsidiaries, joint ventures and strategic alliances, in real estate activities in Argentina. We have a range of diversified real estate related activities, including: (i) the acquisition, development and operation of office buildings and other rental properties; (ii) the acquisition, development and operation of shopping centers, (iii) the acquisition and development of residential property, mainly for future sale; (iv) the acquisition and operation of luxury hotels, (v) the acquisition of land reserves in strategic areas for future development and sale, and (vi) consumer finance. We currently own 11.8% of Banco Hipotecario, one of the leading financial institutions in Argentina.

Our principal executive offices are located at Bolívar 108, Buenos Aires (C1066AAB), Argentina. Our administrative headquarters are located in the Intercontinental Plaza tower, Moreno 877, Floor 22, City of Buenos Aires (C1091AAQ). Our telephone number is +54 (11) 4323-7400, our fax number is +54 (11) 4323-7480 and our website is www.irsa.com.ar.

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LETTER TO SHAREHOLDERS

To the Shareholders:

Fiscal year 2008 has been a year of consolidation in our business segments. Growth has been stimulated by the increase in the Company's financial resources resulting from the 5 and 10 year bonds issued by IRSA and Alto Palermo during the previous fiscal year and allocated to the execution of acquisitions and developments. Our rental properties generate good cash flows thanks to high occupancy levels which in turn optimize the financial strength of our business.

This financial strength has in turn allowed the growth in terms of square meters of our rental property business, the penetration into new segments or the re-launching of traditional business segments through new partnerships such as our association with Brazil-based Cyrela to help strengthen our position in the sales and developments segment. Within this context we have also been able to expand our portfolio of land reserves and to add US Dollar-denominated rentals to our portfolio through the acquisition of a premium office building in the City of New York.

As the developments in progress are phased into production and the rentals lagging market levels resulting from assets recently added to our portfolio are marked to market, the robustness of our business will strengthen even further.

The following is a description of performance in each of the segments for the past year:

Shopping Center Segment: Total sales of our tenants in this segment rose by 31% compared to the previous fiscal year. The Company's positioning in the Metropolitan area of the City of Buenos Aires and in Greater Buenos Aires continued to strengthen: over the twelve months ended on June 30, 2008, the sales of our lessees were 46.8% higher than our competitors.

This segment continues to see its cash flow grow, showing a solid performance as its operating income outperformed the rate of growth in revenues. Occupancy continues to be high, attaining a 99.3% level at the end of the fiscal year.

Regarding our expansion in Buenos Aires and in the provinces, we continued with the construction of a major shopping center to be developed in the Saavedra neighborhood in the City of Buenos Aires, at the crossing of Av. General Paz and the Panamerican Highway. This project entails the construction of a shopping center, a hypermarket, a movie-theater complex and an office building and/or residential building which will allow us to attract public with very good purchasing power from the northern neighborhoods of the City of Buenos Aires and northern suburbs. The project is being developed by Panamerican Mall S.A. (PAMSA) a company in which our shopping center subsidiary, Alto Palermo S.A. (APSA), has an 80% ownership interest. This is one of the Company's most important projects and it represents one of the most significant developments in the industry in Argentina.

In addition, in December 2007, Alto Palermo S.A. entered into a preliminary sales agreement with INC S.A. concerning a partial conveyance of goodwill whereby Alto Palermo agreed to buy a shopping center located in San Isidro, in northern Greater Buenos Aires and called Soleil Factory, though not yet added to Alto Palermo S.A.'s portfolio.

Just before the fiscal year-end, we acquired a plot of land in Beruti Street, strategically located opposite Alto Palermo Shopping and we are presently assessing how to best use such property to optimize our income.

In addition to developments and acquisitions, we have carried out refurbishment and redistribution works in the shopping centers in our portfolio, as part of a decision to best use the gross leasable area. In the case of Shopping Alto Avellaneda, a further 12,000 square meters have been added, whose current lessee is Falabella S.A., one of the most important retailers with strong presence in shopping centers and its own power to attract its own client base. Having this type of retailers generates increased customer traffic and in turn increases sales for the remaining lessees. Besides, at Shopping Alto Palermo the final stage of refurbishment work is now underway, including a new façade and internal space redistribution. These works, hand in hand with successful marketing campaigns, resulted in a re-launch of the shopping center that attracted more public and a higher number of buyers, thereby favoring the sales of our lessees. New lessees have settled in Alto

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Palermo, namely Starbucks and North Face, who made their first opening in Argentina with outstanding success. Expansion and refurbishment works at Paseo Alcorta, Patio Bullrich and Córdoba Shopping Villa Cabrera are still underway.

Consumer Finance Segment: Our subsidiary Tarshop S.A. continues to be a leader in the market, showing an increase in the volume transacted through credit cards that totaled Ps. 1,413.8 million, and an increase in the number of cards issued, that during 2008 amounted to 160,000 and a customer portfolio represented by almost 892,000 accounts. Accordingly, the loan portfolio totaled Ps. 935 million, which stands for a 29.2% increase compared to the previous fiscal year. Notwithstanding, income for the segment was adversely affected by higher delinquency rates due to the deterioration in the purchasing power of the customers in portfolio coupled with increases in financing costs and in the company's overhead given the prevailing market conditions. We believe, despite the drops in margins, that there is still room to improve performance in this business, for it to maintain its market leadership.

