

IRSA INVESTMENTS & REPRESENTATIONS INC

Form F-3

September 25, 2007

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As filed with the Securities and Exchange Commission on September 24, 2007

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-3

REGISTRATION STATEMENT

Under

The Securities Act of 1933

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)

The Republic of Argentina
(Jurisdiction of incorporation)

Not Applicable
(I.R.S. Employer Identification No.)

Bolívar 108

(C1066AAD) Buenos Aires, Argentina

Phone: +54 (11) 4323-7555

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

Puglisi & Associates

850 Library Avenue

P.O. Box 885

Newark, DE 19715

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

Copies to:

David L. Williams

Simpson Thacher & Bartlett LLP

425 Lexington Avenue

New York, New York 10017

(212) 455-2000

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

	Amount to	Proposed maximum aggregate price	Proposed maximum aggregate offering price	Amount of registration fee
Title of each class of securities to be registered	be registered	per common share		
Common shares, Ps.1.00 par value per share ^{(1) (2) (3)}	260,000,000	US\$1.55	US\$403,000,000	US\$12,372
Rights to subscribe for common shares (and GDS rights) ⁽⁴⁾	260,000,000	None	None	None
Warrants to purchase common shares ⁽⁴⁾	260,000,000	None	None	None
Common shares, Ps.1.00 par value per share, issuable upon exercise of warrants ⁽⁵⁾	86,666,666	US\$1.86	US\$161,199,999	US\$4,949

- (1) Proposed maximum aggregate price per common share calculated, solely for purposes of determining the SEC registration fee, on the basis of the closing price of the Registrant's GDSs on the NYSE on September 21, 2007, divided by 10.
- (2) Includes common shares that may be offered and sold in the form of GDSs to holders of GDS rights. This amount also includes common shares that are to be offered in Argentina and elsewhere outside the United States but may be resold from time to time in the United States during the distribution.
- (3) Global Depositary Shares (GDSs) evidenced by Global Depositary Receipts issuable upon deposit of common shares registered hereby have been registered under a separate Registration Statement on Form F-6.
- (4) No separate consideration will be received by the Registrant for the rights to subscribe for common shares, the rights to subscribe for GDSs evidencing common shares or the warrants prior to their exercise.
- (5)

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Proposed maximum aggregate price per common share calculated, solely for purposes of determining the SEC registration fee, on the basis of 120% of the closing price of the Registrant's GDSs on the NYSE on September 21, 2007, divided by 10.

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

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

Subject to completion, dated September 24, 2007

Prospectus

IRSA Inversiones y Representaciones Sociedad Anónima

IRSA Investments and Representations Inc.

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

We are offering to our common shareholders rights, or common share rights, to subscribe for new common shares and warrants to acquire additional common shares. Each common share held of record at 6:00 p.m. (Buenos Aires, Argentina time) on , 2007 entitles its holder to one common share right. common share rights will entitle their holder to subscribe for one new common share and to receive free of charge, for each new common share that it purchases pursuant to this offering, one warrant to purchase 0.3334 additional common shares. The subscription price for each new common share will be payable in Argentine pesos in an amount equal to the Argentine peso equivalent of the U.S. dollar subscription price for each new GDS, divided by 10, determined on the basis of the seller's reference exchange rate (*tipo de cambio vendedor*) published by the *Banco de la Nación Argentina* on , 2007.

The Bank of New York, as our depositary, will make available to holders of global depositary shares, or GDSs (each of which represents 10 common shares), rights, or GDS rights, to subscribe for new GDSs and warrants to acquire additional common shares. Each GDS held of record at 5:00 p.m. (New York City time) on , 2007 entitles its holder to one GDS right. GDS rights will entitle their holder to subscribe for one new GDS and to receive free of charge, for each new GDS that it purchases pursuant to this offering, 10 warrants each of which will entitle such holder to purchase 0.3334 additional common shares. The subscription price for each new GDS will be payable in U.S. dollars and will be determined by our board of directors on , 2007, which is at least six Argentine business days prior to the closing of the preemptive rights subscription period and reported to the *Comisión Nacional de Valores* and the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) on the following day prior to the opening of the stock market in Argentina.

Each warrant will entitle its holder to purchase 0.3334 additional common shares. Prior to their expiration on , 2012, the warrants will be exercisable during the 17th and 22nd days of each February, May, September and November (to the extent such dates are business days in New York City and in the City of Buenos Aires), commencing February 17 through to February 22, 2008. The warrants will be freely transferable. The exercise price for each warrant will be payable in U.S. dollars and will be determined by our board of directors and published by us on , 2007 in a newspaper of general publication in Argentina (*La Nación*, *Ámbito Financiero* or both), the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and PR Newswire. We will accept exercises of warrants for whole new common shares only. You must pay the exercise price of the warrants in U.S. dollars. GDS holders wishing to obtain additional GDSs upon exercise of their warrants must deposit common shares acquired under the warrants with The Bank of New York, as our depositary, to obtain GDSs in accordance with the terms of the applicable deposit agreement.

Investing in our common shares, GDSs and warrants involves significant risks. See Risk Factors beginning on page 26.

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

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

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

Our GDSs are traded on the New York Stock Exchange under the symbol *IRS*, and our common shares are traded on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) under the symbol *IRSA*. On September 21, 2007, the closing prices on the NYSE per GDS and on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) per common share were US\$15.50 and Ps.4.85, respectively. We will apply to list the warrants on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*).

	Price to the Public	Proceeds to Company ⁽¹⁾
Per new common share ⁽²⁾	US\$	US\$
Per new GDS ⁽³⁾	US\$	US\$
Warrants ⁽⁴⁾	US\$ 0.00	US\$ 0.00
Total offering	US\$	US\$

- (1) After payment of transaction expenses by us, currently estimated at approximately US\$ _____.
- (2) Includes _____ common shares expected to be subscribed in Argentina, based on the closing price of US\$15.50 for our GDSs on the NYSE on September 21, 2007, divided by 10.
- (3) Includes _____ common shares expected to be subscribed in the form of GDSs, each of which represents 10 common shares, based on the closing price of US\$15.50 for our GDSs on the NYSE on September 21, 2007.
- (4) No separate consideration will be received by us for the offering of the rights to subscribe for common shares, the rights to subscribe for GDSs evidencing common shares or the warrants prior to their exercise.

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

_____, 2007

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

As used in this prospectus, the terms IRSA, we, us and our may refer, depending upon the context, to IRSA Inversiones y Representaciones Sociedad Anónima, to one or more of our consolidated subsidiaries or to all of them taken as a whole, unless we state otherwise or the context indicates otherwise. Our headquarters are located at Bolívar 108, (C1066AAD) Buenos Aires, Argentina, our telephone number is +54 (11) 4323-7555, and our website is www.irsa.com.ar.

Incorporation by Reference

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

We will provide, without charge, to any person to whom a copy of this prospectus is delivered, upon request, a copy of any or all of the documents incorporated by reference herein (not including the exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents). Requests should be directed to us at our headquarters located at Bolívar 108, (C1066AAD) Buenos Aires, Argentina.

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

Dealer Prospectus Delivery Obligation

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

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PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

IRSA

This prospectus contains our audited consolidated financial statements as of June 30, 2006 and 2007 and for the fiscal years ended June 30, 2005, 2006 and 2007. The summary and selected consolidated balance sheet data as of June 30, 2003, 2004 and 2005 and consolidated income statement data for the years ended June 30, 2003 and 2004 have been derived from our Annual Report on Form 20-F for the year ended June 30, 2006 which is incorporated by reference herein.

We prepare our consolidated financial statements in thousands of Pesos and in conformity with generally accepted accounting principles in Argentina, as set forth by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (*FACPCE*) and as implemented, adapted, amended, revised and/or supplemented by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* (*CPCECABA*) (collectively, *Argentine GAAP*) and the regulations of the *Comisión Nacional de Valores* which differ in certain significant respects from generally accepted accounting principles in the United States of America (*U.S. GAAP*). Such differences involve methods of measuring the amounts shown in our consolidated financial statements, as well as additional disclosures required by U.S. GAAP and Regulation S-X of the U.S. Securities and Exchange Commission (*SEC*). See Note 28 to our audited consolidated financial statements included elsewhere in this prospectus for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of our net income and shareholders' equity.

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

Additionally, our consolidated financial statements reflect accounting for inflation through February 28, 2003. Since Argentine GAAP required companies to discontinue inflation accounting of as from October 1, 2003, the application of the *Comisión Nacional de Valores* resolution represented a departure from Argentine GAAP. However, due to the low level of inflation rates during the period from and including March through September 2003, such a departure did not have a material effect on our consolidated financial statements.

Banco Hipotecario

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

Banco Hipotecario maintains its financial books and records in thousands of Pesos and prepares its financial statements in conformity with policies of the Argentine Central Bank, or Central Bank, which prescribe the reporting and disclosure requirements for banks and financial institutions in Argentina (*Central Bank accounting rules*). These rules differ in certain significant respects from Argentine GAAP. A narrative description of significant differences between Central Bank accounting rules and Argentine GAAP are set forth in Note 6 to the consolidated financial statements of Banco Hipotecario included elsewhere in this prospectus. Central Bank accounting rules and Argentine GAAP also differ in certain significant respects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in Banco Hipotecario's consolidated financial statements, as well as additional disclosures required by U.S. GAAP and regulations of the SEC. See Note 37 to the consolidated financial statements of Banco Hipotecario included elsewhere in this prospectus for a description of the principal

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differences between Central Bank accounting rules and U.S. GAAP, as they relate to Banco Hipotecario, and a reconciliation to U.S. GAAP of Banco Hipotecario's net income (loss) and shareholder's equity. Banco Hipotecario's shareholder's equity at June 30, 2006 and 2007, reconciled to Argentine GAAP or to U.S. GAAP, is materially lower than its shareholder's equity as presented under Central Bank accounting rules. References to "NM" in the tables appearing in Banco Hipotecario's Management's Discussion and Analysis of Financial Condition and Results of Operations section in this prospectus, stands for "not meaningful" and are intended to indicate variations that are in excess of 300%.

Additionally, the consolidated financial statements of Banco Hipotecario reflect accounting for inflation until February 28, 2003. Since Central Bank accounting rules and Argentine GAAP required companies to discontinue inflation accounting only as of October 1, 2003, the application of the *Comisión Nacional de Valores* resolution represented a departure from Argentine GAAP. However, due to the low level of inflation rates during the period from and including March through September 2003, such a departure did not have a material effect on our consolidated financial statements.

Financial Statements of Recently Acquired Buildings

During our fiscal year ended June 30, 2007, we purchased three office buildings and one shopping center property in four unrelated transactions. Subsequent to the end of our fiscal year ended June 30, 2007, in August 2007 we acquired half of the floors of a 27-story office building in a transaction unrelated to the acquisitions completed during our fiscal year ended June 30, 2007. We refer to the properties acquired during the fiscal year ended June 30, 2007 and during August 2007 to as the "Acquired Properties."

In November 2006, we submitted a bid for the acquisition of a property known as Edificio Ex Escuela Gobernador Vicente de Olmos, or "Olmos," located in the Province of Córdoba, Argentina. The closing of this proposed purchase is subject to several regulatory approvals. In January 2007, the National Commission for the Defense of Competition notified us of two claims filed against this proposed acquisition. These claims are still pending resolution. This transaction has not yet been consummated, but we currently believe it is probable that it will be completed.

In December 2006, we entered into a Put and Call Option Agreement with an unrelated party for the acquisition of an office building in Buenos Aires known as the República Building. This transaction has not yet been consummated, but we currently believe it is probable that it will be completed.

In accordance with Rule 3-14 of Regulation S-X, for the purpose of computing the aggregate significance of these consummated and probable transactions, we evaluate all such transactions in two groups. The first group includes each of the acquisitions completed during the fiscal year ended June 30, 2007, and the second group includes the acquisitions completed during the fiscal year ended June 30, 2008 and the probable acquisitions of the República Building and Olmos. We have computed significance based on our total consolidated assets as of June 30, 2006 for the first group, and our total consolidated assets as of June 30, 2007 for the second group.

Each of the Acquired Properties and probable acquisitions of the República Building and Olmos is individually insignificant. Nevertheless, the aggregate purchase price of the Acquired Properties completed during the year ended June 30, 2007 exceeded 10% of our total consolidated assets as of June 30, 2006, and the aggregate purchase price of the Acquired Properties completed during the year ended June 30, 2008 and the probable acquisitions of Olmos and the República Building exceeded 10% of our total consolidated assets as of June 30, 2007. We acquired no significant properties during our fiscal years ended June 30, 2005 and 2006. We did not acquire the Acquired Properties from a related party. The Acquired Properties and Olmos and the República Building have been operated, since construction, as rental properties. We currently intend to manage all of the Acquired Properties and Olmos and the República Building.

