IRSA INVESTMENTS & REPRESENTATIONS INC
Form 6-K
October 15, 2012

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15b-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended on June, 2012

IRSA Inversiones y Representaciones Sociedad Anónima
(Exact name of Registrant as specified in its charter)

IRSA Investments and Representations Inc.
(Translation of registrant´s name into English)

Republic of Argentina
(Jurisdiction of incorporation or organization)

Bolívar 108
(C1066AAB)
Buenos Aires, Argentina
(Address of principal executive offices)

Form 20-F x Form 40-F o

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

Yes o No x

IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA
(THE "COMPANY")

REPORT ON FORM 6-K

Attached is an English translation of the Annual Report and Financial Statements corresponding to the fiscal year ended on June 30, 2012 and on June 30, 2011 filed by the Company with the Comisión Nacional de Valores and the Bolsa de Comercio de Buenos Aires:

IRSA Inversiones y Representaciones Sociedad Anónima

Free translation of the Unaudited
Consolidated Financial Statements
For the fiscal year
beginning on July 1, 2011 and 2010
and ended on June 30, 2012 and 2011

IRSA Inversiones y Representaciones
Sociedad Anónima and subsidiaries

Free translation of the Unaudited Consolidated Financial Statements
For the fiscal year
beginning on July 1, 2011 and 2010 and
ended June 30, 2012 and 2011

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report
Table of Contents

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

1. CORPORATE PROFILE

Founded in 1943, IRSA Inversiones y Representaciones ("IRSA", "we" or the "Company") is one of Argentina's leading real estate companies in terms of total assets and the only Argentine real estate company whose shares are listed both on the Buenos Aires Stock Exchange and on the New York Stock Exchange.

We are engaged, directly and indirectly through subsidiaries and joint ventures, in a range of diversified real estate related activities in Argentina, including:

(i) the acquisition, development and operation of shopping centers,
(ii) the development and sale of residential properties,
(iii) the acquisition and development of office and other non-shopping center properties primarily for rental purposes,
(iv) the acquisition and operation of luxury hotels,
(v) the acquisition of undeveloped land reserves for future development or sale, and
(vi) selected real estate investments outside Argentina.

As of June 30, 2012 we owned 29.77%[1] of Banco Hipotecario S.A. ("Banco Hipotecario"), one of the leading financial institutions in Argentina.

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

1 This figure does not consider the effect of Banco Hipotecario's treasury stock.

Table of Contents

2. LETTER TO SHAREHOLDERS

Dear Shareholders,

During this fiscal year we have made great achievements and addressed several challenges as well. Our rental businesses, which account for near 60% of our assets, experienced very good results, led by shopping centers and offices which continued to grow at levels comparable to those of the last two years. Commercial and residential real estate values kept their rising trend, showing that real estate continues to be a great option for safeguarding value and the preferred choice for investment, as reflected by the highly attractive prices obtained from our sales of certain assets in our portfolio.

Our revenues totaled Ps. 1,567.3 million, representing a 8.7% annual increase, mainly explained by our shopping center and office segment while EBITDA reached Ps. 911.3 million (20.6% higher than in the previous fiscal year). Net income for the period 2012 was Ps. 280.1 million.

At country level, 2012 continued to exhibit satisfactory economic indicators, as activity levels reached a growth rate higher than 7%, driven again by consumption and higher purchasing power. These conditions favored retail sales in general and shopping center sales in particular.

Our tenants' sales in shopping centers totaled Ps. 9,966.4 million, representing a 28% increase; we improved our portfolio's occupancy, which stood at 98.4%, and revenues from this segment reached Ps. 871.7 million (29.2% higher than in the previous fiscal year). EBITDA from this segment reached Ps. 688.4 million, whereas the EBITDA/revenue margin was 79%.

During this year we added to our portfolio La Ribera shopping center, through the acquisition of a 50% interest in Nuevo Puerto Santa Fe, owner of this shopping center which features approximately 8,000 square meters of gross leaseable area and 50 stores and is located in Dock I of the City of Santa Fe's harbor. In this way, APSA started to operate its thirteenth shopping center, as part of its expansion strategy to the provinces in the interior of Argentina.

Moreover, in December 2011 we started the works for rearranging the retail store mix in our Soleil shopping center located in Greater Buenos Aires, purchased by the Company in July 2010 with the aim of positioning it as the first Premium Outlet in Argentina. The current degree of progress of the works is 80%. This has been one of the cases in which our management has shown its vast experience and operating capacity, as may be seen by the significant improvement in results achieved after two years of operations.

Also in December 2011 we started to develop our "Arcos" project located in the neighborhood of Palermo, City of Buenos Aires. This project, which will follow a urban space model, aspires to be a distinct proposal, offering a variety of premium brands in an open-air environment. This new shopping center is expected to open in the spring of 2013, and it will add approximately 13,000 square meters of gross leaseable area and 70 stores to APSA's portfolio, featuring its fourteenth shopping center. We hope that this new proposal, which also introduces a cultural space in the retail concept, will achieve the success of our latest developments, such as Dot Baires Shopping, which already ranks # 3 in our portfolio in terms of sales and aspires to position itself even better as it progresses in its maturing process.

On the other hand, we continue working on the first stage of development of a new shopping center in the City of Neuquén. We hope to have suitable business, financial and governmental conditions for speeding up progress in this development during the next fiscal year.

The Shopping Center segment is our main business and where we expect to continue expanding our current portfolio. We have reserves for future developments in the City of Paraná, the City of Tucumán and the neighborhood of Caballito, City of Buenos Aires. In addition, in various of our shopping centers we have the chance to increase their footage. We are studying the best timing for launching these and other new projects, as our management team's vision is focused on the growth and development of this industry.

In addition, as part of this strategy we increased our equity interest in APSA from 94.9% to 95.6%.

Our Premium Office portfolio had a very good performance in 2012, showing rising occupancy levels and rental prices that recorded a slight increase in US$ per sqm. Having attained 100% occupancy in the Dot Building in the first quarter of this fiscal year, occupancy rates continued to rise during the rest of the year, reaching 98% at year-end, 7 points higher than at the closing of 2011. Therefore, during fiscal year 2012, this segment posted revenues for Ps. 192.3 million (16.8% higher than in the past year), an EBITDA of Ps. 130.0 million and an EBITDA margin of 68%.

The Hotel market in the City of Buenos Aires has shown sustained growth during fiscal year 2012. Supply has risen, reflecting higher competition but also a growing trend of investments and confidence in the industry's sustainability. The year closed with favorable revenue indicators in our Sheraton and Intercontinental hotels.