Office Rental Segment: This segment continues to exhibit major recovery in terms of prices stated in US Dollars which have already broadly surpassed the levels seen previous to the crisis. The consistent scarcity in the supply of office property for lease and the constant demand in recent years continue to pull rental prices upward. A look at the class A and AAA office segment market shows vacancy levels below 2%, with rental prices around 30 US\$/m² for class A office space and in excess of 35 US\$/m² for class AAA office space. We understand that the potential for profit in this segment is quite high as further square meters are added following the inclusion of new properties into our portfolio. Besides, it must be noted that our Financial Statements do not yet reflect the expected appreciation in the price per square meter because the prices stipulated in the lease agreements for a major portion of our property portfolio have not yet been marked to market which leads us to consider that this business segment will exhibit favorable performance in the coming fiscal years.

Regarding this segment, we closed two unique acquisitions in the course of this fiscal year. In August we bought 50% of the property generically known as Bank Boston, located in the exclusive Catalinas area in the City of Buenos Aires. The entire building comprises 31,670 square meters of gross leasable area and it is one of the most modern office buildings in Buenos Aires and a landmark in the city: it has been designed by renowned architect César Pelli, who also designed the Petronas Towers in Kuala Lumpur and the World Financial Center in New York.

In April this year we acquired the building known as Edificio República, at the intersection of Tucumán and Bouchard streets, after having exercised the purchase option that we had over that building. This one-of-a-kind architectural design, also by Architect César Pelli, is a premium office building of unique characteristics in downtown Buenos Aires that contributes approximately 19,500 square meters in gross leasable area to our portfolio, distributed in 20 stories, 16 of which had been vacated at the date of the acquisition. So far, we have closed deals and executed agreements with various important lessees over 9,000 square meters for prices ranging from US\$ 37 to US\$ 40 per square meter.

In addition, in the course of this fiscal year we realized the appreciation of one of our portfolio's most important office buildings, through the sale of 29.9% of the Bouchard Plaza building, commonly known as Edificio La Nación comprising a surface area of 9,946 square meters and 133 units for car parking.

Real Estate Sales and Development Segment: Regarding our sales and development segment, in addition to projects aimed at the highest-income segments, we have started to penetrate other market segments, whose needs had not been met until now. In this respect, we created IRSA-CYRELA (CYRSA) together with the renowned Brazil-based real estate developer CYRELA. CYRSA is engaged in the development of homes in Argentina targeted to the medium-income segment which also offers financing for the acquisition of units. CYRSA's developments shall feature high-level construction, innovating sales and financing policies and a new homebuilding concept in line with the latest global trends. IRSA-CYRELA's first project, developed in a plot of land that spans two adjacent blocks in the Vicente López neighborhood was launched in March under the name Horizons and it has become one of the most significant developments in Greater Buenos Aires. The showroom was opened to the public in March with immediate success: at the end of fiscal 2008 we had executed preliminary sales agreements for 96% of the units we owned for selling purposes. IRSA-CYRELA is now working on the launch of its second project.

Besides, in this fiscal year we have almost sold the entire inventory at the Torres Renoir project in Puerto Madero, developed through a scheme of barter with third parties and targeted at a high-income

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segment. Regarding Tower 2, the Company sold its rights over it to the developer in the second quarter of this fiscal period. We also made headway with the Caballito Nuevo project, also developed through a scheme of barter with third parties. This is a residential project that comprises two 34-story towers and it is targeted at the middle-income segment.

Hotel Segment: Regarding the hotel market, demand continues to be on the rise driven by domestic and international tourism, which led to an increase in rates in the sector. As there are clear signs pointing to potential for growth in this industry, we have started with refurbishment works in the two hotels in Buenos Aires, i.e., Sheraton Libertador and Intercontinental. Besides, in mid-2008 we concluded with the expansion of Hotel Llao Llao, located in Argentina's Patagonia. This expansion entails 43 new luxury suites facing Lago Moreno in line with this hotel's traditional features. Hotel Llao Llao now has a total of 201 rooms.

Market dynamics pose new scenarios which in turn lead to consummating new projects. Within this context, the Company will continue to assess the acquisition or development of real estate outside Argentina to the extent any such opportunities are appealing. We believe that the know-how in real estate gained these years and the Company's access to the capital market will allow us to successfully face head on any challenge we may encounter. Along these lines, subsequent to the end of the fiscal year, we acquired a minority interest in a company organized in the State of Delaware, USA, whose main asset consists of a landmark office building in the City of New York. Given this building's one-of-a-kind features, it has become an architectural icon emblematic of mid-town Manhattan.

Considering the Company's healthy cash flows, and the long-term financing basis attained in the previous fiscal year, we are at an unprecedented vantage point to continue growing in each line of business and to continue increasing our asset base with rental or appreciation potential, to be reflected in future financial statements towards the accomplishment of the best and unique Real Estate portfolio in Argentina.