The following is a description of the Acquired Properties and the probable acquisitions of Olmos and the República Building:

<u>Property</u>	<u>Acquisition date</u>
Bouchard Building	March 15, 2007
Dock del Plata Building	November 15, 2006
Córdoba Shopping Center	December 27, 2006
Bank Boston Tower	August 27, 2007
República Building	Not yet consummated
Patio Olmos Shopping Center	Not yet consummated

In accordance with Rule 3-14 of Regulation S-X, we have included elsewhere in this prospectus the following historical financial statements:

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Unaudited statement of revenue and certain expenses for the period July 1, 2006 through the latest interim period prior to the date of acquisition for the Bouchard Building (December 31, 2006);

Audited statement of revenue and certain expenses for the year ended June 30, 2006 for the Bouchard Building;

Audited statement of revenue and certain expenses for the year ended June 30, 2007 for the Bank Boston Tower; and

Audited statement of revenue and certain expenses for the year ended June 30, 2007 for the República Building (which acquisition we consider probable).

In addition, in accordance with Rule 3-14 of Regulation S-X, we have included elsewhere in this prospectus the following pro forma financial statements:

Our pro forma condensed consolidated statement of income for the year ended June 30, 2007 (unaudited)

Our pro forma condensed consolidated balance sheet as of June 30, 2007 (unaudited)

Our notes to the pro forma consolidated financial data (unaudited)

Estimated twelve-month pro forma statement of taxable net operating income and operating funds available (unaudited)

Adoption by Comisión Nacional de Valores of accounting standards

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

General

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

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

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Market Data

Market data used throughout this prospectus were derived from reports prepared by unaffiliated third-party sources. Such reports generally state that the information contained therein has been obtained from sources believed by such sources to be reliable.

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SUMMARY

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

Our Company

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 and securitization of credit card loans,

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, we had total assets of Ps.4,144.9 million and shareholders' equity of Ps.1,646.7 million. Our net income for the fiscal years ended June 30, 2005, 2006, and 2007 was Ps.103.2 million, Ps.96.6 million, Ps.107.1 million, respectively. We are the only Argentine real estate company whose shares are listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and on the New York Stock Exchange, Inc.

Shopping Centers. We are engaged in purchasing, developing and managing shopping centers through our subsidiary Alto Palermo. 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 of which 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, representing 33.2% of our consolidated assets at such date, and generated operating income of Ps.124.8 million during our 2007 fiscal year, representing 62.9% of our consolidated operating income for such year.

Credit Cards. We operate a credit card consumer finance business through our majority-owned subsidiary, Tarshop. Our Credit Card Operations consist primarily of lending and servicing activities relating to the credit card products we offer to consumers at shopping centers, supermarkets 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 transactions are derived from interest income generated by financing and lending activities, merchants' fees, insurance charges for life and disability insurance, and fees for processing and printing cardholders' account statements. Our Credit Card segment had assets of Ps.158.4 million as of June 30, 2007, representing 3.8% of our consolidated assets at such date, and generated operating income of Ps.32.6 million during our 2007 fiscal year, representing 16.4% of our consolidated operating income for such year.

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, representing 13.0% of our consolidated assets at such date, and generated operating income of Ps.6.2 million during our 2007 fiscal year, representing 3.1% of our consolidated operating income for such year.

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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 September 30, 2006, we, directly and indirectly, owned interests in 24 offices and other non-shopping center leased properties in Argentina that in the aggregate represented 234,320 square meters of gross leasable area. Our Offices and Other Non-Shopping Center leased properties segment had assets of Ps.700.0 million as of June 30, 2007, representing 16.9% of our consolidated assets at such date, and generated operating income of Ps.19.6 million during our 2007 fiscal year, representing 9.9% of our consolidated operating income for such year.

Hotels. 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. During fiscal year 1999, we sold a 20% interest in the Hotel Libertador to Hoteles Sheraton de Argentina S.A., and during the fiscal year 2000, we sold 50% of our interest in the Hotel Llao Llao to the Sutton Group. Our Hotels segment, which consists of these three hotels, had assets of Ps.208.4 million as of June 30, 2007, representing 5.0% of our consolidated assets at such date, and generated income of Ps.14.7 million during our 2007 fiscal year, representing 7.4% of our consolidated operating income for such year.

Banco Hipotecario. We currently own 11.8% of Banco Hipotecario, Argentina's leading mortgage lender and provider of mortgage-related insurance. 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, one of our controlling shareholders, 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 to vote approximately 18.36% of the total votes that can be cast at Banco Hipotecario's shareholders' meetings. At June 30, 2007, our investment in Banco Hipotecario represented 7.3% of our consolidated assets, and during our fiscal years ended June 30, 2005, 2006 and 2007, this investment generated gains of Ps.55.2 million, Ps.47.0 million and Ps.41.4 million, respectively.

Our 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 selectively acquiring strategically located properties by taking advantage of development opportunities, and (iii) enhance the margins of our sales and developments segment through timely transformation of our land reserves into developed residential and commercial properties.

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 and EBITDA generation of our business segments.

Credit Cards. We believe that our credit card operations complement our shopping center business and offer attractive prospects for long-term growth due to improved macroeconomic conditions and an expansion in consumer credit. We seek to grow our credit card business and intend to maintain low levels of credit exposure through continuing securitization of our credit card loans. From time to time we consider strategic alternatives with respect to our investment in Tarshop which, due to its recent growth in size and profitability, competes increasingly with domestic and international banks and credit card companies that are substantially larger than Tarshop. As a result, we are considering alternatives to maximize the value of our investment in Tarshop including its possible merger with, or sale to, another financial institution actively engaged in the Argentine credit card sector. Although we are actively considering a range of such strategic alternatives, we cannot give you any assurance if or when any of them will be in fact be implemented.

Residential property. During the economic crisis in Argentina in 2001 and 2002 and its aftermath, a scarcity of mortgage financing restrained growth in middle class home purchases. As a result, we decided to focus on projects for affluent individuals who do not need to finance their home purchases. We believe that there are attractive opportunities in the residential segment, as construction costs have remained low and property values have recovered significantly. We seek to take advantage of this opportunity, as well as improvements in highway and other transport infrastructure in and around Buenos Aires, by focusing 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. We recently entered into a partnership with Cyrela Empreendimentos e Participacoes, a leading Brazilian developer of residential real estate, to develop residential real estate projects in Argentina and to increase our presence in such business. 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.

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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.

Hotels. We believe our portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and business travel in Argentina. We seek to continue our strategy of investing in high-quality properties which are operated by leading international hotel companies to capitalize on their operating experience and international reputation. We currently intend to renovate and expand Hotel Llao Llao and to remodel the Hotel Sheraton Libertador.

Banco Hipotecario. We believe that our investment in Banco Hipotecario has attractive prospects for long-term appreciation. After the 2002 economic crisis in Argentina mortgage loan originations have increased, and we believe they are likely to continue to increase as salaries, consumer purchasing power and investments in residential construction grow. We believe that, unlike certain other countries in Latin America, Argentina has a low level of mortgages outstanding, particularly if measured in terms of GDP and believe that Banco Hipotecario is currently valued at a level that is attractive compared to most other Argentine listed banks. Finally, we believe that the mortgage origination business and our real estate development business (which we expect to be bolstered through our recent partnership with Cyrela mentioned above) may potentially experience synergies that enhance operational efficiencies and cross selling opportunities that may promote the development of our undeveloped land reserves.

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 in Brazil and Fondo de Valores Inmobiliarios in Venezuela which we disposed of in 2002 and 2001, respectively. Although we cannot assure you that we will make further investments outside of Argentina, we believe that Brazil and certain other Latin American countries offer certain interesting real estate opportunities. We expect to continue to evaluate actively such regional opportunities as they arise.

Organizational Structure

Set forth below is a diagram of our business segments and principal investments by business segment.

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- (1) 20% owned by Hoteles Sheraton de Argentina.
- (2) 24% owned by Intercontinental Hotels Corporation.
- (3) 50% owned by the Sutton Group.
- (4) Includes Costeros Dique IV, Reconquista 823/41, Edificio Costeros, Suipacha 652/64, Madero 1020, Madero 492, Av. de Mayo 595, Av. Libertador 602, Rivadavia 27658, Dique 5 Puerto Madero and Sarmiento 517.
- (5) Includes Barrio Chico, Edificios Cruceros, Concepción Arenal, Dorrego 1916 and Arcos 2343.
- (6) Includes Patio Bullrich, Alto Rosario and Nuevo NOA Shopping.
- (7) Includes Canteras Natal Crespo.

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Recent Developments

Agreement with Cyrela Brazil Realty S.A. Empreendimentos y Participações. On August 14, 2007, we signed an agreement with Cyrela Brazil Realty S.A. Empreendimentos y Participações (Cyrela) pursuant to which we and Cyrela propose to develop residential projects in Argentina targeted to diverse market segments. We and Cyrela formed a new company to carry out the proposed development projects and have each agreed to make an initial investment of US\$30 million in such company. Cyrela is a public company in Brazil and is one of the largest developers of residential real estate in the cities of Sao Paulo and Rio de Janeiro. We and our principal shareholder Cresud have a long-standing commercial relationship with Cyrela as evidenced by our substantial investment in Brazil Realty S.A. from 1994 to 2002 and Cresud's recent investment in BrasilAgro, a company focused on agricultural opportunities in Brazil that was founded by Cresud and another company owned by Mr. Elie Horn, Cyrela's controlling shareholder and current chief executive officer and other investors.

Acquisition of BankBoston Tower. On August 27, 2007, we signed a deed that entitles us to 50% ownership of an office building known as the BankBoston Tower, located at 265 Carlos Maria Della Paolera in the City of Buenos Aires. This modern property was designed by the recognized Architect Cesar Pelli and has a gross leasable area of 31,670 square meters. The transaction was consummated for an aggregate purchase price of US\$108,000,000.

Neuquén Project. On September 20, 2007, the City Hall of Neuquén approved the feasibility of our new urban project and environmental impact survey for the construction of housing enterprises in the City of Neuquén.

Our headquarters are located at Bolívar 108, 1 Piso, (C1066AAD) Buenos Aires, Argentina. Our telephone number is +54 (11) 4323-7555.

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THE OFFERING

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

Offering of Common Share Rights and GDS Rights

The Offering	<p>Each common share held of record as of 6:00 p.m. (Buenos Aires, Argentina time) on _____, 2007 (as reflected on our share register with <i>Caja de Valores S.A.</i>, or <i>Caja de Valores</i>) entitles its holder to one common share right and to receive, free of charge, for each new common share that it purchases pursuant to this offering, one warrant to purchase 0.3334 additional common shares.</p> <p>Each GDS held of record as of 5:00 p.m. (New York City time) on _____, 2007 (as reflected in the depository's books and records) entitles its holder to one GDS right and to receive, free of charge, for each new GDS that it purchases pursuant to this offering, 10 warrants, each of which will entitle such holder to 0.3334 additional common shares.</p>
Purchases by holders of rights	<p>From _____, 2007 through _____, 2007, which is three business days preceding the beginning of the subscription period referred to below, we will publish a notice in the <i>Official Gazette</i> of Argentina, a newspaper of general circulation in Argentina (<i>La Nación</i>, <i>Ámbito Financiero</i>, or both) and PR Newswire, announcing the statutory preemptive right of each existing holder of common shares or GDSs to subscribe one new common share for every _____ common shares held of record, or one new GDSs for every _____ GDSs held of record, as the case may be.</p>
Subscription period for the common share rights and GDS rights	<p>Ten calendar days, from _____, 2007 through 4:30 p.m. (Buenos Aires, Argentina time) in the case of the common share rights and through 5:00 p.m. (New York City time) in the case of the GDS rights on _____, 2007.</p> <p>To exercise common share rights, you must deliver to our common shares rights agent, a properly completed subscription form accompanied by a certificate of ownership issued by the <i>Caja de Valores</i> or evidence of assignment of the common share rights in your favor by 4:30 p.m. (Buenos Aires, Argentina time) on _____, 2007, or your common share rights will lapse and will have no further value. Deposit in the mail will not constitute delivery to us.</p>

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To exercise GDS rights, you must deliver to the GDS rights agent a properly completed GDS rights certificate by 5:00 p.m. New York City time on _____, 2007, or your GDS rights will lapse and you will have no rights other than the right to receive the net proceeds, if any (after deducting all applicable taxes and any fees and expenses of the depositary and GDS rights agent), from the sale of such unexercised GDS rights. Deposit in the mail will not constitute delivery to the GDS rights agent.