Our hotel Llao Llao, in the City of Bariloche, posed the greatest challenge to us during this year. Bariloche was paralyzed after the eruption of the Puyehue volcano in June 2011, as the city was declared in state of emergency and tourism activity fell dramatically. Throughout that year, the hotel's occupancy rate fell to 21.5% and rates were also revised downwards so as to attract tourists in spite of the weather problems caused by the volcano. In January 2012, airport operations in the City of Bariloche were resumed and occupancy rates in our hotel started to improve.

The Argentine real estate sector continues to show the strength that has characterized it during the last years, mainly because the industry has garnered investments from both individuals and corporations, who consider real estate to be a good value reserve in light of the financial markets' volatility. In the past months, the Argentine Government has heightened restrictions on capital transfers abroad from Argentina and imposed limitations on the purchase of foreign currency notes. These measures have taken their toll on the real estate market, in which transactions have historically been made in dollars.

We believe that there is still potential for a higher growth in real estate values in the long term, as in Argentina the vast majority of properties are free from indebtedness. This is reflected by the Argentine macroeconomic figures: the stock of mortgages accounts for less than 2% of the Argentine GDP. Besides, there is a nationwide deficit of more than 4 million houses. For this reason, if the mortgage market regains momentum, we expect a higher demand that will lead to increased industry activity.

Our Development and sale of properties segment has reported an EBITDA of Ps. 91.3 million. During this fiscal year we focused on both residential development activities and the sale of offices, stores and plots of land that are not strategic for the Company's portfolio. As concerns our "Horizons" project, preliminary sales agreements have been executed for 100% of the units subject to sale. Construction of the towers in both blocks has been completed and the deeds of conveyance of their units are being executed, and we expect to finish delivering the last units during the next fiscal year. On the other hand, we have increased the sales of units in our "Caballito Nuevo" project, 89% of which has been sold, and in the "El Encuentro" suburban development, 96% of which has been sold.

As part of the process of rebalance of our portfolio started some years ago, we have continued to sell certain non-strategic assets of the Company, such as the Yacht V & VI building in the "Puerto del Centro" complex, located in Dock IV, Puerto Madero. The transaction price was Ps. 69.0 million, representing a value of US$ 3,250 per sqm. The book value of the property was Ps. 18.1 million. In this way, the Company leverages on the market value of its assets and real estate in general, which continues to be the main source of saving and value reserve in Argentina.

We have also sold several functional units in the "Palacio Alcorta" commercial property located in Av. Figueroa Alcorta for US$ 5.2 million. This price represented a value of US$ 6,800 per sqm, evincing the square meter value of retail properties in Buenos Aires.

Another major transaction closed in fiscal year 2012 was the transfer and sale of 50% of the stock capital of Quality Invest S.A. to our subsidiary Alto Palermo S.A. Quality Invest S.A. had purchased Nobleza Picardo's industrial plant located in the District of San Martín, Province of Buenos Aires, in March 2011 and has recently obtained the consent of the Municipality of San Martin to broaden the range of intended uses of the site, adding as designated uses the commercial use. Based on these considerations, we decided to sell this property to APSA in order for it to develop a shopping center in the future.

As concerns the sale of land reserves, we have sold a 7.9 hectare plot located in the District of San Justo, for a price of US$ 4.7 million. The land reserve had a book value of approximately US$ 0.91 million as of June 30, 2011.

All these are examples of the significant value of real estate and our asset portfolio in Argentina. It should be noted that part of our portfolio includes different land reserves in the City of Buenos Aires and other cities in Argentina which, although not directly reflected in our balance sheet, benefit from the upsurge in real property prices experienced in the Argentine market.

As regards our ownership interest in Banco Hipotecario, it has favorably impacted on our results, contributing Ps. 105.0 million in income during the fiscal year, an increase of 37% compared to the previous fiscal year, mainly due to the improvement in the bank's financial margin. Banco Hipotecario ranks in a leading position in terms of solvency and liquidity levels; in turn, it has continued to grow in the segment of non-mortgage financial products and services and maintains a diversified, partially secured loan portfolio with a low degree of leverage. In addition, it has made progress in its policy of diversifying its funding sources, with a rise in the number of deposits used for funding, and has gained access to new forms of financing in the local capital market. We are confident of the bank's future performance and potential synergy for financing the Company's projects.

As concerns our investments outside Argentina, during this year our buildings in New York exhibited improved operating indicators, reflecting our management's expertise in managing real estate assets. The Madison building, in which IRSA held a 49% interest as of June 30, currently features a 93% occupancy compared to 69% when we took over possession of the property. Rental prices also rose from US$ 40 to 45/sqm. Besides, the Lipstick Building reached 86% occupancy as of the closing of 2012, generating an average monthly rent higher than US$ 63.0 per square meter.

We retained our interest in Hersha Hospitality Trust, a REIT listed on the New York Stock Exchange (NYSE), which has proved to be a great investment in light of its current stock price. During this fiscal year, our 9.13% interest in Hersha has generated a gain of Ps. 13.7 million.

In line with our strategy, during this year we executed an agreement with Supertel Hospitality Inc. whereby we acquired 3,000,000 convertible preferred shares in which IRSA invested an aggregate amount of approximately US$ 20 million. Supertel is a Real Estate Investment Trust listed on Nasdaq under the symbol "SPPR", which started operations at the end of 1970 and went public in 1994. The company is focused on middle-class and long-stay hotels in 23 states in the United States of America, which are operated by various operators and franchises such as Comfort Inn, Days Inn, Hampton Inn, Holiday Inn, Sleep Inn and Super 8, among others.

During this fiscal year we consummated the largest issue of bonds in the local capital market in the last years, reaching an amount of Ps. 300 million, thanks to the market's excellent demand. We had a much favorable participation of retail and private banking investors, which enabled us to restructure short-term debt maturities at highly convenient rates. We also paid cash dividends to our shareholders in two opportunities for a total amount of Ps. 310.6 million.

Contributing to the resolution of problems related to education, health and environment is one of our company's long term concerns and an aspect that is taken into account and included upon devising our business strategy. Aside from our daily relationship with all the communities, we carry out various specific actions in both IRSA's buildings and our shopping centers aimed at arousing awareness on several matters. The actions carried out during this period include Road Safety, Give Away + Help, Waste Separation, Toner Cartridge Recycling, Sustainable Design Fair, Butterfly Garden and WEEE Recycling programs, among many others.