IRSA's potential can only become reality through the joint efforts of our shareholders, creditors, directors, lessees, customers, suppliers, employees and the community at large, who play also a leading role in our current performance. So it is to all of them that I wish to express our gratitude for their permanent effort and commitment to our organization.

Saúl Zang
Vice-president

Acting as President

City of Buenos Aires, September 8, 2008

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MACROECONOMIC CONTEXT

International Context

The international scenario has exhibited sustained deterioration since the financial crisis originated in the USA and its impact on the international credit market. As a result, from the stand point of economics and finance, uncertainty has grown and global growth expectations have been revised down, particularly with respect to the G3 countries. According to the estimates prepared by the World Bank, growth in the USA fell almost one fourth from its former level, from 2.9% in 2006 to 2.2.% in 2007 whilst growth forecasts for 2009 are 1.9%. In the case of Japan, this indicator would have fallen from 2.2.% in 2006 to 2.0% in 2007. And in the European Union this indicator would have sustained a decrease from 2.8% to 2.7% in the same period. However, it remains to be seen whether the developing countries with better growth prospects, such as Brazil, China, India and Russia will be able to offset the slow-down in the most developed countries.

On top of the liquidity risk brought about by the financial crisis, there is the increase in the prices of oil and agricultural commodities. However, given the cooling of the world economy, a deceleration is expected in food price growth rates, which might also lead to the possibility of an increase in supply.

Therefore, although the financial scenario faced by Argentina features increased external fragility and global economic slow-down, it still offers opportunities to continue to generate positive export balances through the international prices of primary commodities and exports of industrial manufactures.

The Argentine Economy

Despite the doubts surrounding the economic policy adopted by the Government and the concerns regarding inflationary pressures during the first half of 2008, Argentina continued to exhibit healthy macroeconomic indicators: trade and fiscal surplus, compliance with monetary targets and high levels of reserves, all of which dispel fears of an economic crisis and underpin growth projections in the region of 6% for the current year, in accordance with private sources (Estudio Broda).

Given that growth for 2007 was 8.5%, the floor for 2008's growth has been estimated at 3.6%, which combined with an estimated 1.3% expansion in the first quarter, assumes 7% growth for the whole current year according to Fundación Capital, thus marking the sixth year in a row for Argentina's growth. The first quarter of 2008 showed a positive 8.4% change compared to the first quarter of 2007.

The services sector appears to be the most dynamic, increasing by 9.0% compared to the first quarter of 2007. Special emphasis is warranted by the sectors wholesale and retail trade (8.8%) and hotels and restaurants (9.3%). Besides, the production of goods grew by 5.9% driven by construction (9.6%) and by the manufacturing industry (6.8%).

In addition, demand is being driven by Total Consumption and its relative weight (79%). This indicator continued to show an upward trend at the beginning of 2008 though at a slower pace than in 2007. In particular, Private Consumption (68% of Aggregate Demand) has been growing at an average 8.8% rate year-on-year and it is expected to continue this trend throughout 2008, though at a lower rate due to the following: 1) contributions to be paid by employees into the Pay-As-You-Go pension system are now the same as those paid into the Capitalization pension system; 2) reduced employment generation; and 3) more moderate salary increases.

Gross Domestic Fixed Investment (GDFI) appears to be the most dynamic component in demand as it has outperformed the economy (13.6% growth year-on-year) and has exceeded the expectations of the last quarter of 2007. This account's dynamics can be explained by 1) purchases of durable production equipment (mainly imported) and 2) the construction industry.

The external sector keeps posting good results. In terms of quantities, the ranking of exports would be led by industrial manufactures and agricultural manufactures. In addition, the trade balance surplus was US\$ 2,947 million for the first quarter of the current year, with a year-on-year positive 50% change and indicative of a reversal in 2007's trend: in the first quarter of 2008 exports rose by 42% year-on-year whereas imports grew by 40%. According to the Argentine Central Bank, the reason for this increase in imports is the Domestic Absorption of consumer and capital goods.

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Public finance continues to reflect a primary surplus which results from a combination of increased revenues and a curb on expenditures. According to the Argentine Central Bank, in the first two months of 2008 the Non-financial public sector posted Ps.6,568 million as primary surplus, 82% higher than in the same period of 2007. By the same token, National Tax Revenues for the last twelve months (second quarter of 2007 – first quarter of 2008) stood for 25% of GDP, driven by Value Added Tax, export taxes and social security.

As regards export taxes, in November 2007 the Argentine Government raised the withholding rates applied on exports of soybean and soybean by-products (from 27.5% to 35%), wheat (from 20% to 28%) and corn (from 20 to 25%). Through this scheme, the Government withheld a fixed percentage over the FOB price of grains, which meant that any future price increase would have had an impact on both the farmers' and the Government's revenues. In early March 2008, the Argentine Executive Branch issued Resolution No. 125/08 pursuant to which the above scheme was transformed into a sliding scale withholding system for oilseed, grains and by-products. Under Resolution 125/08, the withholding rate (in percentage) would increase to the same extent as the crops' price: the Government would collect the increase in prices in excess of certain levels and the farmers would be faced with a scheme similar to maximum prices. However, this scheme encountered fierce opposition by farmers representatives, which triggered a conflict that altered the commercialization and transport of merchandise, halted activities, reduced export registrations and led to massive popular protests both for and against the implementation of the sliding-scale withholdings. Finally, the Argentine Congress decided to repeal Resolution No. 125/08 and to reinstate the previous scheme of fixed withholdings.