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

Accretion rights

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

Concurrently with the exercise of their preemptive rights, GDS holders that subscribe for new GDSs pursuant to preemptive rights may indicate on their subscription forms a number of additional GDSs for which they would be willing to subscribe pursuant to accretion rights. If accretion rights are allocated to the depositary, the GDS rights agent will allocate additional GDSs to GDS holders that requested them. If the amount of additional GDSs available pursuant to accretion rights are insufficient to satisfy all requests, the GDS rights agent will allocate the available additional GDSs ratably among requesting GDS holders in proportion to the number of additional GDSs they requested.

On _____, 2007, which is one business day after the end of the subscription period, we will notify

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holders of our common shares and GDS holders who have indicated that they wish to exercise their accretion rights of the aggregate number of unsubscribed common shares and GDSs, as applicable, by publication of a notice in the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), a newspaper of general circulation in Argentina (*La Nación*, *Ámbito Financiero* or both) and PR Newswire. Based on this notice, we will allocate unsubscribed common shares to holders of common shares and GDSs to GDS holders, as applicable, in accordance with their accretion rights.

Results of the offering

On _____, 2007, which is the third Argentine business day after the end of the subscription period, we will notify holders of our common shares and GDS holders by publication of a notice in the bulletin of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), a newspaper of general circulation in Argentina (*La Nación*, *Ámbito Financiero* or both) and PR Newswire of the final results of the offering for common share rights and GDS rights.

Reference price

On _____, 2007, which is the fifth Argentine business day before the preemptive rights subscription period begins, we will publish in the *Official Gazette* of Argentina, a newspaper of general circulation in Argentina (*La Nación*, *Ámbito Financiero* or both), and PR Newswire an initial reference price for the new common shares and new GDSs to be determined by our board of directors within the range determined by our shareholders at the shareholders' meeting held on _____, 2007.

Subscriptions for new common shares and new GDSs pursuant to the exercise of preemptive and accretion rights during the period in which the reference price is calculated and established will be binding even though the definitive subscription price will not have been established at the time of such exercise and the definitive subscription price subsequently determined may differ from, and therefore may be higher than, the reference price.

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Subscription price	<p>The subscription price for the preemptive and accretion rights will be established by our board of directors on _____, 2007 which is at least six Argentine business days prior to closing of the preemptive rights subscription period, published to the <i>Comisión Nacional de Valores</i>, published in the bulletin of the Buenos Aires Stock Exchange (<i>Bolsa de Comercio de Buenos Aires</i>) and PR Newswire on the following day prior to the opening of the stock market in Argentina.</p> <p>The subscription price for each new common share will be payable to the common share rights agent in Argentine pesos in an amount equal to the Argentine peso equivalent (determined on the basis of the seller's reference exchange rate (<i>tipo de cambio vendedor</i>) published by <i>Banco de la Nación Argentina</i> on _____, 2007) of the U.S. dollar-denominated subscription price for each new GDS, divided by 10.</p> <p>The subscription price for each new GDS will be denominated in U.S. dollars holders of GDS rights subscribing for new GDSs must pay to the GDS rights agent the subscription price payable in U.S. dollars <i>plus</i> an amount sufficient to cover the fee of the depository of US\$0.05 per new GDS.</p>
Payment for exercise of preemptive rights	<p>The new common shares and new GDSs subscribed pursuant to the preemptive rights must be paid in cash or by wire transfer to the common share rights agent or the GDS rights agent, as the case may be, no later than _____ p.m. on _____, 2007 which is the first business day in both Buenos Aires and New York City after the end of the subscription period.</p>
Payment for exercise of accretion rights	<p>The new common shares and new GDSs subscribed pursuant to the accretion rights must be paid in cash or by wire transfer to the common share rights agent or the GDS rights agent, as the case may be, no later than _____ p.m. on _____, 2007 which is the second business day in both Buenos Aires and New York City after the end of the subscription period.</p>
Fractional common shares and GDSs	<p>We will accept subscriptions for whole new common shares and new GDSs only and will round down any subscription submitted for fractional new common shares and fractional new GDSs to the nearest whole number of new common shares and new GDS, as applicable.</p>
Sale of unsubscribed GDSs and common shares	<p>After expiration of the subscription periods, we may sell any unsubscribed common shares and GDSs to third parties at such times and on such terms as our board of directors may determine.</p>

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Issuance and delivery of new common shares and new GDSs	<p>The new common shares and warrants and new GDSs and warrants acquired pursuant to the preemptive rights will be issued and made available on the next Argentine and U.S. business day following the expiration of the subscription period.</p> <p>The new common shares and new GDSs acquired pursuant to the accretion rights will be issued and made available on the second Argentine business day following the expiration of the subscription period.</p> <p>We will register new common shares issued upon exercise of common share rights and related warrants in our share register as soon as practicable after our receipt of payment with respect to such exercise. Certificates representing the new common shares will be issued upon request.</p> <p>GDRs evidencing new GDSs, and the related warrants, will be made available to subscribing GDS holders promptly upon receipt by the depository (or its agents) of the new common shares subscribed for.</p>
Transferability	<p>Any holder of common share rights may transfer its common share rights. Common share rights will be eligible to trade on the Buenos Aires Stock Exchange (<i>Bolsa de Comercio de Buenos Aires</i>) from _____, 2007 to _____, 2007 but will not be eligible to trade on any securities exchange in the United States.</p> <p>Any holder of GDS rights may transfer its GDS rights, but GDS rights will not be listed on any securities exchange.</p> <p>The Bank of New York will act as the GDS rights agent and may, to the extent consistent with applicable law, assign or otherwise transfer (with or without consideration) unexercised GDS rights to us or to third parties.</p>
No exchanges of common share rights or GDS rights	<p>You may not surrender common share rights or GDS rights for the purpose of withdrawing rights to subscribe common shares or GDS, as applicable.</p>
Listing of common shares	<p>The common shares are listed on the Buenos Aires Stock Exchange (<i>Bolsa de Comercio de Buenos Aires</i>) under the symbol IRSA.</p>
Listing of GDSs	<p>The GDSs are listed on the NYSE under the symbol IR\$.</p>
GDS rights agent	<p>The Bank of New York</p>

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Exercise price	<p>Each warrant will entitle its holder to purchase 0.3334 additional common shares for an exercise price that will be payable in U.S. dollars and will be determined by our board of directors and published on _____, 2007 in a newspaper of general publication in Argentina (<i>La Nación</i> or <i>Ámbito Financiero</i> or both), the bulletin of the Buenos Aires Stock Exchange (<i>Bolsa de Comercio de Buenos Aires</i>) and PR Newswire. As a result, three warrants must be exercised to purchase each common share.</p> <p>If as of the payment date of the warrant exercise price payment in U.S. dollars is legally prevented in Argentina, holders of warrants will be entitled to pay the exercise price in Argentine pesos in an amount equal to the Argentine peso equivalent of the U.S. dollar exercise price of the warrants determined on the basis of the seller's reference exchange rate (<i>tipo de cambio vendedor</i>) published by Banco de la Nación Argentina, or if such information is not available, by Bloomberg, for the purchase of Argentine pesos in exchange of U.S. dollars on the business day preceding the payment date of the exercise price of the warrants.</p>
Expiration of warrants	<p>The warrants will expire automatically and become void on February 22, 2012.</p>
Transferability	<p>Any holder of warrants may transfer its warrants at any time after the date of issuance. Warrants will be eligible to trade on the Buenos Aires Stock Exchange.</p>
Shelf registration	<p>We have agreed that until the earlier to occur of the exercise or expiration of all the warrants, we will keep a registration statement current with respect to the issuance of our common shares from time to time upon exercise of the warrants.</p>
Listing	<p>Application will be made to list the warrants on the Buenos Aires Stock Exchange (<i>Bolsa de Comercio de Buenos Aires</i>).</p>
Warrant agent General	<p>The Bank of New York and _____.</p>
Use of proceeds	<p>We currently estimate that the net proceeds of this offering will be approximately US\$ million, after deducting estimated fees and expenses, based on the assumptions that all of the common shares and GDSs available for purchase in this rights offering are purchased, and that none of the warrants are exercised upon consummation of this offering. <i>The amount of proceeds set forth above represents only an estimate (based on the stated assumptions) and may differ from the actual net proceeds we receive from this offering.</i></p>

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

Up to US\$ million to increase our equity interests in certain of our subsidiaries and equity investees, primarily Alto Palermo and Banco Hipotecario, thereby simplifying our corporate structure;

Approximately US\$ million to make real estate investments in Argentina and elsewhere in Latin America. We currently intend to focus primarily on investments in Argentina, Brazil, Chile, Peru, Uruguay and Colombia but may invest in other countries to the extent we believe such investments are consistent with our business strategy; and

For working capital and for other general corporate purposes.

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

Dividends

Under Argentine law, the declaration, payment and amount of dividends on the common shares are subject to the approval of the our shareholders and to certain requirements of Argentine law. Pursuant to the Deposit Agreement, holders of GDSs will be entitled to received dividends, if any, declared on the common shares represented by such GDSs to the same extent as the holders of the common shares. Cash dividends will be paid in Pesos and will be converted by the Depositary into U.S. dollars at the prevailing exchange rate on the date of conversion and paid to the holders of GDSs net of any dividend distribution fees, currency conversion expenses taxes or governmental charges. See Dividends and Dividend Policy, Description of Capital Stock and Description of Global Depositary Receipts.

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Commencement date of common share rights offering , 2007

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

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

Commencement date of GDS rights offering , 2007

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

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

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

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

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

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

We currently own 11.8% of Banco Hipotecario, Argentina's leading mortgage lender, and this prospectus also contains Banco Hipotecario's consolidated financial statements as of June 30, 2006 and 2007 and for the twelve-month periods ended June 30, 2005, 2006 and 2007. Banco Hipotecario's results of operations reflected in its interim financial statements are not necessarily indicative of the results that it may achieve for the year ended December 31, 2007 or for any other period.

Banco Hipotecario maintains its financial books and records in pesos and prepares its financial statements in conformity with the Central Bank accounting rules which differ in certain significant respects from Argentine GAAP. A narrative description of significant differences between Central Bank accounting rules and Argentine GAAP are set forth in Note 6 to Banco Hipotecario's audited consolidated financial statements included elsewhere in this prospectus. Central Bank accounting rules and Argentine GAAP also differ in certain significant aspects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in Banco Hipotecario's consolidated financial statements, as well as additional disclosures required by U.S. GAAP and regulations of the SEC. See Note 37 to Banco Hipotecario's audited consolidated financial statements included elsewhere in this prospectus for a description of the principal differences between Central Bank accounting rules and U.S. GAAP, as they relate to Banco Hipotecario, and a reconciliation to U.S. GAAP of Banco Hipotecario's net income and shareholders' equity.

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Certain amounts which appear in this prospectus (including percentage amounts) may not sum due to rounding. You should not construe the translations as a representation that the amounts shown could have been, or could be, converted into U.S. dollars at that or any other rate.