So as to promote the development of actions aimed at addressing these issues, it is vital for the Company to assume an active role. To this end, it will be necessary to work as a team, through the joint endeavors of our Shareholders, Creditors, Directors, Customers, Tenants, Suppliers, Employees and the Community at large, who also happen to play the leading roles in the development of our organization. It is to all of them that I wish to extend my gratefulness for their unwavering support and commitment to the organization's goals.

City of Buenos Aires, September 10, 2012.

Eduardo S. Elsztain
President

3. Macroeconomic Context

International Outlook

During 2011, the global economy continued its recovery after the 2008 financial crisis. According to International Monetary Fund ("IMF") data, in the year 2011, the world's Gross Domestic Product ("GDP") rose 3.9% and accumulated an annualized growth of 3.6% in the first quarter of 2012. GDP in the developed countries increased by 1.6% in 2011, whereas in the developing countries' markets, it soared 6.2%.

During fiscal year 2012, the financial markets' outlook was gloomy. At global level, the MSCI All Countries index dwindled by 8.68% when measured in US Dollars; the MSCI World (representative of developed markets) dropped 7.99% whilst the MSCI Emerging Markets fell 17.87%. Except for the S&P500, which rose 4.04%, the performance of most of the markets was negative: the FTSE 100 fell by 5.13%, the Nikkei by 7.81%, the Bovespa by 11.96% and the Merval by 28.85%.

According to the IMF, inflation at global level was 4.5% in 2011, 1 percentage point higher than in 2010. In line with the growth rate observed, inflation in the emerging markets was 7.1%, higher than the one recorded in developed countries, which stood at 2.7%.

During 2011 and the first six months of 2012, the commodities markets were uneven. On the one hand, the GSCI All Metals Industrial index shows that metal prices fell 20.56% in 2011 and 7.24% in the first six months of 2012. The price of energy, as measured by the GSCI Energy index, increased by 11.4% in 2011 and shrunk by 5.54% in 2012. Finally, the GSCI Agriculture saw a decline in the prices of agricultural commodities, which dropped 14.12% in 2011, a trend that was substantially reverted in 2012 as they increased 22.27%.

According to the IMF, the improvement in the USA's activity levels during the second half of 2011 and the adoption of adequate policies in the eurozone in response to the deepening of the economic crisis reduced the threat of a sharp global deceleration. However, the IMF estimates that world growth will contract from 3.9% in 2011 to 3.5% in 2012 but will then recover until reaching a growth rate of 4% in 2013. It is estimated that due to the problems in Europe, activity levels will continue to be in the doldrums for developed economies as a group, where expansion will reach only 1.5% in 2012 and 2% in 2013.

On the side of the emerging economies, the real GDP growth rate is expected to decelerate from 6.2% in 2011 to 5.75% in 2012, and then rebound until reaching 6% in 2013 (thanks to the implementation of more lenient macroeconomic policies and the strengthening of external demand).

The IMF considers that the most immediate concern continues to be the chance that the deepening of the crisis in the eurozone could lead to a massive run to lower-risk assets. Other latent risks are presumed to be the disturbances in the world bond and currency markets due to the budgetary deficits in Japan and the United States and the plunging of certain emerging economies.

One of the most noteworthy policy responses adopted during the last fiscal year was the recent decision to combine the European Stability Mechanism (ESM) with the European Financial Stability Facility (EFSF), a positive fact that will strengthen the European mechanism for controlling the crisis. In the United States and Japan, the fiscal tightening policy to be implemented in the short term appears to be enough; yet, it is still necessary to set targets that help achieve sound and sustained fiscal consolidation in the medium and long term.

Looking ahead, the main challenges for developed countries are focused on making further progress in consolidating fiscal accounts (including a sweeping reform in social security systems) and making structural reforms to stimulate potential output.

As concerns the emerging or developing economies, the main challenges are adequately calibrating economic policies to withstand the significant deceleration risks coming from developed economies. Another priority is to prevent economic overheating due to the strong credit growth, volatile cash flows, still high levels of raw material prices and the reemergence of energy price risks that impact on inflation and fiscal balances.

The Argentine Economy

As concerns the Argentine economy, during 2011 the GDP maintained the high growth rate experienced in 2010 (when it increased 9.2%). According to the Ministry of Economy, while in the third quarter of 2011 it recorded a year-on-year growth of 9.3%, during the fourth quarter a slight deceleration was observed, translated into a 7.3% growth rate. In this way, in 2011 GDP grew by 8.9%. In the year to date, a deceleration in economic activity levels is noted, although the same positive trend is maintained. For the first 5 months of 2012, the Monthly Economic Activity Estimator (EMAE), usually used to predict the GDP, recorded a year-to-date increase of 3% compared to the same period in the previous fiscal year, showing a downward trend.

Once again, the main component of aggregate demand that largely explains the growth in activity levels has been private consumption, along with the increase in purchasing power. In this regard, private consumption recorded an annual growth of 10.7% in real terms, accounting for 66.1% of the GDP.

On the side of supply, during the second half of 2011 there was an annual deceleration in the goods-producing industries, whose main sectors, industry and construction, were the ones most severely affected. In turn, agricultural production fell for the third consecutive quarter.

In connection with the labor market, in 2011 the unemployment rate declined slightly to 6.7% of the active population, compared to 7% in 2010. On the salary side, the average salary in the Argentine economy accumulated a 29.45% raise in 2011, way above the official figures for retail inflation and even private sector inflation estimates. According to the INDEC’s salary index, the accumulated increase in the first half of 2012 was 11.53%.

In 2011, Argentina’s fiscal situation deteriorated slightly as compared to 2010. Although the primary balance was still a Ps. 4,920.6 million surplus (0.3% of GDP), this figure was far below the Ps. 25,115 million recorded in 2010. On the other hand, fiscal deficit reached Ps. 30,663.9 million (-1.7% of GDP).

Argentina’s external sector showed a surplus trade balance during 2011, with exports for US$ 83.9 billion and imports for US$ 73.9 billion according to official data. The negative balances for the third and fourth quarters curbed the current account surplus for 2011 to almost nil, ending with a positive balance of only US$ 17 million.

During fiscal year 2011, Argentina’s country risk as measured by its five-year Credit Default Swap (“CDS”) for senior US$ -denominated indebtedness increased significantly, maintaining a spread that is high when compared to the most solid countries in the region, Brazil and Chile. The surcharge Argentina pays for its debt stood at 1,238 points as of July 2012, compared to Brazil’s 150 points and Mexico’s 141 points. The difference between the CDS in Argentina and Brazil or Mexico is high compared to historical values.