Besides, public expenditures slowed down in the first months of the current year due to the decreased impact of arrears in payments of social security liabilities and grew less than revenues, contrary to what was seen in 2007.

Despite a volatile international context, the primary surplus coupled with the pre-financing of 2007 materially reduced the need to obtain financing and to place debt in the markets or to resort to disbursements by international credit agencies or Argentine Central Bank advances. Consequently, the public sector generated a contraction in the monetary basis that exceeded the targets in the 2008 Monetary Program.

In turn, the political and economic crisis from March to June 2008 took its toll on country risk indices. JP Morgan's EMBI+ exceeded 700 basis points in August this year, marking a peak for the calendar year (See Figure 1). Besides, the Argentine government's risk of default as measured by the 10-year Credit Default Swap spread posted 800 basis points in June 2008. Although these indicators point to levels similar to the year 2000 levels, previous to Argentina's economic and financial crisis of 2001, it must be noted though that the remaining indicators draw a picture that is indeed in stark contrast to the situation in the year 2000 and so, there would be no reason to infer that the country is headed towards a crisis by focusing only on the EMBI+.

Figure 1. EMBI+ Argentina, JP Morgan July 2007 – May 2008

Source: Center for International Economics, Ministry of Foreign Affairs, Foreign Trade and Worship (*Centro de Economía Internacional, Ministerio de Relaciones Exteriores, Comercio Internacional y Culto*).

NOTE: Final data as of May 2008.

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As concerns monetary policy, it must be emphasized that compliance by the Argentine Central Bank with the monetary targets fixed for the year 2007 accompanied by a policy of preventive reserve accumulation that covers 160% of the monetary basis and amounts to approximately US\$ 50 billion (18% of GDP) dispelled doubts about the Argentine Central Bank's ability to maintain the value of currency. Faced with the international financial crisis and the uncertainty arising from the conflict with farmers triggered by the Government's attempt at implementing a sliding-scale withholding scheme over exports of grains, the Central Bank sent clear signs that it intended to loosen pressure on the foreign exchange market.

The second quarter of 2008 showed an increase in the demand for foreign currency, major volatility in deposits and increased short-term interest rates. However, the Central Bank still managed to meet the monetary targets thus marking the twentieth quarter of monetary compliance and combated the expectations of an Argentine Peso depreciation through major interventions in the foreign exchange market to regularize the demand of money and supply the market with liquidity. Thus, short-term interest rates in the monetary markets, which had started to rise in late April and during May, started to decrease in June. As regards the deposits held by the private sector in the financial system, although there has been a transfer of funds to sight deposits during the May turbulence, the situation of deposits was normal again in June, with the last twelve months coming to a close with a 17.5% year-on-year increase in sight deposits and a 15.7% increase year-on-year in term deposits.

The level of activity continues to perform positively and so do the level and quality of employment. If the downward trend in the unemployment level were to continue, the unemployment rate would post its lowest level since 1992 and it would represent 7% of the Economically Active Population, 0.5 percentage points below the measurement for the last four-month period of 2007. In the third calendar quarter, unemployment rate had been higher than in the previous quarter (8.4% compared to 7.5%) though this can be due to seasonal factors and according to the Argentine Central Bank, it would be reverting in the coming quarters. Services sectors continue to lead the ranking of creation of new jobs whilst the production of goods would see its demand remain constant.

When it comes to inflation, there are discrepancies between analysts and experts as regards the criteria employed in the calculation of the Consumer Price Index (CPI) by the Argentine Institute of Statistics and Census (INDEC). In May 2008, INDEC changed the methodology applied to calculate the CPI for the Greater Buenos Aires area by shrinking the scope of the analysis to focus on the behavior of 440 products whereas until April this scope had encompassed at least 800 products. Besides, goods will now stand for 62% of the sample whereas they previously stood for 53% of the sample and services will now stand for 38% of the sample though they had previously stood for 47% of the sample.

Along the same lines, discrepancies revolve around the set of available indicators, namely: Consumer Price Index - Greater Buenos Aires, Consumer Price Index Rest (INDEC's approach to underlying inflation which excludes regulated prices and the prices that sustain seasonal changes such as food, clothing, tourism and education), Domestic Retail Price Index (IPIM in Spanish), Construction Cost Index (ICC in Spanish) and GDP Implied Price Index (IPI in Spanish). According to the CPI for the Greater Buenos Aires area, inflation would be in the region of 9.0% as of June 2008 and for the calendar year (cumulative for eleven months), whereas the year-on-year change as of March 2008 (a comparison to March 2007) points to an 8.8% increase. Besides, the Consumer Price Index Rest points to an 11.4% increase for the same period and the Consumer Price Index Argentina points to a 10% increase year-on-year as of February.