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

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	2003	2004	Year Ended June 30,		2007	2007 ⁽¹⁾
		(Ps. thousands ⁽²⁾)	2005	2006		(US\$)
						thousands)
Gross profit	72,541	110,682	191,158	299,224	453,495	146,620
Gain from recognition of inventories at net realizable value						
Selling expenses	(28,555)	(23,937)	(36,255)	(66,278)	(104,997)	(33,947)
Administrative expenses	(50,139)	(57,928)	(77,451)	(97,956)	(142,714)	(46,141)
Gain on purchasers rescissions of sales	9					
Net income (loss) from retained interest in securitized receivables	1,392	(1,526)	4,591	(12,274)	(115)	(37)
Operating (loss) income	(4,752)	27,291	82,043	121,716	205,669	66,495
(Loss) gain on equity investees	(5,621)	(20,161)	138,560	64,697	42,957	13,888
Financial results, net	265,753	21,195	(31,072)	(50,854)	(43,705)	(14,130)
Other incomes (expenses), net	9,880	(4,026)	(10,271)	(7,338)	(13,433)	(4,343)
Income before taxes and minority interest	265,260	24,299	179,259	128,221	191,488	61,910
Income tax and minimum presumed income tax	3,020	(12,528)	(34,747)	(18,678)	(39,176)	(12,666)
Minority interest	(33,154)	(8,946)	(15,114)	(19,597)	(49,090)	(15,871)
Net income	235,126	2,825	129,398	89,946	103,222	33,373

BALANCE SHEET DATA**Argentine GAAP**

Cash and banks and current investments	232,001	163,900	211,934	233,438	856,707	276,983
Inventories	23,854	29,711	99,811	162,110	256,203	82,833
Mortgages and lease receivables, net	39,181	37,267	73,246	147,955	212,065	68,563
Non-current investments ⁽³⁾	412,789	519,499	542,863	647,981	673,273	217,676
Fixed assets, net	1,235,223	1,274,675	1,445,551	1,413,212	2,027,311	655,451
Total current assets	297,476	261,651	389,735	481,788	1,175,790	380,145
Total assets	2,081,956	2,208,326	2,524,426	2,740,121	4,144,899	1,340,090
Short-term debt ⁽⁴⁾	96,159	143,126	130,728	142,140	214,193	69,251
Total current liabilities	188,738	256,022	310,977	419,228	652,082	210,825
Long-term debt ⁽⁵⁾	592,104	468,807	422,412	295,282	1,222,423	395,222
Total non-current liabilities	629,988	522,213	515,381	385,138	1,395,693	451,242
Minority interest	454,044	470,237	445,839	449,989	450,410	145,622
Shareholders equity	809,186	959,854	1,252,229	1,485,766	1,646,714	532,400

U.S. GAAP

Cash and banks and current investments	231,293	163,435	212,855	233,032	856,318	276,857
Inventories	23,584	25,374	46,702	61,720	160,961	52,040
Mortgages and lease receivables, net	39,181	37,267	72,577	145,718	205,267	66,365
Other receivables and prepaid expenses	80,799	127,114	113,395	131,502	241,656	78,130
Non-current investments ⁽³⁾	281,583	327,883	436,063	599,679	590,646	190,962
Fixed assets, net	1,221,859	1,230,020	1,392,626	1,360,136	1,912,457	618,318
Intangible assets, net	1,629	666	712	468	22,226	7,186
Total current assets	313,595	270,883	386,051	471,053	1,183,147	382,524
Total assets	1,874,299	1,923,456	2,291,808	2,503,812	3,997,217	1,292,343
Trade accounts payable	30,432	46,414	68,372	136,362	293,522	94,899
Other liabilities	40,382	46,524	90,106	94,655	101,764	32,902
Short-term debt ⁽⁴⁾	83,217	135,661	111,994	120,172	216,829	70,103
Total current liabilities	202,679	260,521	314,939	431,422	669,983	216,613
Long-term debt ⁽⁵⁾	600,616	465,099	413,812	298,570	1,225,212	396,124
Total non-current liabilities	801,806	696,791	698,344	558,951	1,603,747	518,509
Minority interest	367,012	378,404	357,062	355,385	366,381	118,455
Shareholders equity	502,803	587,740	921,718	1,158,364	1,358,739	439,295

CASH FLOW DATA**Argentine GAAP**

Net cash provided by operating activities	93,945	74,691	93,490	194,685	163,099	52,732
Net cash used in investing activities	(40,603)	(97,186)	(126,682)	(136,567)	(510,774)	(167,935)
Net cash provided by (used in) financing activities	109,439	(47,649)	52,868	(36,767)	892,258	291,273

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	2003	2004	Year Ended June 30,		2007	2007 ⁽¹⁾
		(Ps. thousands,	2005	2006		(US\$
		except ratios ⁽²⁾)				thousands,
						except ratios)
U.S. GAAP⁽⁶⁾						
Net cash provided by operating activities	55,135	92,378	105,655	192,589	111,936	36,190
Net cash used in investing activities	(52,260)	(105,061)	(141,746)	(128,687)	(470,318)	(152,059)
Net cash provided by (used in) financing activities	109,439	(47,649)	52,868	(36,767)	900,907	291,273
Effect of exchange rate changes on cash and cash equivalents	51,743	(8,081)	2,899	(5,784)	2,058	665
Effect of inflation accounting	(1,472)					
OTHER FINANCIAL DATA						
Argentine GAAP						
Capital expenditures ⁽⁷⁾	10,991	26,908	79,997	116,201	428,026	138,385
Depreciation and amortization ⁽⁸⁾	69,437	65,491	74,091	80,979	96,996	31,360
Ratio of current assets to current liabilities	1.576	1.022	1.253	1.149	1.803	1.803
Ratio of shareholders' equity to total liabilities	0.988	1.233	1.515	1.847	0.804	0.804
Ratio of non-current assets to total assets	0.857	0.882	0.846	0.824	0.716	0.716
Working capital ⁽⁹⁾	108,738	5,629	78,758	62,560	523,708	169,320

- (1) Solely for the convenience of the reader, we have translated Argentine Peso amounts into U.S. dollars at the exchange rate quoted by Banco de la Nación Argentina for June 30, 2007 which was Ps.3.093 per US\$1.00. We make no representation that the Argentine Peso or U.S. dollar amounts actually represent, could have been or could be converted into Dollars at the rates indicated, at any particular rate or at all. See Exchange Rates and Exchange Controls. Sums may not total due to rounding.
- (2) In thousands of Pesos of June 30, 2007. Includes adjustment for inflation through February 28, 2003. Sums may not total due to rounding.
- (3) Includes our 11.8% investment in Banco Hipotecario and our investments in undeveloped plots of land.
- (4) Includes short-term debt (including the current portion of seller financing) and current mortgages payable.
- (5) Includes long-term debt (including the non-current portion of seller financing) and non-current mortgages payable.
- (6) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of SFAS No. 95 under U.S. GAAP. See Note 28 to our audited consolidated financial statements included elsewhere in this prospectus for details of the differences in classifications affecting the categories of cash flows.
- (7) Includes the purchase of fixed assets (including facilities and equipment), undeveloped plots of land and renovation and remodeling of hotels and shopping centers.
- (8) Corresponds to depreciation and amortization included in operating income.
- (9) Working capital is calculated by subtracting consolidated current liabilities from consolidated current assets.

Table of Contents**Summary Consolidated Financial and Other Information for Banco Hipotecario**

	2003	2004	As of or for the Twelve Months Ended June 30			2007	2007
			2005	2006			(in thousands of US dollars, except ratios) (17)
	(in thousands of pesos, except ratios)						
INCOME STATEMENT DATA:							
<i>Central Bank Accounting Rules</i>							
Financial income	Ps. 512,630	Ps. 1,177,786	Ps. 681,482	Ps. 733,803	Ps. 882,220	US\$	285,434
Financial expenditures ⁽¹⁾	(1,241,713)	(208,500)	(388,882)	(412,184)	(374,666)		(121,220)
Net financial income	(729,083)	(969,286)	292,600	321,619	507,554		164,214
Provision for losses on loans	(122,005)		(16,699)	(10,498)	(43,673)		(14,130)
Net contribution from insurance ⁽²⁾	36,868	38,991	36,988	44,886	69,827		22,592
Other income from services, net ⁽³⁾	6,420	(321)	28,831	16,949	15,530		5,025
Monetary gain on other transactions	7,046						
Administrative expenses	(119,930)	(133,262)	(147,010)	(185,190)	(270,813)		(87,619)
Monetary loss related to operating transactions	(1,005)						
Miscellaneous income (loss), net ⁽⁴⁾	(132,915)	3,231	(42,343)	124,511	81,380		26,330
Monetary loss from financial transactions	(224,005)						
Income tax		(3,563)	(6,968)	(1,321)	(1,007)		(326)
Minority interest	7,882	(7,795)	5,623	(1,878)	(907)		(293)
Net income	(1,270,727)	866,567	Ps. 151,022	Ps. 309,078	Ps. 357,891	US\$	115,793
U.S. GAAP							
Net income	646,119	223,072	Ps. 1,023,110	Ps. 605,000	Ps. 388,883	US\$	125,820
BALANCE SHEET DATA:							
<i>Central Bank Accounting Rules</i>							
Assets							
Cash and due from banks	Ps. 46,222	Ps. 59,200	Ps. 55,850	Ps. 42,900	Ps. 54,578	US\$	17,658
Banks and correspondents	193,223	320,841	258,209	284,956	273,095		88,357
Government and corporate securities	1,077,931	532,979	723,630	2,802,402	2,159,941		698,829
Mortgage-backed securities ⁽⁵⁾	111,671	177,069	239,837	340,015	445,390		144,102
Loans:							
Mortgage loans	2,078,750	1,701,349	1,555,503	1,547,869	1,767,133		571,740
Personal loans	65	6,451	71,250	237,324	509,186		164,742
Credit card loans			17,521	102,830	381,132		123,312
Overdrafts	119,112	112,387	149,013	241,082	419,797		135,821
Corporate short-term loans	26,220	88,832	103,270	33,662	242,297		78,393
Interbank loans	35,435	588	9,546	15,871	88,604		28,667
Public sector loans	552,785	518,185	556,024	184,216	112,238		36,314
Other loans	315,028	3,178	34,379	88,264	102,633		33,206
Total loans ⁽⁶⁾	3,127,395	2,430,970	2,496,506	2,451,118	3,623,020		1,172,195
Accrued interest receivable	283,683	253,537	326,517	94,451	38,496		12,455

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Reserve for loan losses	(518,452)	(327,082)	(258,372)	(145,297)	(136,120)	(44,040)
Net loans	2,892,626	2,357,425	Ps. 2,564,651	Ps. 2,400,272	Ps. 3,525,396	Ps. 1,140,610
Other receivables from financial transactions:						
Loans in trust pending securitization ⁽⁷⁾	319,166	334,471	150,348	100,231	81,378	26,329
Government compensatory bonds BODEN ⁽⁸⁾	2,537,083	2,654,716	2,649,926	250,872	260,960	84,431
Other ⁽⁹⁾	103,569	1,037,609	1,482,872	2,345,515	2,924,651	946,244
Reserve for loan losses	(27,999)	(40,732)	(52,963)	(33,840)	(34,684)	(11,222)
Total other receivables	2,931,819	3,986,064	4,230,183	2,662,778	3,232,305	1,045,782
Bank premises and equipment, net	134,383	121,693	113,482	110,264	121,183	39,208
Other assets	62,779	986,734	731,042	298,145	355,761	115,103
Total assets	Ps. 7,450,654	Ps. 8,542,005	Ps. 8,916,884	Ps. 8,941,732	Ps. 10,167,649	US\$ 3,289,649
<i>Liabilities and Shareholders</i>						
<i>Equity</i>						
Borrowings from Central Bank	Ps. 2,085,254	Ps. 2,193,546	Ps. 2,042,362	Ps. 198,329	Ps. 218,031	US\$ 70,542
Other banks and international entities	921,900	354,216	542,841	387,081	231,619	74,938
Bonds	2,589,855	2,735,793	2,345,817	3,253,792	3,587,186	1,160,601
Deposits	105,484	181,367	423,386	614,787	868,560	281,015
Amounts payable under derivative instruments	1,015	540,920	900,940	964,753	968,395	313,315
Reserve for contingencies	156,241	201,135	250,433	205,577	262,214	84,837
Other liabilities ⁽¹⁰⁾	620,180	497,736	366,778	964,008	1,320,348	427,186
Total liabilities	6,479,929	6,704,713	6,872,557	6,588,327	7,456,353	2,412,434
Shareholders equity	970,725	1,837,292	2,044,327	2,353,405	2,711,296	877,215
Total liabilities and shareholders equity	Ps. 7,450,654	Ps. 8,542,005	Ps. 8,916,884	Ps. 8,941,732	Ps. 10,167,649	US\$ 3,289,649
U.S. GAAP						
Shareholders equity	(401,867)	(117,449)	Ps. 957,137	Ps. 1,592,014	Ps. 2,109,199	US\$ 682,412

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	As of and the Twelve Months Ended June 30,		
	2005	2006	2007
SELECTED RATIOS:			
Profitability			
Return on average assets	1.7%	3.6%	3.8%
Return on average shareholders' equity	7.3%	13.5%	13.6%
Average rate of interest on mortgage loan portfolio ⁽¹¹⁾	10.6%	13.9%	12.2%
Net interest margin ⁽¹²⁾	3.9%	4.3%	6.5%
Efficiency ⁽¹³⁾	39.0%	46.0%	42.4%
Insurance loss ratio ⁽¹⁴⁾	17.4%	16.6%	9.3%
Asset Quality^{(15) (16)}			
Mortgage loans to individuals:			
Non-performing mortgage loans to individuals as a % of such loans	17.7%	8.2%	5.4%
Reserve for mortgage individual loan losses as a % of such loans	22.3%	14.4%	10.9%
Reserve for mortgage individual loan losses as a % of such non-performing loans	98.4%	106.6%	101.9%
Other loans to individuals:			
Non-performing other loans to individuals as a % of such loans	2.0%	7.9%	8.5%
Reserve for other individual loan losses as a % of such loans	1.7%	4.4%	4.7%
Reserve for other individual loan losses as a % of such non-performing loans	85.6%	55.9%	55.6%
Total loans:			
Non-performing loans as a percentage of total loans	10.1%	6.2%	4.6%
Reserve for loan losses as a percentage of total loans	10.0%	6.5%	4.2%
Reserve for loan losses as a percentage of non-performing loans	99.0%	105.7%	91.4%
Charge-offs:			
Charge-offs as a percentage of average loans	3.2%	6.2%	1.7%
Capital			
Total shareholders' equity as a percentage of total assets	22.9%	26.3%	26.7%