In the local financial markets, the interest rate showed a slight increase from 9.43% as of July 2011 to levels close to 11.87% for June 2012. In turn, the Private Badlar rate in pesos increased from 11.37% to 13.25%.

As in the past years, the BCRA continued its controlled flotation policy. The foreign exchange rate depreciated by 10% in the period June 2011 through June 2012 and the level of reserves was maintained at US$ 46.3 billion (a reduction of US$ 5,769 million compared to the previous year).

Mention should be made of the current status of Argentina’s gross sovereign debt: according to data from the Ministry of Economy, as of December 31, 2011 it amounted to US$ 178,963 million (41.8% of Argentina’s GDP). During 2011, sovereign debt as a percentage of GDP decreased by 3.5 percentage points as compared to 2010. This reduction was basically led by the dynamics with the private sector, which recorded a fall of US$ 5,524 million in its stock of debt for 2011 as compared to 2010. In this way, the stock of debt held by the private sector stood at 13.5% of the GDP, representing a fall of 4 percentage points as compared to 2010.

Source: Argentine Ministry of Economy

As of December 31, 2011, the composition of Argentina's sovereign debt was as follows: 53.8% was held by governmental agencies, 13.9% by multilateral and bilateral credit agencies, while the remaining 32.3% corresponded to private-sector portfolio financing (mainly government securities).

During 2011, the multilateral real exchange rate was also affected by the difference between the depreciation of the Peso compared to the basket of currencies that make it up and the inflation sustained by the Argentine economy. There was a 0.7% appreciation, deflated by INDEC's CPI; yet, the figures released by private sources point to an even higher real appreciation. The Peso/U.S. Dollar real exchange rate experienced a 1.4% depreciation, whereas the Peso appreciated 3.75% vis-à-vis the Brazilian currency.

According to official data, Gross Domestic Fixed Investment ("GDFI"), measured in real terms, was in the region of 24.45% of GDP for 2011 with the following distribution: 10.51% for the durable goods sector and 12.33% for the construction sector.

The use of industrial installed capacity was 73.1% in May 2012, 5% lower than the level posted in the same month of 2011. In general, the sectors that experienced the worst performance were the automobile manufacturers (with a 17% fall) and the mechanic steel industry (which recorded a 12% decrease in the use of installed capacity).

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report
Our Segments

The Shopping Centers sector exhibited major sales growth in the first four months of 2012. Shopping Centers' turnover benefited greatly from the expansion that is being perceived in consumption. Based on the information released by INDEC, sales recorded a cumulative increase of 27% for the 12 months to April 2012 compared to the same period of 2011, boosted by the good mood amongst consumers and the tangible improvements in household nominal income.

Most of the retail offering sectors exhibited outstanding dynamism in that period. The principal increases were in "Food Courts and Food", "Apparel" and in "Entertainment and Leisure", with increases in excess of 30%.

Economic indicators pointed to favorable performance in fiscal year 2011, which ensured good sales figures in Shopping Centers. According to official figures, the GDP's growth was 8.9% in 2011 and it has risen 3% for the first 5 months of 2012 (according to EMAE). Private consumption recorded a cumulative growth of 8.96% from June 2011 to March 2012, whereas public consumption increased 10.23%.

Although forecasts for 2012 are not as favorable as in the past, economic activity levels will continue to grow, which augurs well for the Company's business in so far as consumption and inflation accompanied by salary raises are the main propellers of sales in the Company's Shopping Centers.

As concerns the office market, Cushman & Wakefield's latest market report shows that by the end of March the general vacancy rate of class A buildings in Buenos Aires was 8% (one percentage point below last year's figures) while rental prices per square meter per month reached US$ 30.

The report shows that as the current vacancy levels are low, prices would remain stable and could even rise a little as a result of the inflationary scenario, although this trend could be counterbalanced if the exchange rate varies significantly. On the other hand, absorption remains stable, and it is expected that more square meters will be delivered than in the previous year (a new inventory of 60 thousand square meters is estimated), which could result in a larger number of transactions.

Table of Contents

The prices of class A assets remained stable during the last quarters. However, according to Cushman & Wakefield the gap between minimum and maximum values has broadened.

According to Cushman & Wakefield's estimations, vacant space has increased due to the shift away from important submarkets, such as 9 de Julio, and the new inventory entering the market. In this way, rental prices would remain unchanged as compared to the last quarters.

The construction industry showed great dynamism during the second half of 2011, although the outlook turned less promising for the first half of 2012, mainly due to the more restrictive exchange rate controls implemented by the end of 2011. According to INDEC's Summary Construction Activities Indicator (ISAC, as per the initials in Spanish), the construction industry grew by 8.7% in 2011, whereas it posted a cumulative increase of only 0.6% for the first half of 2012 as compared to the same period of 2011.

According to ISAC, the surface area covered by the permits granted for private construction works decreased 4.2% in June 2012 compared to the previous month. Moreover, as compared to the same month of the previous year, this figure declined by 14.1%. However, in the aggregate, the cumulative value for the first half of 2012 records a fall of 0.1% as compared to the same period of 2011.

In connection with the Hotel sector, the Argentine Ministry of Tourism reported that 5,693,738 tourists visited Argentina in 2011, an increase of 6.9% as compared to 2010. During 2012, there has been an upsurge of domestic tourists, which had grown 7.7% as of June 2012 compared to the previous year.

According to official data, Argentina is the country with the largest influx of travelers from South America. The Brazilian market has contracted slightly if we compare the first half of 2011 vs. the first half of 2012, although Brazil is still leading the ranking of tourists arriving in Argentina. It is followed by the countries of the Rest of America, the United States and Canada and to a lesser extent, Europe.

Table of Contents

4. Operational Description

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, including consumer finance activities,
- the development and sale of residential properties,
- the acquisition and development of office and other non-shopping center properties primarily for rental purposes,
- the acquisition and operation of luxury hotels,
- the acquisition of undeveloped land reserves for future development or sale, and
- selected real estate investments outside Argentina.

We are the only Argentine real estate company whose shares are listed on the Buenos Aires Stock Exchange and whose GDSs are listed on the New York Stock Exchange.

As of June 30, 2011 and 2012, we had total assets of Ps. 6,315.3 million and Ps. 6,612.2 million, respectively and shareholders' equity of Ps. 2,481.8 million and Ps. 2,337.8 million, respectively. Our net income for the fiscal years ended June 30, 2010, 2011, and 2012 was Ps. 334.5 million, Ps. 282.1 million and Ps. 282.9 million, respectively.