The Provincial Directorate of Statistics and Censuses of San Luis referred to year-on-year changes in CPI for nine jurisdictions (La Pampa, Misiones, Neuquén, Río Negro, Salta, San Luis, Santa Fe, Tierra del Fuego-Río Grande-Ushuaia) ranging from 21% to 34%.

In turn, the IPIM points to a year-on-year 14.6% increase as of May 2008, driven by the prices of imports and manufactured goods. The Construction Cost Index shows a 19.1% year-on-year rate as of May 2008, which is 0.6 percentage points above the measurement for May 2007. Lastly, the GDP Implied Price Index continued to show acceleration in the third quarter of the calendar year with a year-on-year 20% rate explained mainly by export prices (33.35% year-on-year) whereas the implied prices in Private Consumption showed a year-on-year 15.56% variation.

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Finally, it must be noted that various private consultancy organizations estimated inflation at about 20% for the year 2007 and forecasted a price increase of at least 25% for 2008 on the basis of their own surveys, salary agreements, etc.

As regards salaries, 2007 came to a close with salary increases unheard of in the current economic expansion cycle with a year-on-year 22.7% variation. Along the same lines, private sector registered employees are expected to exhibit salary raises in excess of 20% per annum as a result of the basic collective bargaining agreements already executed; non-registered employees are expected to see their salaries rise by 24.1% and the public sector is expected to continue granting salary raises as it has been lagging behind and thus granting higher raises in the last year.

Source: World Bank, Central Bank of Argentina, INDEC, Fundación Capital and FIEL

Main Indicators

	2001	2002	2003	2004	2005	2006	2007
Actual GDP Growth (in %)	-4.4%	-10.9%	8.8%	9.0%	7.5%	8.5%	8.5%
Inflation (Combined prices) in % *	-1.7%	49.4%	16.0%	5.9%	16.8%	9.8%	8.5%
Unemployment Rate ***	20.5%	20.7%	14.5%	13.0%	10.7%	8.7%	7.6%
Primary Surplus (w/o privatizations) in % of GDP	0.5%	0.7%	2.3%	3.9%	3.4%	3.5%	3.2%
Exports - FOB (US\$ million)	26,610	25,710	29,565	34,550	38,200	46,569	55,779
Imports - CIF (US\$ million)	20,320	8,991	13,834	22,447	28,600	34,152	44,706
Trade balance (US\$ million)	6,289	16,719	15,731	12,103	9,600	12,410	11,073
Balance of Payments Current Account (US\$ billion)**	-3,291	8,673	7,659	3,349	3,250	8,053	7,466

Source: INDEC

(*) Consumer Price Index Greater Buenos Aires - INDEC

(**) On an accrual basis

(***) Country average (as a % of Economically Active Population)

Our Segments

As regards performance in the shopping center market, we can assert that although certain signs have pointed to a slow-down in consumption in the economy overall, sales in shopping centers continued to perform favorably during the last fiscal period. Based on the most recent data published by INDEC, the first quarter of calendar 2008 showed a new improvement in total consumption which translates into a positive 8.2% year-on-year change in the private component and a 7.1% positive change in the public component.

Evidence of the rise in retail consumption can be found in the increased volumes of sales posted as regards shopping centers at constant prices. In June this year, shopping center sales without the seasonality effect at constant prices pointed to a positive year-on-year 26.2% change whereas total sales as posted in the first half of calendar 2008 show a 25.8% year-on-year increase compared to the same period in the previous year.

As regards the office rental sector in Buenos Aires, its situation from the supply side continues to be critical whilst demand is still on the rise. Vacancies arise when companies relocate and in the uppermost categories, the level of vacancies is practically null. This imbalance between supply and demand has caused a constant upward spiral in rental prices, ostensibly in the premium category offices.

The construction industry, though still expanding, has sustained a slow-down in pace. According to the data compiled by the Argentine Institute of Statistics and Censuses (INDEC) in its Summary Indicator of Construction Activities (ISAC in Spanish), activities in the first half of 2008 have increased by 8.8% compared to the same period in the previous fiscal year.

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Inflationary pressures have been affecting construction costs: the margins obtained by constructors are shrinking and thus a reduction is expected in the number of works to be carried out. According to Universidad Argentina de la Empresa sources, the supply of residential properties for sale in the City of Buenos Aires and Greater Buenos Aires fell by almost 23% in the first half of calendar 2008 compared to the same period in calendar 2007. By contrast, the number of home lease agreements grew by 14.5% in the same period. This comes to show that the demand for homes in the residential real estate market continues to be on the rise and that home prices maintain their upward trend.

The hotel sector, particularly five-star hotels, was favored in these past six months by the increase in the inflows of tourists with high purchasing power. Within an international context of unprecedented tourist arrivals at the global level in 2007, as reported by the latest edition of the *UNWTO World Tourism Barometer*, Argentina came out second in the ranking of countries in The Americas with the highest growth in terms of tourist arrivals, which was 11% above the mark for 2006. Also according to this source, during the first half of calendar 2008, global tourism remained unaltered in spite of the uncertainties in the international context and South America is one of the regions that grew the most in terms of tourist arrivals.