Operations

- (1) Financial expenditures consist primarily of interest on deposits and other liabilities from financial transactions and contributions, and taxes on financial income.
- (2) Consists of insurance premiums earned *minus* insurance claims paid.
- (3) Income from services other than insurance premiums *minus* expenditures on services other than insurance claims.
- (4) Miscellaneous income *minus* miscellaneous expenses.
- (5) Banco Hipotecario holds subordinated bonds and certificates of participation issued in connection with its prior securitization activities.
- (6) Total loans exclude loans in trust pending securitization.
- (7) Banco Hipotecario transferred these loans to a trust pending their proposed securitization. Although not included in our loans for accounting purposes, these loans are included in its total loan portfolio for purposes of classifying its loans and establishing loan loss reserves in accordance with Central Bank requirements.
- (8) Includes the positive effects resulting from our option, pursuant to Argentine Central Bank Communication A 3800, to offset anticipated future losses by recognizing in advance compensation expected to be received from the Argentine government for its net financial position of foreign currency-denominated assets and liabilities at December 31, 2001 converted at the exchange rate of Ps.1.40 = US\$1.00.
- (9) Includes Ps.897.8 million, Ps.1,036.0 million and Ps.1,133.6 million of amounts receivable under derivative financial instruments for twelve months ended June 30, 2005, 2006 and 2007, respectively.
- (10) Includes Ps.66.5 million, Ps.95.3 million and Ps.84.5 million of accrued interest payable at June 30, 2005, 2006 and 2007, respectively.
- (11) Aggregate financial income earned on mortgage loans divided by average mortgage loans.
- (12) Net financial income divided by average interest earning assets. Included in financial income are net gains (losses) on government securities.
- (13) Administrative expenses divided by the sum of (i) net financial income, (ii) contribution from insurance and (iii) other income from services, net. Excludes severance payments and bonuses that totaled Ps.7.3 million, Ps.8.8 million and Ps.19.6 million for the twelve months ended June 30, 2005, 2006 and 2007, respectively.
- (14) Insurance claims paid divided by insurance premiums earned.
- (15) Non-performing loans consist of (i) in the case of consumer loans, those classified under Central Bank regulations as Deficient Performance, Difficult Collection, Uncollectible and Uncollectible for Technical Reasons and (ii) in the case of commercial loans, those classified under Central Bank regulations as Problematic, High Risk of Insolvency, Uncollectible and Uncollectible for Technical Reasons. Banco Hipotecario has used a variety of different methodologies for classifying the non-performance of its mortgage loans. As a result, information regarding non-performing loans is not necessarily comparable from one period to another. See Banco Hipotecario's

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Management's Discussion and Analysis of Financial Condition and Results of Operations Factors Affecting Comparability of Financial Data.

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- (16) For purposes of Central Bank loan classifications and our establishment of loan loss reserves, total loans include accrued interest and loans in trust pending securitization.
- (17) The US dollar convenience translation at June 30, 2007 is based on the peso/dollar exchange rate of Ps.3.0908=US\$1.00, prevailing as of such date. Such translation should not be construed as a representation that the local currency amounts represent, or have been or could be converted into, US dollars at that or any other rate.

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RISK FACTORS

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

Risks Relating to Argentina

Argentina's current growth and stabilization may not be sustainable.

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

The Argentine economy remains fragile for the following reasons:

unemployment remains high;

the availability of long-term fixed rate credit is limited;

investment as a percentage of GDP remains low;

the current fiscal surplus could become a fiscal deficit;

inflation has risen recently and threatens to accelerate;

the country's public debt remains high and international financing is limited; and

the recovery has depended to some extent on high commodity prices, which are volatile and outside the control of the country, and excess capacity, which has reduced considerably.

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

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

After several years of price stability, the devaluation of the Peso in January 2002 imposed pressures on the domestic price system that generated high inflation throughout 2002. In 2003, inflation substantially stabilized. However, inflationary pressures have since reemerged with consumer prices increasing by 6.1% during 2004 and increasing by 12.3% in 2005. As a result of the execution of fixed price agreements and restrictions on, and in certain cases, suspension of, exports, consumer prices only increased by 9.8% in 2006. During the first half of 2007, consumer prices increased by 8.8% on an annualized basis.

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

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

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

In the first half of 2005, Argentina restructured part of its sovereign debt that had been in default since the end of 2001. As of March 31, 2007, the Argentine government announced that as a result of the restructuring, it had approximately US\$136.3 billion in total outstanding debt remaining. Of this amount, approximately US\$26.5 billion are defaulted bonds owned by creditors who did not participate in the restructuring of the external financial debt.

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 Center for the Settlement of Investment Disputes, or ICSID, alleging that certain government measures are inconsistent with the fair and equitable treatment standards set forth in various bilateral treaties to which Argentina is a party.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The stability of the Argentine banking system is uncertain.

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

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

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

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

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

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

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

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

Upcoming Congressional and Presidential elections may adversely affect the Argentine economy.

During 2007, presidential and congressional elections will take place in Argentina. During the last presidential elections, the securities markets suffered certain volatility which has been attributed to uncertainty regarding the economic policy to be carried out by the new government. There are no assurances that future uncertainties preceding and resulting from the Congressional and the Presidential elections will not negatively impact the Argentine economy and/or local bonds and stock markets.

Risks Relating to our Business

Our performance is subject to risks associated with our properties and with the real estate industry.

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

downturns in the national, regional and local economic climate;

volatility and decline in discretionary spending;

competition from other office, industrial and commercial buildings;

local real estate market conditions, such as oversupply or reduction in demand for office, or other commercial or industrial space;

changes in interest rates and availability of financing;

the exercise by our tenants of their legal right to early termination of their leases;

vacancies, changes in market rental rates and the need to periodically repair, renovate and re-lease space;

increased operating costs, including insurance expense, utilities, real estate taxes, state and local taxes and heightened security costs;

civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses;

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

declines in the financial condition of our tenants and our ability to collect rents from them;

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changes in our ability or our tenants' ability to provide for adequate maintenance and insurance, possibly decreasing the useful life of and revenue from property; and

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

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

Our investment in property development or redevelopment may be less profitable than we anticipate.

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

abandonment of development opportunities and renovation proposals;

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

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

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

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

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

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

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

The real estate industry in Argentina is increasingly competitive.

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

Furthermore, the Argentine real estate industry is generally highly competitive and fragmented and does not have high-entry barriers restricting new competitors from entering the market. The main competitive factors in the real estate development business include availability and location of land, price, funding, design, quality, reputation and partnerships with developers. A number of residential and commercial developers and real estate services companies compete with us in seeking land for acquisition, financial resources for development and prospective purchasers and tenants. Other companies, including foreign companies working in partnerships with local companies, have become increasingly active in the real estate business in Argentina, further increasing this competition. To the extent that one or more of our competitors are able to acquire and develop desirable properties, as a result of greater financial resources or otherwise, our business could be materially and adversely affected. If

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we are not able to respond to such pressures as promptly as our competitors, or the level of competition increases, our financial condition and results of our operations could be adversely affected.

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

We face risks associated with property acquisitions.

We have in the past acquired, and intend to acquire in the future, properties, including large properties (such as the acquisition of Abasto de Buenos Aires or Alto Palermo Shopping) that would increase our size and potentially alter our capital structure. Although we believe that the acquisitions that we have completed in the past and that we expect to undertake in the future, have, and will, enhance our future financial performance, the success of such transactions is subject to a number of uncertainties, including the risk that:

we may not be able to obtain financing for acquisitions on favorable terms;

acquired properties may fail to perform as expected;

the actual costs of repositioning or redeveloping acquired properties may be higher than we estimate;

acquired properties may be located in new markets where we may have limited knowledge and understanding of the local economy, absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures; and

we may not be able to efficiently integrate acquired properties, particularly portfolios of properties, into our organization and to manage new properties in a way that allows us to realize cost savings and synergies.

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

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

Acquired properties may subject us to unknown liabilities.

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

liabilities for clean-up of undisclosed environmental contamination;

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

liabilities incurred in the ordinary course of business.

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

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

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

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

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

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

Real estate investments are relatively illiquid and this tends to limit our ability to vary its portfolio promptly in response to changes in economic or other conditions. In addition, significant expenditures associated with each equity investment, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investment. If income from a property declines while the related expenses do not decline, our business would be adversely affected. A significant portion of our properties are mortgaged to secure payment of indebtedness, and if we are unable to meet our mortgage payments, we could lose money as a result of foreclosure on the properties by the various mortgagees. In addition, if it becomes necessary or desirable for us to dispose of one or more of the mortgaged properties, we might not be able to obtain a release of the lien on the mortgaged property without payment of the associated debt. The foreclosure of a mortgage on a property or inability to sell a property could adversely affect our business. In transactions of this kind, we may also agree, subject to certain exceptions, not to sell the acquired properties for significant periods of time.

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Our level of debt may adversely affect our operations and our ability to pay our debt as it becomes due.

We have had, and expect to continue to have, substantial liquidity and capital resource requirements to finance our business. As of June 30, 2007, our consolidated financial debt was Ps.1,414.5 million (including accrued and unpaid interest and deferred financing costs). The fact that we are leveraged may affect our ability to refinance existing debt or borrow additional funds to finance working capital, acquisitions and capital expenditures. This would require us to allocate a substantial portion of cash flow to repay principal and interest, thereby reducing the amount of money available to invest in operations, including acquisitions and capital expenditures. Our leverage could place us at a disadvantage compared to our competitors who are less leveraged and limit our ability to react to changes in market conditions, changes in the real estate industry and economic downturns. Although we have successfully restructured our debt, we cannot assure you that we will not relapse and become unable to pay our obligations.

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

We are subject to risks inherent to the operation of shopping centers that may affect our profitability.

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

the accessibility and the attractiveness of the area where the shopping center is located;

the intrinsic attractiveness of the shopping center;

the flow of people and the level of sales of each shopping center rental unit;

increasing competition from internet sales;

the amount of rent collected from each shopping center rental unit; and

the fluctuations in occupancy levels in the shopping centers.

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

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

If certain of our most important tenants were to experience financial difficulties, including bankruptcy, insolvency or a general downturn of business, or if we simply failed to retain their patronage, our business could be adversely affected. Our shopping centers and, to a lesser extent, our office buildings are typically anchored by

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significant tenants, such as well known department stores who generate shopping traffic at the mall. A decision by such significant tenants to cease operations at our shopping centers or office buildings could have a material adverse effect on the revenues and profitability of the affected segment and, by extension, on our financial condition and results of operations. The closing of one or more significant tenants may induce other tenants at an affected property to terminate their leases, to seek rent relief and/or cease operating their stores or otherwise adversely affect occupancy at the property. If we are not able to successfully lease the affected space again, the bankruptcy and/or closure of significant tenants, could have an adverse effect on both the operating revenues and underlying value of the properties involved.

We are subject to payment default risks due to our investments in credit card businesses through our subsidiary Alto Palermo.

Our subsidiary Alto Palermo owns an 80% interest in Tarshop S.A., or Tarshop, a credit card company that originates credit card accounts to promote sales from Alto Palermo's tenants and other selected retailers. During the fiscal year ended June 30, 2007, Tarshop had net revenues of Ps.213.0 million, representing 44.1% of Alto Palermo's revenues and 28.8% of our consolidated revenues for such fiscal year. Credit card businesses such as Tarshop are adversely affected by defaults or late payments by card holders on credit card accounts, difficulties enforcing collection of payments, fraudulent accounts and the writing off of past due receivables. The present rates of delinquency, collection proceedings and loss of receivables may vary and be affected by numerous factors beyond our control, which, among others, include:

adverse changes in the Argentine economy;

adverse changes in the regional economies;

political instability;

increases in unemployment; and

erosion of real and/or nominal salaries.