Shopping centers

We are engaged in purchasing, developing and managing shopping centers through our subsidiary, Alto Palermo S.A. ("APSA") ("Alto Palermo"). Alto Palermo operates and owns majority interests in thirteen shopping centers in Argentina, eight of which are located in the Buenos Aires metropolitan area, and the other five are located in the Provinces of Mendoza, Santa Fe, Córdoba and Salta. APSA has recently started to operate, through a concession, its 13th Shopping Center in the Province of Santa Fe. Our Shopping center segment had assets of Ps. 2,234.4 million as of June 30, 2011 and Ps. 2,286.5 million as of June 30, 2012, representing 35.4% and 34.6%, respectively, of our consolidated assets at such dates, and generated operating income of Ps. 385.1 million and Ps. 549.9 million during our 2011 and 2012 fiscal years, respectively, representing 65.8% and 74.9%, respectively, of our consolidated operating income for such years.

Consumer Finance

We have developed a consumer finance business through our subsidiaries Tarshop S.A. ("Tarshop") and APSA Media. As of fiscal year-end, we had sold 80% of our interest in Tarshop to Banco Hipotecario and we had a majority equity interest in APSA Media. Tarshop and APSA Media's operations consist primarily of lending and servicing activities relating to the credit card products we offer to consumers at shopping centers, hypermarkets and street stores. A substantial part of our credit card advances is financed through securitization of the receivables underlying the accounts originated. Our revenues from credit card operations are derived from interest income generated by financing activities, merchants' fees, insurance charges for life and disability insurance, and fees for data processing and other services. As from September 1, 2010, Tarshop was deconsolidated from our financial statements, leaving a marginal activity in this segment. The Consumer Finance segment had assets of Ps. 48.7 million as of June 30, 2011 and Ps. 62.5 million as of June 30, 2012, which represented 0.8% and 0.9%, respectively, of our consolidated assets at such dates, and generated an operating income of Ps. 19.0 million and Ps. 2.7 million for our 2011 and 2012 fiscal years, respectively, representing 3.2% and 0.4%, respectively, of our consolidated operating income for such years.

Development and Sale of Properties

Our activity of sale of commercial properties, office buildings and land reserves is reflected in this segment.The acquisition and development of residential apartment complexes and other 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. For the development of residential communities in general, 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. 712.5 million as of June 30, 2011 and Ps. 747.9 million as of June 30, 2012, representing 11.3% of our consolidated assets at such dates, and generated operating income of Ps. 85.1 million and Ps. 91.2 million during our 2011 and 2012 fiscal years, respectively, representing 14.5% and 12.4%, respectively, of our consolidated operating income for such years.

Office buildings

As of June 30, 2012, we directly and indirectly owned a majority interest in 19 office buildings and other non-shopping center rental properties in Argentina that in the aggregate represented 287,912 square meters of gross leaseable area. Our Offices and other non-shopping center rental properties segment had assets of Ps. 1,412.6 million as of June 30, 2011 and Ps. 1,363.1 million as of June 30, 2012, representing 22.4% and 20.7%, respectively, of our consolidated assets at such dates, and generated operating income of Ps. 84.1 million and Ps. 105.1 million during our 2011 and 2012 fiscal years, respectively, representing 14.4% and 14.3%, respectively, of our consolidated operating income for such years.

Hotels

We own a 50% equity interest in Hotel Llao Llao, located in the outskirts of Bariloche, a 76.34% equity interest in Hotel Intercontinental in the City of Buenos Aires, an 80% equity interest in Hotel Sheraton Libertador, also in Buenos Aires, and through our subsidiaries, we hold a 49% interest in hotel "Esplendor Savoy" in the City of Rosario, and an interest in Hersha Hospitality Trust and Supertel Hospitality Inc., which hold several hotel franchises in the United States of America. Our Hotels segment had assets of Ps. 509.1 million as of June 30, 2011 and Ps. 727.2 million as of June 30, 2012, representing 8.1% and 11%, respectively, of our consolidated assets at such dates, and generated operating income of Ps. 12.2 million and an operating loss of Ps. 14.4 million during our 2011 and 2012 fiscal years, representing 2.1% and -2.0%, respectively, of our consolidated operating income for such years.

Banco Hipotecario

During fiscal year 2012, we maintained our 29.77% equity interest in Banco Hipotecario, held in the form of Class D shares, which are currently entitled to three votes per share, affording us, as of this fiscal year end, a right to 46.46%1 of the total votes that can be cast at Banco Hipotecario's shareholders' meetings. As of June 30, 2012, our investment in Banco Hipotecario represented 15.5% of our consolidated assets, and during our fiscal years ended June 30, 2010, 2011 and 2012, this investment generated income for Ps. 151.6 million, Ps. 76.7 million and Ps. 105.0 million, respectively.

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

5. Business Strategy

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

Shopping centers.

Our main purpose is to maximize our shareholders' profitability. By using our know-how in the shopping center industry in Argentina as well as our leading position, we seek to generate a sustainable growth of cash flow and to increase the long-term value of our real estate assets.

We attempt to take advantage of the unsatisfied supply in different urban areas of the region, as well as of our customers' purchase experience. Therefore, we seek to develop new shopping centers in urban areas with attractive prospects for growth, including Buenos Aires' Metropolitan area, some cities in the provinces of Argentina and possibly, other places abroad. To achieve this strategy, the close business relationship we have had for years with more than 1000 retail companies and trademarks composing our selected group of tenants is of utmost importance, as it allows us to offer an adequate mix of tenants for each particular case.

Development and Sale of Properties.

We seek to purchase undeveloped properties in densely-populated areas and build apartment complexes offering "greenspace" for recreational activities. We also seek to develop residential communities by acquiring undeveloped properties with convenient access to the City of Buenos Aires, developing roads and other basic infrastructure such as power and water, and then selling lots for the construction of residential units. After the economic crisis in 2001 and 2002, the scarcity of mortgage financing restricted the growth in middle class home purchases, and as a result, we mainly focused on the development of residential communities for middle and high-income individuals, who do not need to finance their home purchases.

Office buildings.