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Business

Overview

We are one of Argentina's leading real estate companies in terms of total assets. We are engaged, directly and indirectly through subsidiaries and joint ventures, in a range of diversified real estate related activities in Argentina, including:

the acquisition, development and operation of shopping centers,

the origination, securitization and management of credit card receivables,

the acquisition and development of residential properties and undeveloped land reserves for future development and sale,

the acquisition, development and operation of office and other non-shopping center properties primarily for rental purposes, and

the acquisition and operation of luxury hotels.

As of June 30, 2007 and 2008, we had total assets of Ps.4,144.9 million and Ps. 4,472.0 million, respectively and shareholders' equity of Ps.1,646.7 million and Ps. 1,924.2 million, respectively. Our net income for the fiscal years ended June 30, 2006, 2007, and 2008 was Ps.96.6 million, Ps.107.1 million, and Ps. 54.9 million, respectively. We are the only Argentine real estate company whose shares are listed on the Buenos Aires Stock Exchange and whose GDSs are listed on the New York Stock Exchange.

We currently own 11.8% of Banco Hipotecario, one of the leading financial institutions in Argentina.

Our principal executive offices are located at Bolívar 108, Buenos Aires (C1066AAB), Argentina. Our administrative headquarters are located in the Intercontinental Plaza tower, Moreno 877, Floor 22, City of Buenos Aires (C1091AAQ). Our telephone number is +54 (11) 4323-7400, our fax number is +54 (11) 4323-7480 and our website is www.irsa.com.ar.

Shopping centers. We are engaged in purchasing, developing and managing shopping centers through our subsidiary Alto Palermo S.A. Alto Palermo operates and owns majority interests in ten shopping centers, six of which are located in the Buenos Aires metropolitan area, and the other four are located in the Provinces of Mendoza, Rosario, Córdoba and Salta. Our Shopping center segment had assets of Ps.1,375.2 million as of June 30, 2007 and Ps. 1,705.0 as of June 30, 2008, representing 33.2% and 38.1%, respectively, of our consolidated assets at such dates, and generated operating income of Ps.124.8 million and Ps. 182.3 million during our 2007 and 2008 fiscal years respectively, representing 62.9% and 71.5%, respectively, of our consolidated operating income for such years.

Tarshop. We operate a credit card consumer finance business through our majority-owned subsidiary, Tarshop S.A. Tarshop's credit card operations consist primarily of lending and servicing activities relating to the credit card products we offer to consumers at shopping centers, hypermarkets and street stores. We finance a substantial majority of our credit card activities through securitization of the receivables underlying the accounts we originate. Our revenues from credit card operations are derived from interest income generated by financing and lending activities, merchants' fees, insurance charges for life and disability insurance, and fees for data processing and other services. Tarshop's segment had assets of Ps.158.4 million as of June 30, 2007, and Ps. 134.1 million as of June 30, 2008, representing 3.8% and 3.0%, respectively, of our consolidated assets at such dates, and generated operating income of Ps.32.6 million of profit and Ps. 17.7 million of loss during our 2007 and 2008 fiscal years, respectively, representing 16.4% and (6.9)%%, respectively, of our consolidated operating income for such years.

Residential properties. The acquisition and development of residential apartment complexes and residential communities for sale is another of our core activities. Our development of residential apartment complexes consists of the construction of high-rise towers or the conversion and renovation of existing structures, such as factories and warehouses. In residential communities, we acquire vacant land, develop infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. Our Development and sale of properties segment had assets of Ps.539.3 million as of June 30, 2007, and Ps. 462.9 million as of June 30, 2008, representing 13.0% and 10.4%, respectively, of our consolidated

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assets at such dates, and generated operating income of Ps.6.2 million and Ps. 19.3 million during our 2007 and 2008 fiscal years, respectively, representing 3.1% and 7.6%, respectively, of our consolidated operating income for such years.

Office buildings. In December 1994, we launched our office rental business by acquiring three prime office towers in Buenos Aires: Libertador 498, Maipú 1300 and Madero 1020. As of June 30, 2008, we directly and indirectly owned a majority interest in 28 Offices and other non-shopping center rental properties in Argentina that in the aggregate represented 260,866 square meters of gross leaseable area. Our Offices and other non-shopping center rental properties segment had assets of Ps.700.0 million as of June 30, 2007, and Ps. 1,056.5 million as of June 30, 2008, representing 16.9% and 23.6%, respectively, of our consolidated assets at such dates, and generated operating income of Ps.19.6 million and Ps. 52.3 million during our 2007 and 2008 fiscal years, respectively, representing 9.9% and 20.5%, respectively, of our consolidated operating income for such years.

Hotel operations. In 1997, we acquired the Hotel Llao Llao and an indirect controlling interest in the Hotel Intercontinental in Buenos Aires. In March 1998, we acquired the Hotel Sheraton Libertador in Buenos Aires, and later, we sold a 20% interest to an affiliate of Hoteles Sheraton, and during the fiscal year 2000, we sold 50% of our interest in the Hotel Llao Llao to the Sutton Group. Our Hotel operations segment, which consists of these three hotels, had assets of Ps.208.4 million as of June 30, 2007, and Ps. 252.0 million as of June 30, 2008, representing 5.0% and 5.6%, respectively, of our consolidated assets at such dates, and generated income of Ps.14.7 million and Ps. 18.0 million during our 2007 and 2008 fiscal years, representing 7.4% and 7.1%, respectively, of our consolidated operating income for such years.