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

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

Tarshop S.A., an Alto Palermo subsidiary, is a credit card company that originates credit card accounts to promote sales from Alto Palermo's tenants and other selected retailers. Tarshop's accounts receivables, which consist of cash flows from consumer financing and personal loans, are placed into a number of trust accounts that securitize those receivables. Tarshop sells beneficial interests in these trust accounts through the sale of debt certificates, but remains a beneficiary of these trust accounts by holding Ps.77.8 million in debt certificates as of June 30, 2007.

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

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We are subject to risks affecting the hotel industry.

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

In addition, the profitability of our hotels depends on:

our ability to form successful relationships with international and local operators to run our hotels;

changes in tourism and travel patterns, including seasonal changes; and

taxes and governmental regulations affecting wages, prices, interest rates, construction procedures and costs.

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

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

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

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

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

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

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

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

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

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

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

Eviction proceedings in Argentina are difficult and time consuming.

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

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

Our assets are concentrated in the Buenos Aires area.

Our principal properties are located in the City of Buenos Aires and the Province of Buenos Aires and a substantial portion of our revenues are derived from such properties. For the fiscal year ended June 30, 2007, more than 87% of our consolidated revenues were derived from properties in the Buenos Aires metropolitan area including the City of Buenos Aires. Although we own properties and may acquire or develop additional properties outside Buenos Aires, we expect to continue to depend to a large extent on economic conditions affecting those areas, and therefore, an economic downturn in those areas could have a material adverse effect on our financial condition and results of operations.

We face risks associated with potential expansion to other Latin American markets.

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

Investments in Brazil and other Latin American countries are subject to significant risks including sovereign risks and risks affecting these countries' real estate sectors. These risks include competition by well-established as well as new developers, unavailability of financing or financing on terms that are not acceptable to us, exchange rate fluctuations, lack of liquidity in the market, rising construction costs and inflation, extensive and potentially increasing regulation and bureaucratic procedures to obtain permits and authorizations, political and economic instability that may result in sharp shifts in demand for properties, risks of default in payment and difficulty evicting defaulting tenants.

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

On November 18, 1997, in connection with the acquisition of our subsidiary Inversora Bolívar S.A., or Inversora Bolívar, we indirectly acquired 35.2% of the capital stock of Puerto Retiro. Inversora Bolívar had purchased such shares of Puerto Retiro from Redona Investments Ltd. N.V. in 1996. In 1999, through Inversora Bolívar, we increased our interest in Puerto Retiro to 50.0% of its capital stock.

On April 18, 2000, Puerto Retiro received notice of a complaint filed by the Argentine government, through the Ministry of Defense, seeking to extend the bankruptcy of Inversora Dársena Norte S.A. (Indarsa). Upon filing of the complaint, the bankruptcy court issued an order restraining the ability of Puerto Retiro to dispose of, in any manner, the real property it had purchased in 1993 from Tandanor S.A. (Tandanor). Puerto Retiro appealed the restraining order which was confirmed by the court on December 14, 2000.

In 1991, Indarsa had purchased 90% of Tandanor, a formerly government owned company, which owned a large piece of land near Puerto Madero of approximately 8 hectares, divided into two spaces: Planta 1 and 2. After the purchase of Tandanor by Indarsa, in June 1993 Tandanor sold Planta 1 to Puerto Retiro, for a sum of US\$18 million pursuant to a valuation performed by J.L. Ramos, a well-known real estate brokerage firm in Argentina.

Indarsa failed to pay to the Argentine government the outstanding price for its purchase of the stock of Tandanor. As a result the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa was its holding in Tandanor, the Argentine government is seeking to extend the bankruptcy to the companies or individuals which, according to its view, acted as a single economic group. In particular, the Argentine government has requested the extension of the bankruptcy to Puerto Retiro which acquired Planta 1 from Tandanor.

The time for producing evidence in relation to these legal proceeding has expired. The parties have submitted their closing arguments and are awaiting a final judgment. However, the judge has delayed his decision until a final judgment in the criminal proceedings against the former Defense Minister and former directors of Indarsa has been delivered. We cannot give you any assurance that we will prevail in this proceeding, and if the plaintiff's claim is upheld by the courts, all of the assets of Puerto Retiro would likely be used to pay Indarsa's debts and our investment in Puerto Retiro, valued at Ps.54.9 million, as of June 30, 2007. As of June 30, 2007, we had not established any reserve in respect of this contingency.

Property ownership through joint ventures may limit our ability to act exclusively in our interest.

We develop and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. For example, in the Shopping Center segment, we own 62.5% of Alto Palermo, while Parque Arauco S.A. owns 29.5%. In the Development and Sale segment, we have a majority ownership interests in various properties, including 100% ownership of Pereiraola S.A. and 100% of Caballito. We also have ownership of 50% in Puerto Retiro and Cyrsa. In the Hotel operations segment, we own 50% of the Llao Llao Hotel, while another 50% is owned by the Sutton Group. We own 80% of the Hotel Libertador, while 20% is owned by Hoteles Sheraton de Argentina S.A. In the financial services sector, we own 11.8% of Banco Hipotecario, while the Argentine government has a controlling interest in it.

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

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

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

We may not be able to recover the mortgage loans we have provided to purchasers of units in our residential development properties.

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

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

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

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

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

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We are dependent on our chairman Eduardo Elsztain and certain other senior managers.

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

We may face potential conflicts of interest relating to our principal shareholders.

Our largest beneficial owner is Mr. Eduardo S. Elsztain, through his indirect shareholding through Cresud. As of June 30, 2007, such beneficial ownership consisted of: (i) 116,305,767 shares held by Cresud, (ii) 5,495,297 shares held by IFISA, (iii) 761,000 shares held by Consultores Venture Capital Limited, a stock corporation organized under the laws of Cayman Islands, (iv) 2,060,279 held by Dolphin Fund PLC, a limited liability company organized under the laws of Isle of Man and (v) 457,375 shares held directly by Mr. Elsztain.

Conflicts of interest between our management, us and our affiliates may arise in the performance of our respective business activities. Mr. Elsztain also beneficially owns (i) approximately 32.8% of Cresud shares and (ii) approximately 62.5% of the common shares of our subsidiary Alto Palermo. We cannot assure you that our principal shareholders and their affiliates will not limit or cause us to forego business opportunities that their affiliates may pursue or that the pursuit of other opportunities will be in our interest.

Due to the currency mismatches between our assets and liabilities, we have significant currency exposure.

As of June 30, 2007, the majority of our liabilities, such as our unsecured loan agreement, our Series 3 secured floating rate notes due 2009, our 8.5% notes due 2017, Alto Palermo's Series I Notes, the mortgage loan to our subsidiary Hoteles Argentinos S.A., our 8% convertible notes and Alto Palermo's convertible notes are denominated in U.S. dollars while our revenues and most of our assets as of June 30, 2007 are denominated in Pesos. This currency gap exposes us to a risk of exchange rate volatility, which would negatively affect our financial results if the dollar were to appreciate against the Peso. Any further depreciation of the Peso against the U.S. dollar will correspondingly increase the amount of our debt in Pesos, with further adverse effects on our results of operation and financial condition and may increase the collection risk of our leases and other receivables from our tenants and mortgage debtors, most of whom have Peso-denominated revenues.

Risks Relating to our Investment in Banco Hipotecario

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

As of June 30, 2007, IRSA owned 11.8% of Banco Hipotecario which represented 7.3% of IRSA's consolidated assets at such date. Substantially all of Banco Hipotecario's operations, properties and customers are located in Argentina. Accordingly, the quality of its loan portfolio, its financial condition and results of operations depend to a significant extent on economic and political conditions prevailing in Argentina. The political and economic crisis in Argentina during 2002 and 2003 and the Argentine government's actions to address it have had and may continue to have a material adverse effect on Banco Hipotecario's business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On November 29, 2006, Law No. 26,177 created the *Unidad de Reestructuración*, a government agency responsible for the revision of each of the mortgage loans granted by the state-owned Banco Hipotecario Nacional, the predecessor of Banco Hipotecario, before the enactment of the Convertibility Law in 1991. The *Unidad de Reestructuración* also makes non-binding recommendations to facilitate the restructuring of such mortgage loans. If no agreement is reached, the *Unidad de Reestructuración* will submit a proposal to the National Congress, which may recommend forgiveness or other write-off of such loans, extensions of their scheduled maturities or other subsidies that adversely affect Banco Hipotecario's ability to foreclose on such mortgage loans.

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

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

As a result of Banco Hipotecario's strategy to diversify its banking operations and develop retail and other non-mortgage banking activities, in recent years its portfolio of non-mortgage loans has grown rapidly. During the two-year period between December 31, 2004 and December 31, 2006, Banco Hipotecario's portfolio of non-mortgage loans grew 401% from Ps.232.2 million to Ps.1,162.6 million. A very substantial portion of its portfolio of non-mortgage loans consists of loans to low- and middle-income individuals and, to a lesser extent, middle-market companies. These individuals and companies are likely to be more seriously affected by adverse developments in the Argentine economy than high income individuals and large corporations. Consequently, in the future Banco Hipotecario may experience higher levels of past due non-mortgage loans that would likely result in increased provisions for loan losses. In addition, large-scale lending to low- and middle-income individuals and middle-market companies is a new business activity for Banco Hipotecario, and as a result its experience and loan-loss data for such loans are necessarily limited. Therefore, we cannot assure you that the levels of past due non-mortgage loans and resulting charge-offs will not increase materially in the future.

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

Banco Hipotecario prepares its financial statements in accordance with Central Bank accounting rules which differ in certain material respects from Argentine GAAP. During 2002, Central Bank accounting rules were modified in several respects that materially increased certain discrepancies between Central Bank accounting rules and Argentine GAAP. In accordance with Central Bank accounting rules, Banco Hipotecario's consolidated balance sheets as of December 31, 2006, December 31, 2005 and December 31, 2004 include US\$816.4 million, US\$835.7 million and US\$288.3 million, respectively, of BODEN issued by the Argentine government as compensation for pesification, as well as US\$82.9 million, US\$210.1 million and US\$904.5 million as of December 31, 2006, December 31, 2005 and December 31, 2004 representing its right to acquire additional BODEN. Banco Hipotecario's consolidated balance sheets at December 31, 2006, December 31, 2005 and December 31, 2004 also include Ps.207.6 million, Ps.500.4 million and Ps.1,870.3 million, respectively, representing Central Bank borrowings which Banco Hipotecario incurred to finance its acquisition of the additional BODEN. Also, since September 30, 2005 Banco Hipotecario has subscribed BODEN 2012 for US\$773.5 million and reduced Central Bank borrowings for Ps.1,844.0 million. Additionally, its most recent consolidated annual income statements include the accrual of interest to be received on BODEN not yet received and interest to be paid adjusted by CER on Central Bank borrowings.

In accordance with Central Bank accounting rules, the BODEN reflected on its consolidated balance sheets as of December 31, 2006 and 2005 have been recorded at 100% of face value. However, the BODEN are unsecured debt obligations of the Argentine government, which has defaulted on a significant portion of its indebtedness although the government is current in respect of payments due on the BODEN and has restructured a substantial portion of its sovereign debt. As of December 31, 2006, the BODEN were not rated and were trading in the secondary market at a price of approximately US\$94.7 for every US\$100 of outstanding value. Carrying BODEN at a value equal to their full face value, which is in excess of their current market value, has the effect of increasing Banco Hipotecario's total assets recorded on its consolidated balance sheet. In this important respect, its most recent consolidated audited annual financial statements are not comparable to its historic financial statements and have been prepared according to accounting principles that differ materially from Argentine GAAP.

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

As of June 30, 2007, Banco Hipotecario's foreign currency-denominated liabilities exceeded its foreign currency denominated assets by approximately US\$118 million. Substantially all of Banco Hipotecario's foreign currency assets consist of dollar-denominated BODEN, but Banco Hipotecario's liabilities in foreign currencies are denominated in both U.S. Dollars and Euros. This currency gap exposes Banco Hipotecario to risk of exchange rate volatility which would negatively affect Banco Hipotecario's financial results if the U.S. Dollar were to depreciate against the Peso and/or the Euro. We cannot assure you that the U.S. Dollar will not appreciate against the Peso, or that we will not be adversely affected by Banco Hipotecario's exposure to risks of exchange rate fluctuations.