Since the Argentine economic crisis in 2001 and 2002, there has been limited investment in high-quality office buildings in Buenos Aires and, as a result, we believe there is currently substantial demand for those desirable office spaces. We seek to purchase and develop premium office buildings in strategically-located business districts in the City of Buenos Aires and other strategic locations that we believe offer return and potential for long-term capital gain. We expect to continue our focus on attracting premium corporate tenants to our office buildings. Furthermore, we intend to consider on a selective basis new opportunities to acquire or construct new rental office buildings.

Hotels.

We believe our portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and travel in Argentina. We seek to continue with our strategy to invest in high-quality properties which are operated by leading international hotel companies to capitalize on their operating experience and international reputation.

Banco Hipotecario.

We currently seek to keep our investment in Banco Hipotecario, as we believe that Argentina has a low level of mortgages outstanding measured in terms of GDP and as a result, our investment in Banco Hipotecario is interesting in the long term.

Land reserves.

We seek to continue to acquire undeveloped land at locations we consider attractive inside and outside Buenos Aires. In each case, 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.

We have recently acquired through our subsidiary, in which we hold a 49% equity interest, an office building located at Madison Avenue in the City of New York; we also have a 49% interest in a US company, whose main asset is the so-called “Lipstick” office building located in the City of New York. In addition, jointly with subsidiaries, we acquired and then partially sold equity interests in a Real Estate Investment Trust (REIT), called Hersha (NYSE: HT), which holds a controlling interest in 64 hotels in the United States, totaling around 9,221 rooms. As of June 30, we hold a 9.13% stake in the company. We intend to continue evaluating -on a selective basis- real estate investment opportunities outside Argentina as long as they offer attractive investment and development options.

6. Description of Operations

Offices and other non-shopping center rental properties

We are engaged in the acquisition, development and management of Offices and other non-shopping center rental properties in Argentina. As of June 30, 2012, we directly and indirectly owned interests in 19 office and other rental properties in Argentina, which comprised 287,912 square meters of gross leaseable area. Out of these properties, 12 were office properties, which comprised 145,126 square meters of gross leaseable area. For fiscal year 2012, we had revenues from Offices and other non-shopping center rental properties of Ps. 192.3 million.

All our office rental property in Argentina is located in Buenos Aires City. For the year ended June 30, 2012, the average occupancy rate for all our properties in the Offices and other non-shopping center rental properties segment was approximately 98.1%. Seven different tenants accounted for approximately 45.0% of our total revenues from office rentals for fiscal year 2012: Exxon Mobile Business, Price Waterhouse, Grupo Total Austral, La Nación, Sibille S.C. (KPMG), Grupo Danone Argentina and Apache Energía Argentina.

Management.

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

Leases.

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

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

Properties

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

	Date of Acquisition	Gross Leasable Area (sqm) (1)	Occupancy Rate (2)	IRSA's Effective Interest	Monthly Rental Income (in thousands of Ps.) (3)	Annual accumulated rental income over fiscal periods (in thousands of Ps.) (4)			Book Value (in thousands of Ps.) (5)
			Jun-12			2012	2011	2010	
Offices									
Edificio República	04/28/08	19,884	90%	100%	2,388	27,069	26,013	21,188	210,852
Torre Bankboston	08/27/07	14,873	96%	100%	2,024	22,211	20,655	22,333	149,800
Bouchard 551	03/15/07	23,378	100%	100%	2,553	27,802	24,026	22,441	145,914
Intercontinental Plaza	11/18/97	22,535	100%	100%	2,273	23,329	21,405	21,559	75,257
Bouchard 710	06/01/05	15,014	100%	100%	1,975	20,991	16,800	14,076	63,311
Dique IV, Juana Manso 295 (10)	12/02/97	11,298	92%	100%	1,392	15,787	14,715	13,963	59,966
Maipú 1300	09/28/95	10,280	98%	100%	1,132	13,020	11,870	11,339	35,521
Costeros Dique IV	08/29/01	734	100%	100%	77	5,980	5,288	5,358	2,690
Libertador 498	12/20/95	2,477	100%	100%	407	4,818	5,301	6,900	9,618
Suipacha 652/64	11/22/91	11,453	90%	100%	663	7,448	7,071	4,804	10,032
Madero 1020	12/21/95	-	-	100%	5	31	35	31	176
Dot Building (13)	11/28/06	11,242	100%	96%	919	8,466	2,143	-	103,979
Other Offices (6)	N/A	2,232	88%	N/A	185	2,409	965	4,602	4,186
Subtotal Offices		145,400	96%	N/A	15,993	179,361	156,287	148,594	871,302
Other Properties									
Commercial Properties (7)	N/A	312	-	N/A	-	-	-	-	3,167
Museo Renault	12/06/07	-	-	100%	-	-	191	356	-
Santa María del Plata S.A.	07/10/97	60,100	100%	100%	100	1,566	3,035	1,014	12,521
Thames	11/01/97	-	-	100%	-	-	-	175	-
Predio San Martín	05/31/11	80,028	100%	50%	1,432	6,028	669	-	69,791
	12/17/09	N/A	N/A	N/A	-	-	1,018	N/A	109,145

Terreno Catalinas Norte (12)									
Other Properties (8)	N/A	2,072	100%	N/A	15	115	128	128	12,733
Subtotal Other Properties		142,512	100%	N/A	1,547	7,709	5,041	1,673	207,357
Management Fees (11)		N/A	N/A	N/A		3,102	3,290	3,944	N/A
Total Offices and Other (9)		287,912	98%	N/A	17,540	190,172	164,618	154,211	1,078,659

Notes:

(1) Total leaseable area for each property as of June 30, 2012. Excludes common areas and parking.
(2) Calculated dividing occupied square meters by leaseable area as of June 30, 2012.
(3) Agreements in force as of 06/30/12 for each property were computed.
(4) Total leases consolidated by application of the method under Technical Resolution 21.
(5) Cost of acquisition, plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment.
(6) Includes the following properties: Madero 942 (fully sold), Av. de Mayo 595, Av. Libertador 602 (fully sold), Rivadavia 2774, Sarmiento 517, Dock del Plata (fully sold), Edificio Costeros (fully sold), Laminar (fully sold) and Reconquista 823/41 (fully sold).
(7) Includes the following properties: Constitución 1111, Crucero I (fully sold); Retail stores in Abril (wholly assigned) and Casona de Abril.
(8) Includes the following properties: Constitución 1159 and Dique III (fully sold) and Canteras.
(9) Corresponds to the "Offices and other non-shopping center rental properties" business unit mentioned in Note 3 to the Consolidated Financial Statements.
(10) The building was occupied in May 2009.
(11) Revenues from building management fees.
(12) Includes other income from lease of parking spaces.
(13) Through Alto Palermo S.A. – The building has income as from August 2010.