Banco Hipotecario. We currently own 11.8% of Banco Hipotecario, Argentina's leading mortgage lender. We acquired 2.9% of Banco Hipotecario for Ps.30.2 million when it was privatized in 1999. During 2003 and 2004, we increased our investment in Banco Hipotecario to 11.8% by acquiring additional shares, and by acquiring and exercising warrants, for an aggregate purchase price of Ps.33.4 million. In May 2004, we sold Class D shares representing 1.9% of Banco Hipotecario to IFISA, for Ps.6.0 million, generating a loss of Ps.1.6 million. Our 11.8% investment in Banco Hipotecario is held in the form of Class D shares, which are currently entitled to three votes per share, affording us the right of 18.36% of the total votes that can be cast at Banco Hipotecario's shareholders' meetings. As of June 30, 2008, our investment in Banco Hipotecario represented 6.5% of our consolidated assets, and during our fiscal years ended June 30, 2005, 2006, 2007 and 2008, this investment generated gains of Ps.55.2 million, Ps.47.0 million and Ps.41.4 million, and a loss of Ps. 11.8 million, respectively.

Business Strategy

We seek to take advantage of our position as a leading company in Argentina dedicated to owning, developing and managing real estate. Our business strategy seeks to (i) generate stable cash flows through the operation of our real estate rental assets (shopping centers, office buildings, hotels), (ii) achieve long-term appreciation of our asset portfolio by taking advantage of development opportunities, and (iii) increase the productivity of our land reserves and enhance the margins of our Development and sale of properties segment through the organization of partnerships with other developers.

Shopping centers. In recent years, the Argentine shopping center industry has benefited from improved macroeconomic conditions and a significant expansion in consumer credit. We believe that the Argentine shopping center sector offers attractive prospects for long-term growth due to, among other factors, (i) a continuing evolution of consumer preferences in favor of shopping malls (away from small neighborhood shops) and (ii) a level of shopping center penetration that we consider low compared to many developed countries. We seek to improve our leading position in the shopping center industry in Argentina by taking advantage of economies of scale to improve the operating margins of our diversified portfolio of existing shopping centers and by developing new properties at strategic locations in Buenos Aires and other important urban areas, including in Argentine provinces and elsewhere in Latin America. The shopping center business is at present the strongest source of cash generation of our business segments.

Consumer finance. We have developed a credit card consumer finance business through Tarshop S.A., our controlled subsidiary. Tarshop's operations consist primarily of lending and servicing activities relating to the credit card products we offer to consumers at shopping centers, hypermarkets and street stores, with low levels of balance sheet credit exposure as our credit card receivables are consistently securitized.

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Residential properties. During the economic crisis in Argentina in 2001 and 2002, a scarcity of mortgage financing restrained growth in middle class home purchases. As a result, in recent years, we focused on projects for affluent individuals who did not need to finance their home purchases, by concentrating on the development of residential properties for medium- and high-income individuals. In urban areas, we seek to purchase undeveloped properties in densely-populated areas and build apartment complexes offering greenspace for recreational activities. In suburban areas, we seek to develop residential communities by acquiring undeveloped properties with convenient access to Buenos Aires, developing roads and other basic infrastructure such as power and water, and then selling lots for the construction of residential units. During fiscal year 2008, we entered into a partnership with Cyrela Empreendimentos e Participações, a leading Brazilian residential real estate developer, to penetrate in other market segments left unattended until now. In this sense, IRSA-CYRELA will develop residential real estate projects in Argentina for purposes of increasing our presence in this business, by offering own financing to its customers.

Office buildings. During the Argentine economic crisis in 2001 and 2002, little new investment was made in high-quality office buildings in Buenos Aires and, as a result, we believe there is currently substantial demand for desirable office space in Buenos Aires. We seek to purchase, develop and operate premium office buildings in strategically-located business districts in the City of Buenos Aires and other locations that we believe offer potential for rental income and long-term capital gain. We expect to continue our focus on attracting premium corporate tenants to our office buildings and will consider opportunities to acquire existing properties or construct new buildings depending on the location and circumstances.

Hotel operations. We believe our portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and business travel in Argentina. Our strategy has been investing in high-quality properties which are operated by leading international hotel companies to capitalize on our operating experience and international reputation. We are currently remodeling Hotel Sheraton Libertador and Hotel Intercontinental. In December, 2007 we inaugurated 43 new suites in Hotel Llao Llao.

Banco Hipotecario. Banco Hipotecario is a full-service commercial bank offering a wide variety of banking activities and related financial services to individuals, small- and medium-sized companies and large corporations. Among these services, mortgage loans stand out as Banco Hipotecario is leader in this segment in Argentina. Since 1999, Banco Hipotecario's shares have been listed on the Buenos Aires Stock Exchange, and since 2006 it has obtained the Level 1 ADR program of the Bank of New York. We believe that our 11.8% investment in Banco Hipotecario has attractive prospects for long-term appreciation. Unlike certain other countries in Latin America, Argentina has a low level of mortgages outstanding, particularly if measured in terms of GDP; accordingly, a significant potential growth is expected for this sector in the future.