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

On December 23, 2001, the Argentine government declared the suspension of payments on most of its sovereign debt, which as of December 31, 2001, totaled approximately US\$144.5 billion, a substantial portion of which was restructured by the issuance of new bonds in the middle of 2005. Additionally, the Argentine government has incurred, and is expected to continue to incur, significant new debt obligations, including the issuance of compensatory bonds to financial institutions. As of June 30, 2007 Banco Hipotecario had a total of US\$901.1 million of BODEN issued by the Argentine Government. At that same date, Banco Hipotecario also had a total of approximately US\$0.2 million of guaranteed government loans. Given Banco Hipotecario's BODEN holdings, Banco Hipotecario has a significant exposure to the Argentine government's solvency. Further, defaults by the Argentine government on its debt obligations, including the BODEN and other government securities (such as the guaranteed government loans) held by Banco Hipotecario, would materially and adversely affect its financial condition which would in turn affect our investment.

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

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

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

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

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

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

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

a fundamental change in Banco Hipotecario's corporate purpose;

a change in Banco Hipotecario's domicile outside of Argentina;

dissolution prior to the expiration of Banco Hipotecario's corporate existence;

a merger or spin-off after which Banco Hipotecario would not be the surviving corporation;

a total or partial recapitalization following a mandatory reduction of capital; and

approval of voluntary reserves, other than legally mandated reserves, when their amount exceeds Banco Hipotecario's capital stock and its legally mandated reserves.

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

According to the Privatization Law, there are no restrictions on the ability of the Argentine government to dispose of its Class A shares, and all but one of such shares could be sold to third parties in a public offering. If the Class A shares represent less than 42% of Banco Hipotecario's total voting stock as a result of the issuance of new shares other than Class A shares, or otherwise the Class D shares IRSA holds will automatically lose their triple voting rights. If this were to occur, we would likely lose our current ability, together with our affiliates that also hold Class D shares of Banco Hipotecario, to exercise substantial influence over decisions submitted to the vote of Banco Hipotecario's shareholders.

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

From time to time in recent years, Banco Hipotecario has considered certain possible acquisitions or business combinations, and Banco Hipotecario expects to continue considering acquisitions that it believes offer attractive opportunities and are consistent with its business strategy. We cannot assure you, however, that Banco

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Hipotecario will be able to identify suitable acquisition candidates or that Banco Hipotecario will be able to acquire promising target financial institutions on favorable terms. Additionally, its ability to obtain the desired effects of such acquisitions will depend in part on its ability to successfully complete the integration of those businesses. The integration of acquired businesses entails significant risks, including:

unforeseen difficulties in integrating operations and systems;

problems assimilating or retaining the employees of acquired businesses;

challenges retaining customers of acquired businesses;

unexpected liabilities or contingencies relating to the acquired businesses; and

the possibility that management may be distracted from day-to-day business concerns by integration activities and related problem solving.

Risks Relating to our GDSs, Common Shares and Warrants

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

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

The GDSs are freely transferable under US securities laws, including shares sold to our affiliates. Cresud, which as of June 30, 2007 owned approximately 25.0% of our common shares (or approximately 116,305,767 common shares which may be exchanged for an aggregate of 11,630,576 GDSs), is free to dispose of any or all of its common shares or GDSs at any time in its discretion. Sales of a large number of our common shares and/or GDSs would likely have an adverse effect on the market price of our common shares and the GDS.

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

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

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

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

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

persons or against us.

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

Based on the current and projected composition of our income and the valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company (PFIC) for United States federal income tax purposes for the taxable year ending June 30, 2007, and we do not currently expect to become a PFIC, although there can be no assurance in this regard. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition or if our projections are not accurate. The volatility and instability of Argentina's economic and financial system may substantially affect the composition of our income and assets and the accuracy of our projections. If we become a PFIC, U.S. holders of our equity securities will be subject to certain United States federal income tax rules that have negative consequences for U.S. holders such as additional tax and an interest charge upon certain distributions by us or upon a sale or other disposition of our equity securities at a gain, as well as additional reporting requirements. See Taxation Certain United States Federal Income Tax Consequences Passive Foreign Investment Company for a more detailed discussion of the consequences if we are deemed a PFIC. You should consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

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

As a holder of GDSs representing the GDSs being held by the depositary in your name, we will not treat you as one of our shareholders and you will not have shareholder rights. The depositary will be the holder of the common shares underlying your GDSs and holders may exercise voting rights with respect to the common shares represented by the GDSs only in accordance with the deposit agreement relating to the GDSs. There are no provisions under Argentine law or under our by-laws that limit the exercise by GDS holders of their voting rights through the depositary with respect to the underlying common shares. However, there are practical limitations on the ability of GDS holders to exercise their voting rights due to the additional procedural steps involved in communicating with these holders. For example, holders of our common shares will receive notice of shareholders' meetings through publication of a notice in an official gazette in Argentina, an Argentine newspaper of general circulation and the bulletin of the *Bolsa de Comercio de Buenos Aires*, and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. GDS holders, by comparison, will not receive notice directly from us. Instead, in accordance with the deposit agreement, we will provide the notice to the depositary. If we ask it to do so, the depositary will mail to holders of GDSs the notice of the meeting and a statement as to the manner in which instructions may be given by holders. To exercise their voting rights, GDS holders must then instruct the depositary as to voting the common shares represented by their GDSs. Due to these procedural steps involving the depositary, the process for exercising voting rights may take longer for GDS holders than for holders of common shares and common shares represented by GDSs may not be voted as you desire. Common shares represented by GDSs for which the depositary fails to receive timely voting instructions may, if requested by our company, be voted as we instruct at the corresponding meeting.

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

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

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

Because the initial offering price of the common shares and GDSs being sold in this offering will be substantially higher than the net tangible book value per share, you will experience immediate and substantial dilution in the book value of these common shares. Net tangible book value represents the amount of our tangible assets on a pro forma basis, minus our pro forma total liabilities. As a result, at the initial public offering price of US\$ per GDS, the price per GDS set forth on the cover page of this prospectus, we currently expect that you will incur immediate dilution of US\$ per GDS you purchase in this offering. See Dilution.

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

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

fluctuations in our periodic operating results;

changes in financial estimates, recommendations or projections by securities analysts;

changes in conditions or trends in our industry;

changes in the economic performance or market valuation of our competitors;

announcements by our competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures or capital commitments;

events affecting equities markets in the countries in which we operate;

legal or regulatory measures affecting our financial conditions;

departures of management and key personnel; or

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

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

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

The Argentine government may impose restrictions on the conversion of Argentine currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Argentina. Argentine law currently permits the government to impose this kind of restrictions temporarily in circumstances where a serious imbalance develops in Argentina's balance of payments or where there are reasons to

foresee such an

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imbalance. Beginning in December 2001, the Argentine government implemented an unexpected number of monetary and foreign exchange control measures that included restrictions on the free disposition of funds deposited with banks and on the transfer of funds abroad, including dividends, without prior approval by the Central Bank, some of which are still in effect. Among the restrictions that are still in effect are those relating to the payment prior to maturity of the principal amount of loans, bonds or other securities owed to non Argentine residents, the requirement for Central Bank approval prior to acquiring foreign currency for certain types of investments and the requirement that 30% of certain types of capital inflows into Argentina be deposited in a non interest bearing account in an Argentine bank for a period of one year. Although the transfer of funds abroad in order to pay dividends no longer requires Central Bank approval, restrictions on the movement of capital to and from Argentina such as the ones which previously existed could, if reinstated, impair or prevent the conversion of dividends, distributions, or the proceeds from any sale of common shares, as the case may be, from Pesos into U.S. dollars and the remittance of the U.S. dollars abroad. We cannot assure you that the Argentine government will not take similar measures in the future. In such a case, the depository for the GDSs may hold the Pesos it cannot convert for the account of the GDR holders who have not been paid.

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

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

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

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

Our ability to pay dividends is limited by law, by our by-laws and by certain restrictive covenants in our debt instruments.

In accordance with Argentine corporate law, we may pay dividends in Pesos only out of retained earnings, if any, to the extent set forth in our audited financial statements prepared in accordance with Argentine GAAP. In addition, our ability to pay dividends on our common shares is limited by certain restrictive covenants in our debt instruments. Our debt obligations include a US\$51 million syndicated bank loan agreement and US\$37.0 million of secured floating rate notes due November 2009 of which there was US\$16.1 million and US\$26.2 million outstanding, respectively, and both of which limit our ability to pay dividends and to repurchase our other debt or capital stock. Under such debt instruments, we are permitted to pay dividends only if (i) at the time of such payment and immediately after giving effect thereto, no default or event of default shall have occurred and be continuing and (ii) we are in compliance with the following ratios:

our ratio of consolidated EBITDA for the most recent four consecutive fiscal quarters to our consolidated financial expense for such period is at least 1.40 to 1; and

our maximum consolidated indebtedness does not exceed the greater of (i) US\$222.9 million and (ii) 2.8 times our consolidated EBITDA for the most recent four consecutive fiscal quarters.

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In addition, on February 2, 2007, we issued our 8.5% notes due 2017 in an aggregate principal amount of US\$150.0 million. These bonds also contain a covenant limiting our ability to pay dividends which may not exceed the sum of:

50% of our cumulative consolidated net income; or

75% of our cumulative consolidated net income if our consolidated interest coverage ratio for our most recent four consecutive fiscal quarters is at least 3.0 to 1; or

100% of cumulative consolidated net income if our consolidated interest coverage ratio for our most recent four consecutive fiscal quarters is at least 4.0 to 1.

As a result, we cannot give you any assurance that in the future we will pay any dividends in respect of our common shares.

Our shareholders' ability to receive cash dividends may be limited.

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

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

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

The warrants are exercisable under limited circumstances and will expire.

Each warrant will be exercisable only if the common share rights or GDS rights to which such warrant relates have been exercised, and such warrant will be exercisable on the last day of each calendar quarter following the first anniversary of the date of issuance of the warrants. The warrants will automatically expire on the fifth anniversary of the last day of the first calendar quarter to occur after consummation of this offering. We will give notice not less than 90 nor more than 120 days prior to the expiration date to the registered holders of

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the outstanding warrants to the effect that the warrants will terminate and become void as of the close of business on the expiration date. If we fail to give such notice, the warrants will nonetheless terminate and become void as of the close of business on the expiration date.

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USE OF PROCEEDS

We currently estimate that the net proceeds of this offering will be approximately US\$ _____ million, after deducting estimated fees and expenses, based on the assumptions that all of the common shares and GDSs available for purchase in this rights offering are purchased, and that none of the warrants are exercised upon consummation of this offering. *The amount of proceeds set forth above represents only an estimate (based on the stated assumptions) and may differ from the actual net proceeds we receive from this offering.*

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

Up to US\$ _____ million to increase our equity interests in certain of our subsidiaries and equity investees, primarily Alto Palermo and Banco Hipotecario, thereby simplifying our corporate structure;

Approximately US\$ _____ million to make real estate investments in Argentina and elsewhere in Latin America. We currently intend to focus primarily on investments in Argentina, Brazil, Chile, Peru, Uruguay and Colombia but may invest in other countries to the extent we believe such investments are consistent with our business strategy; and

The remainder, if any, for working capital and for other general corporate purposes.

Although we are constantly evaluating investment opportunities, at this time we do not have any binding commitment to make any material investments not identified in this prospectus. Considering that our strategy primarily relies on the identification and development of what we consider attractive investment opportunities, it is likely that the net proceeds from this offer will not be fully used in the short-term. Until we use the proceeds to make investments in accordance with our strategy, we intend to invest the net proceeds from this offer in high quality, liquid financial instruments. The allocation of the net proceeds from this offering will be influenced by prevailing market conditions from time to time, and as a result we reserve the right to reallocate all or a portion of such anticipated uses to other uses we deem consistent with our strategy.

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Our common shares are traded in Argentina on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), under the trading symbol IRSA. Since 1994, our GDSs, each presenting 10 common shares, have been listed on the NYSE under the trading symbol IRS. The Bank of New York is the depository with respect to the GDSs.

The table below shows the high and low daily closing prices of our common shares in Argentine pesos and the quarterly trading volume of our common shares on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) for the first quarter of 2002 through August 2007. The table also shows the high and low daily closing prices of our GDSs in U.S. dollars and the quarterly trading volume of our GDSs on the NYSE for the first quarter of 2002 through August 2007. Each GDS represents ten common shares.