The following table shows a schedule of the lease expirations of our office and other properties for leases outstanding as of June 30, 2012, assuming that none of the tenants exercise renewal options or terminate their lease early. Most tenants have renewal clauses in their leases.

Fiscal year of lease expiration	Number of leases expiring	Surface area subject to expiring leases (sqm)	Percentage of total surface area subject to expiration (%)	Annual rental income under expiring leases (Ps.)	Percentage of total rental income under expiring leases (%)
2012	17	61,893	22%	20,874,324	10%

2013	46	36,301	13%	44,335,006	21%
2014	63	56,935	20%	80,558,062	39%
2015	60	125,754	45%	63,312,710	30%
Total	186	280,883	100%	209,080,104	100%

*Includes Offices which contract has not been renewed as of June 30, 2012.
*Does not include vacant leased square meters.
*Does not include square meters or revenues from parking spaces.

The following table shows our offices occupancy percentage as of the end of fiscal years ended June 30, 2012, 2011 and 2010:

	Occupancy Rate Fiscal year ended June 30,(1)		
	2012 (%)	2011 (%)	2010 (%)
Offices			
Intercontinental Plaza	100	96	100
Bouchard 710	100	92	83
Bouchard 551	100	91	100
Libertador 498	100	100	100
Maipú 1300	98	100	99
Madero 1020	N/A	100	100
Suipacha 652/64	90	95	95
Costeros Dock IV	100	100	90
Torre Bankboston	96	78	96
Edificio República	90	85	80
Dique IV, Juana Manso 295	92	92	92
Dot Building	100	86	N/A
Others (2)	88	86	86

(1) Leased surface area in accordance with agreements in effect as of June 30, 2012, 2011 and 2010 considering the total leaseable office area for each year.
(2) Includes the following properties: Madero 942 (fully sold), Av. de Mayo 595, Av. Libertador 602 (fully sold), Rivadavia 2774, Sarmiento 517, Dock del Plata (fully sold), Edificio Costeros (fully sold), Laminar (fully sold) and Reconquista 823/41 (fully sold).

The following table sets forth the annual average income per square meter for our offices during fiscal years ended June 30, 2012, 2011 and 2010.

	Annual average income per square meter Fiscal year ended June 30, (1)		
	2012 (Ps./sqm)	2011 (Ps./sqm)	2010 (Ps./sqm)
Offices			
Intercontinental Plaza	1,048	950	957
Bouchard 710	1,398	1,119	938
Bouchard 557	1,189	1,028	960
Libertador 498	1,943	1,713	1,366
Maipú 1300	1,268	1,155	1,103

Madero 1020	N/A	347	307
Suipacha 652/64	611	617	419
Costeros Dock IV	8,147	973	985
Torre Bankboston	1,559	1,389	1,502
Edificio República	1,378	1,308	1,066
Dique IV, Juana Manso 295 (2)	1,397	1,302	1,236
Dot Building	753	191	N/A
Others (2)	1,079	425	404

(1) Calculated considering annual leases to total leaseable office area, in accordance with our percentage of ownership in each building.
(2) Includes the following properties: Madero 942 (fully sold), Av. de Mayo 595, Av. Libertador 602 (fully sold), Rivadavia 2774, Sarmiento 517, Dock del Plata (fully sold), Edificio Costeros (fully sold), Laminar (fully sold) and Reconquista 823/41 (fully sold).

Below is information regarding our principal currently owned office properties, including the names of the tenants occupying over 5% of the gross leaseable area of each property.

Table of Contents

Edificio República, City of Buenos Aires

This property, which was designed by the renowned architect César Pelli (who also designed the World Financial Center in New York and the Petronas Towers in Kuala Lumpur) is a unique premium office building in downtown Buenos Aires and adds approximately 19,884 gross leaseable square meters to our portfolio distributed in 20 floors. The main tenants include Apache Energía, Deutsche Bank, Estudio Beccar Varela, BASF Argentina S.A., Enap Sipetrol Argentina S.A., Maxifarm and Infomedia.

Torre Bankboston, City of Buenos Aires

The Bank Boston tower is a modern office building in Carlos Maria Della Paolera 265 in the City of Buenos Aires. Having been designed by the renowned architect Cesar Pelli, it has 31,670 square meters in gross leasable area. We have a 48.5% ownership interest in the building. At present, its main tenants are Exxon Mobile and Kimberley Clark de Argentina.

Bouchard 551, City of Buenos Aires.

Bouchard 551, known as “Edificio La Nación”, is an office building we acquired in March 2007, located in the Retiro area close to the intersection of the Leandro N. Alem and Córdoba avenues and opposite Plaza Roma. The building is a 23-story tower covering a surface area of 2,900 square meters in the low floors that becomes smaller as it goes higher up to 900 square meters approximately, and parking for 177 units. We have approximately 23,000 leasable square meters in the building and our main tenants include La Nación S.A. and Price Waterhouse & Co., AS. EM. S.R.L.

Intercontinental Plaza, City of Buenos Aires.

Intercontinental Plaza is a modern 24-story building located next to the Intercontinental Hotel in the historic neighborhood of Monserrat in downtown City of Buenos Aires. We own the entire building, which has floors averaging 900 square meters with 324 parking spaces. The principal tenants currently include Total Austral S.A., Danone Argentina S.A., IRSA, Alto Palermo, Cognizat Technology Solutions de Arg. S.A. and Industrias Pugliese S.A..

Dique IV, Juana Manso 295, Puerto Madero, City of Buenos Aires

About mid-May 2009 we completed an office building located in Puerto Madero’s Dock IV. It is a luxury building with a leasable area of approximately 11,298 square meters composed of large and versatile spaces. Its lay-out is optimum both for companies that require smaller office space at an average 200 square meters and for corporations that need the entire floor. The building has nine office stories and retail stores in the first story. The main tenant in the building is Exxon Mobile.

Bouchard 710, City of Buenos Aires.

Bouchard 710 is an office building acquired by us in June 2005, located in the Retiro area. The building is a 12-story tower, with an average area per floor of 1,251 square meters, with 180 units for car parking. Tenants are Sibille S.C. (KPMG), and Microsoft de Argentina S.A., Samsung Electronics Argentina S.A., Energy Consulting Services S.A. and Chubb Argentina de Seguros S.A..

Maipú 1300, City of Buenos Aires.