Land reserves. We continuously seek to acquire undeveloped land at locations we consider attractive inside and outside Buenos Aires. In all cases, our intention is to purchase land with significant development or appreciation potential for subsequent sale. We believe that holding a portfolio of desirable undeveloped plots of land enhances our ability to make strategic long-term investments and affords us a valuable pipeline of new development projects for upcoming years.

International. In the past, we have made significant real estate investments outside of Argentina, including investments in Brazil Realty S.A. in Brazil and Fondo de Valores Inmobiliarios in Venezuela which we disposed of in 2002 and 2001, respectively. According to our business strategy, the company will be able to make future real estate investments inside and outside Latin American as long as we identify investment and development attractive opportunities.

Description of Operations

Offices and other non-shopping center rental properties

We are engaged in the acquisition, development and management of Offices and other non-shopping center rental properties in Argentina. As of June 30, 2008, we directly and indirectly owned interests in 28 office and other rental properties in Argentina which comprised 260,866 square meters of gross leaseable area. Of these properties, 19 were office buildings which comprised 163,725 square meters of gross leaseable area. For fiscal year 2008, we had

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All our office rental property in Argentina is located in Buenos Aires City. For the year ended June 30, 2008 the average occupancy rate for all our properties in the Offices and other non-shopping center rental properties segment was approximately 89.9%. Nine different tenants accounted for approximately 27.0% of our total revenues for fiscal year 2008. Our seven main office rental tenants are: Grupo Total Austral, Price Waterhouse, Apache Energía, Exxon Mobile Business Center, Sibille S.C. (KPMG), Microsoft de Argentina S.A., and Unilever Argentina.

Management. We generally act as the managing agent of the office properties in which we own an interest. These interests consist primarily of the ownership of entire buildings or a substantial number of floors in a building. The buildings in which we own floors are generally managed pursuant to the terms of a condominium agreement that typically provides for control by a simple majority of the interests (based on the area owned) in the building. As the managing agent of operations, we are responsible for handling services, such as security, maintenance and housekeeping. These services are generally contracted to third party providers. The cost of the services are passed-through and paid for by the tenants, except in the case of our units not rented, in which case we absorb the cost. Our leaseable space is marketed through commissioned brokers, the media and directly by us.

Leases. We lease our offices and other properties pursuant to contracts with an average term of three years, with the exception of a few contracts with terms of five years. These contracts are renewable for two or three additional years at the tenant's option. Contracts for the rental of office buildings and other commercial properties are generally stated in U.S. dollars, and in accordance with Argentine law they are not subject to inflation adjustment. Rental rates for renewed periods are negotiated at market value.

Properties

The following table sets forth certain information regarding our direct and indirect ownership interest in Offices and other non-shopping center rental properties.

Offices and other non-shopping center rental properties

	Date of Acquisition	Leaseable Area sqm (1)	Occupancy Rate (2)	IRSA's Effective Interest	Accumulated Annual Rental				
					Monthly Rental income Ps./000 (3)	2008	2007	2006	Book Value Ps./000 (5)
Offices									
Intercontinental Plaza (6)	11/18/97	22,535	100%	100%	1,368	12,496	10,977	5,436	90,526
Dock Del Plata	11/15/06	7,921	100%	100%	533	6,945	3,103	N/A	25,654
Libertador 498	12/20/95	10,533	100%	100%	782	8,551	6,307	3,872	39,632
Maipú 1300	09/28/95	10,280	100%	100%	701	8,107	6,006	3,515	41,029
Laminar Plaza	03/25/99	6,521	100%	100%	499	5,607	4,631	3,059	28,342
Reconquista 823/41	11/12/93	5,016	100%	100%	185	2,256	1,139	N/A	18,445
Suipacha 652/64	11/22/91	11,453	100%	100%	357	2,480	1,398	1,055	11,840
Edificios Costeros	03/20/97	6,389	89%	100%	325	3,896	3,124	1,760	17,922
Costeros Dique IV	08/29/01	5,437	100%	100%	394	4,603	1,987	1,736	20,287
Bouchard 710	06/01/05	15,014	100%	100%	1,184	12,931	8,900	5,813	67,305
Bouchard 551	03/15/07	23,378	100%	100%	1,674	12,678	3,925	N/A	155,226
Madero 1020	12/21/95	215	100%	100%	7	89	97	78	696
Della Paolera 265	08/27/07	15,822	100%	100%	1,303	15,688	N/A	N/A	165,463
Edificio República	04/28/08	19,533	19%	100%	203	203	N/A	N/A	228,767
Others (7)	N/A	3,677	100%	N/A	140	1,385	1,289	1,040	10,606
Subtotal Offices		163,725	90%	N/A	9,656	97,915	52,883	27,364	921,740

Other Non-Shopping**Center Rental Properties**

Commercial Properties (8)	N/A	504	56%	N/A					
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