	Buenos Aires Stock Exchange			NYSE		
	Share Volume	Ps. per Share High	Low	GDS Volume	US\$ per GDS High	Low
2002						
1st Quarter	5,368,206	1.42	0.71	1,083,752	6.25	4.16
2nd Quarter	5,658,444	1.84	1.42	776,905	5.48	3.58
3rd Quarter	5,543,385	2.20	1.44	812,784	6.12	3.87
4th Quarter	9,071,828	2.25	1.75	2,060,029	6.02	4.79
2003						
1st Quarter	9,003,627	2.53	1.82	3,905,500	8.00	5.10
2nd Quarter	2,924,874	2.88	2.32	3,884,500	10.36	7.96
3rd Quarter	2,809,542	2.68	2.10	2,376,400	9.22	7.25
4th Quarter	6,813,720	3.29	2.60	5,876,600	11.43	8.85
2004						
1st Quarter	8,325,595	3.34	2.63	4,714,500	11.52	9.10
2nd Quarter	2,877,067	2.80	1.90	3,214,000	9.88	6.50
3rd Quarter	3,977,195	2.42	1.99	2,918,100	8.12	6.65
4th Quarter	8,723,019	3.43	2.38	5,266,000	11.45	8.11
2005						
1st Quarter	6,954,604	5.05	3.22	14,019,100	17.10	11.00
2nd Quarter	5,182,675	3.80	3.22	6,986,500	12.84	11.12
3rd Quarter	2,849,409	3.67	3.34	5,473,500	13.00	11.61
4th Quarter	1,824,160	3.79	3.35	4,884,000	12.58	11.15
2006						
1st Quarter	3,229,234	4.13	3.35	11,372,300	13.35	10.80
2nd Quarter	11,204,101	4.20	3.35	13,396,000	13.96	10.74
3rd Quarter	5,154,760	3.96	3.26	8,678,100	12.86	10.60
4th Quarter	3,619,656	5.20	4.00	15,941,800	16.98	12.90
2007						
1st Quarter	3,403,858	5.90	4.84	10,414,573	19.13	15.75
January 2007	1,173,524	5.60	4.84	4,363,300	18.12	15.84
February 2007	1,021,576	5.80	5.25	2,441,673	18.90	17.01
March 2007	1,208,758	5.90	4.89	3,609,600	19.13	15.75
2nd Quarter	11,349,045	6.60	5.70	12,487,722	21.52	18.50
April 2007	1,585,487	6.45	5.85	3,264,274	20.92	19.10
May 2007	2,725,427	6.60	6.10	5,365,248	21.52	19.82
June 2007	7,038,131	6.45	5.70	3,858,200	21.14	18.50
July 2007	3,044,751	6.45	5.77	3,839,300	20.84	18.17
August 2007	2,260,654	6.05	4.68	4,612,700	18.69	14.45

Source: Bloomberg

At June 30, 2007 GDRs evidencing 34,230,674 GDSs were outstanding (equivalent to 342,306,740 common shares or 73.2% of the total number of issued common shares).

Argentine Securities Markets

Comisión Nacional de Valores

The *Comisión Nacional de Valores* is a separate governmental entity with jurisdiction covering the territory of Argentina. Its main purpose is to ensure transparency of Argentina's securities markets, to watch over the market price formation process and to protect investors. The *Comisión Nacional de Valores* supervises

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

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

Securities Exchanges in Argentina

There are 10 securities exchanges in Argentina, of which the principal exchange for the Argentine securities market is the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), which handles approximately 99% of all equity trading in the country.

Buenos Aires Stock Exchange

The Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) is a complex, non-profit and self-regulated organization. Various markets require different self-organizations of brokers within the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*), which is one of its particular characteristics. The most important and traditional of such markets is Mercado de Valores S.A. (Merval).

The securities that may be listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) are: Stocks, Corporate Bonds, Convertible Corporate Bonds, Close-ended Investment Funds, Financial Trust, Indexes, Derivatives and Public Bonds. The Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) is legally qualified for admission, suspension, and delisting of securities according to its own rules approved by the *Comisión Nacional de Valores*. Furthermore, the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) works very closely with the *Comisión Nacional de Valores* in surveillance activities. Also under a special agreement, registration and listing applications are directly filed with the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) for simultaneous processing.

MERVAL

The Merval is a corporation whose 133 shareholder members are the only individuals and entities authorized to trade, either as principal or as agent, in the securities listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*). Trading on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) is conducted by continuous open outcry, or the traditional auction system, from 11:00 a.m. to 5:00 p.m. each business trading day of the year. Trading on the Buenos Aires Stock Exchange (*Bolsa de Comercio de*

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Buenos Aires) is also conducted through a *Sistema Integrado de Negociación Asistida por Computación* (SINAC). SINAC is a computer trading system that permits trading in debt securities and equity securities. SINAC is accessed by brokers directly from workstations located at their offices. Currently, all transactions relating to listed notes and listed government securities can be effected through SINAC.

Over the Counter Market, Mercado Abierto Electrónico

The Electronic Open Market (*Mercado Abierto Electrónico*) is an exchange organized under the laws of Argentina, which operates as a self-regulatory organization under the supervision of the *Comisión Nacional de Valores*.

The Mercado Abierto Electrónico works as an electronic environment to process Over The Counter transactions. It is an electronic exchange where both government securities and corporate bonds are traded through spot and forward contracts.

The Mercado Abierto Electrónico has 90 brokers/dealers members, which include national banks, provincial banks, municipal banks, private national banks, foreign banks, cooperative banks, financial institutions, foreign exchange entities and pure brokers/dealers (exclusively engaged in brokerage activities). Both Argentine or foreign capital banks and financial institutions may be the Mercado Abierto Electrónico s brokers/dealers.

Securities to be traded must be registered with the pertinent supervising authorities and may be traded in the Mercado Abierto Electrónico, in other exchanges or in both of them concurrently.

Securities Central Depositary, Caja de Valores S.A.

Caja de Valores S.A. is a corporation organized under the laws of Argentina, totally private, which acts as central depositary of public bonds and private securities. It was established in 1974 by Act 20,643, and it is supervised by the *Comisión Nacional de Valores*.

Those authorized to make deposits of securities with the *Caja de Valores* are stockbrokers, banking financial institutions, and mutual funds.

The majority shareholders of the *Caja de Valores S.A.* are the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) and the *Mercado de Valores de Buenos Aires S.A.* (49.98% each).

Information regarding the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*)

	As of December 31,		As of June 30,	
	2004	2005	2006	2007
Market capitalization (Ps.billion)	689.9	771.3	1,229.3	1,335.91
Average daily trading volume (Ps.million)	52.6	74.6	61.4	69.9
Number of listed companies	107	104	106	107

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

As of June 30, 2007, approximately 107 companies had equity securities listed on the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*). As of June 30, 2007, approximately 9.63% of the total market capitalization of the Buenos Aires Stock Exchange (*Bolsa de Comercio de Buenos Aires*) was represented by the securities of ten national companies.

The Argentine securities markets are substantially more volatile than the securities markets in the United States and certain other developed countries. The Merval experienced a 13% increase in 1995, a 25% increase

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in 1996, a 6% increase in 1997, a 37% decrease in 1998, a 28% increase in 1999, a 24% decrease in 2000, a 29% decrease in 2001, a 77% increase in 2002, a 104% increase in 2003, a 28% increase in 2004, a 13% increase in 2005, a 34% increase in 2006 and a 5% increase for the six month period ended June 30, 2007. In order to control price volatility, the MERVVAL operates a system pursuant to which the negotiation of a particular stock or debt security is suspended for a 15- minute period when the price of the security registers a variation on its price between 10% and 15% and between 15% and 20%. Any additional 5% variation on the price of the security after that results in additional 10 minute successive suspension periods.

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DIVIDENDS AND DIVIDEND POLICY

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

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

5% of such net profits is allocated to our legal reserve, until such reserve amounts to 20% of our capital stock;

a certain amount determined at a shareholders meeting is allocated to compensation of our directors and the members of our Supervisory Committee; and

additional amounts are allocated for the payment of dividends or to optional reserve funds, or to establish reserves or for whatever other purpose our shareholders determine.

According to rules issued by the *Comisión Nacional de Valores*, cash dividends must be paid to shareholders within 30 days of the resolution approving their distribution. In the case of stock dividends, the shares must be delivered to shareholders within three months of the annual ordinary shareholders meeting that approved them.

Our debt obligations include a US\$16.1 million syndicated bank loan agreement and US\$26.2 million of secured floating rate notes due November 2009, of which there was US\$16.1 million and US\$26.2 million outstanding, respectively, and both of which limit our ability to pay dividends and to repurchase our other debt or capital stock. Under such debt instruments, we are permitted to pay dividends only if (i) at the time of such payment and immediately after giving effect thereto, no default or event of default shall have occurred and be continuing and (ii) we are in compliance with the following financial ratios:

our ratio of consolidated EBITDA for the most recent four consecutive fiscal quarters to our consolidated financial expense for such period is at least 1.40 to 1; and

our maximum consolidated indebtedness does not to exceed the greater of (i) US\$222.9 million and (ii) 2.8 times our consolidated EBITDA for the most recent four consecutive fiscal quarters.

On February 2, 2007 we issued our 2017 fixed rate notes for a total amount of US\$150.0 million at an annual interest rate of 8.5% payable semi-annual and mature on February 2, 2017. This bond limits our ability to pay dividends which may not exceed the sum of:

50% of our cumulative consolidated net income; or

75% of our cumulative consolidated net income if the consolidated interest coverage ratio is at least 3.0 to 1; or

100% of our cumulative consolidated net income if the consolidated interest coverage ratio is at least 4.0 to 1.

The table below presents the dividend payment ratio and the total amount of dividends paid for, each paid entirely in common shares, for the mentioned years. Figures in Pesos are stated in historical Pesos of their respective payment date. See Exchange Rates and Exchange Controls.

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Year declared	Cash dividends⁽¹⁾	Stock dividends⁽¹⁾ (in Pesos)	Total per common share
1995	0.094	0.06	0.154
1996	0.092		0.092
1997	0.110		0.110
1998	0.060	0.05	0.110
1999	0.076	0.04	0.116
2000		0.20	0.204
2001			
2002			
2003			
2004			
2005			
2006			

(1) Corresponds to payments per common share.

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The following table sets forth our consolidated capitalization in accordance with Argentine GAAP, as of June 30, 2007 and as adjusted to give the effect of the sale of common shares assuming a subscription price of per common share.

	As of June 30, 2007	
	Actual	
	(thousand pesos)	As Adjusted ⁽¹⁾
Short-term debt ⁽²⁾	214,193	
Long-term debt ⁽³⁾	1,222,423	
Minority interest	450,410	
Shareholders' equity:		
Common stock ⁽⁴⁾	464,969	
Inflation adjustment of common stock and treasury stock	274,387	
Additional paid-in capital	684,241	
Legal reserve ⁽⁵⁾	24,276	
Reserve for new developments ⁽⁶⁾	91,744	
Retained earnings	107,097	
Total shareholders' equity	1,646,714	
Total capitalization⁽⁷⁾	3,533,740	

- (1) Assumes net proceeds of the rights offering of million resulting from the issuance of common shares, net of expenses, related to the rights offering.
- (2) Includes short-term debt and current mortgages payable.
- (3) Includes long-term debt and non-current mortgages payable.
- (4) As of June 30, 2007, we had 464,969,156 outstanding shares, each of which has a nominal value of Ps.1.00. Our common stock has one vote per share.
- (5) Under Argentine law, we are required to allocate 5% of our net income to a legal reserve until the amount of such legal reserve equals 20% of our outstanding capital.
- (6) Pursuant to a resolution of the Inspeccion General de Justicia, companies should indicate the intended use of the accumulated retained earnings balance of the period. Accordingly, we transferred the balance of accumulated retained earnings to a special reserve labeled as Reserve for New Developments. This reclassification has no impact on our shareholders' equity.
- (7) Total capitalization consists of the sum, short-term and long-term debt, minority interest and shareholders' equity.

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EXCHANGE RATES AND EXCHANGE CONTROLS

Exchange Rates

In April 1991, Argentine law established a fixed exchange rate according to which the Central Bank was statutorily obliged to sell U.S. dollars to any individual at a fixed exchange rate of Ps.1.00 per US\$1.00. On January 7, 2002, the Argentine congress enacted the Public Emergency Law, abandoning over ten years of fixed Peso-U.S. dollar parity at Ps.1.00 per US\$1.00. After devaluing the Peso and setting the official exchange rate at Ps.1.40 per US\$1.00, on February 11, 2002, the government allowed the Peso to float. The shortage of U.S. dollars and their heightened demand caused the Peso to further devalue significantly in the first half of 2002. Since June 30, 2002, the Peso has appreciated versus the U.S. dollar from an exchange rate of Ps.3.80=US\$1.00 to an exchange rate of Ps.3.1560 =US\$1.00 at September 1, 2007 as quoted by *Banco de la Nación Argentina* at the U.S. dollar selling rate. The Central Bank may indirectly affect this market through its active participation.

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