Maipú 1300 is a 23-story office tower opposite Plaza San Martín, a prime office zone facing Avenida del Libertador, an important north-to-south avenue. The building is also located within walking distance of the Retiro commuter train station, the city's most important public transportation hub, connecting rail, subway and bus transportation. We own the entire building, which has an average area per floor of 440 square meters. The building's principal tenants currently include Allende & Brea, Verizon Argentina S.A., PPD Argentina S.A. and TV Quality SRL.

Libertador 498, City of Buenos Aires.

Libertador 498 is a 27-story office tower at the intersection of three of the most important means of access to the city. This location allows for easy access to the building from northern, western and southern Buenos Aires. We are owners of 4 stories with an average area per floor of 620 square meters and of 145 parking spaces. This building features a unique design in the form of a cylinder and a highly visible circular lighted sign at the top which turn it into a landmark in the Buenos Aires skyline. The main tenants include Sideco Americana S.A., Goldman Sachs Argentina LLC, Empresa Argentina de Soluciones Satelitales S.A., Japan Bank for International Cooperation, Gates Argentina S.A., Kandiko S.A. and Allergan Productos Farmacéuticos S.A.

Edificios Costeros, Dique IV, City of Buenos Aires.

On August 29, 2001, we signed the deed of purchase of "Section C" of the office complex known as Puerto del Centro that includes buildings "5" and "6." The property is located in the Puerto Madero area and has approximately 5,500 square meters of gross leaseable area and 50 parking spaces. The building's principal tenants currently include Nextel Argentina S.A., Celistics S.A., London Supply S.A.C.I.F.I., Banco Río de la Plata S.A. and Escuela Argentina de Marketing S.A.

On May 15, 2012, we sold 4,703 square meters in built office space with 46 parking spaces and 4 supplementary storage spaces. The transaction price was Ps. 69.0 million. The book value of the property was Ps. 18.1 million.

Suipacha 652/64, City of Buenos Aires.

Suipacha 652/64 is a 7-story office building located in the office district of the city. We own the entire building and 70 parking spaces. The building has unusually large floors, most measuring 1,580 square meters. This property underwent substantial renovations shortly after we acquired the deed in 1991 to prepare the building for rental. The building's principal tenants currently include Gameloft Argentina S.A., Monitor de Medios Publicitarios S.A, Organización de Servicios Directos Empresarios (OSDE) and Alto Palermo's subsidiary, Tarshop S.A.

PAMSA-Dot Baires Offices.

Panamerican Mall S.A., a subsidiary of our subsidiary APSA, developed an office building with a gross leasable area of 11,241 sqm adjacent to Dot Baires Shopping. This building was opened in July 2010, which means our landing in the booming rental office corridor in the northern area of the City of Buenos Aires. As of June 30, 2012 the building's occupancy rate was 100%. The principal tenants include General Electric International Inc., Metrogames, Mallinckrodt Medical Arg. Limited, Carrier and Boston Scientific Argentina S.A.

Other office properties.

We also have interests in other office properties, all of which are located in the City of Buenos Aires. These properties are either entire buildings or floors in buildings. These properties include Suipacha 664, Av. de Mayo 589 and Sarmiento 517 (fully sold in this fiscal period).

Retail and other properties.

Our portfolio of rental properties as of June 30, 2012 includes 5 non-shopping center leaseable properties that may be leased as shops on streets, a lot in industrial premises, undeveloped plots of land or other properties for various uses. Most of these properties are located in the City of Buenos Aires, although some are located in other cities in Argentina. These properties include Constitución 1111, Solares de Santa María, Constitución 1159, Madero 1020 and Rivadavia 2774.

On October 26, 2011 we sold the plot of land of approximately 8 hectares located at Thames 1868 in the district of San Justo, Province of Buenos Aires. The transaction price was US$ 4.7 million, which was paid on October 25, 2011. As of June 30, 2011, the book value of the land reserve was US$ 0.9 million.

In March 2012 we sold 759 square meters of Museo Renault for US$ 5.2 million and the transaction was completed in May 2012 by selling an additional area of 490 square meters for US$ 5.5 million. As of December 31, 2011 the book value of the property was Ps. 21.1 million.

Terreno Catalinas Norte

On May 26, 2010, jointly with the Government of the City of Buenos Aires, we executed a deed of conveyance of title whereby we acquired a property located at Avenida Eduardo Madero 150, between Av. Córdoba and San Martín. The total price of the transaction was fixed in the amount of Ps. 95 million, Ps. 19 million of which were paid upon the execution of the preliminary sales agreement (on December 17, 2009), whereas the balance of Ps. 76 million was paid upon the execution of the deed on May 26, 2010.

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report
Shopping Centers

We are engaged in purchasing, developing and managing shopping centers through our subsidiary, Alto Palermo. As of June 30, 2012, Alto Palermo operated and owned majority interests in thirteen shopping centers, six of which are located in the City of Buenos Aires (Abasto, Paseo Alcorta, Alto Palermo, Patio Bullrich, Buenos Aires Design and Dot Baires Shopping), two of which are located in the greater Buenos Aires (Alto Avellaneda and Soleil Factory) metropolitan area and the other ones are located in the Argentine provinces: Alto Noa in the City of Salta, Alto Rosario in the City of Rosario, Mendoza Plaza in the City of Mendoza, Córdoba Shopping Villa Cabrera in the City of Córdoba and La Ribera Shopping in the City of Santa Fe.

As of June 30, 2012, we owned 95.6% of Alto Palermo. The remaining shares are held by the investor public and traded on the Bolsa de Comercio de Buenos Aires and the related GDSs are listed and traded on the Nasdaq National Market (USA) under the symbol "APSA." In addition, as of June 30, 2012, we owned US$ 31.7 million of Alto Palermo's convertible notes due July 2014. If we, and all the other holders of such convertible notes were to exercise their options to convert the convertible notes into shares of Alto Palermo's common stock, our shareholding in Alto Palermo would increase to 97.5% of its fully diluted capital.

As of June 30, 2012, Alto Palermo's shopping centers comprised a total of 309,021 square meters of gross leaseable area (excluding certain space occupied by hypermarkets which are not Alto Palermo's tenants). For fiscal period 2012, the average occupancy rate of Alto Palermo's shopping center portfolio was approximately 98.4%.

We centralized management of our shopping centers in Alto Palermo, which is responsible for providing common area electrical power, a main telephone switchboard, central air conditioning and other basic common area services.

The following table shows certain information concerning our Alto Palermo subsidiary's shopping centers as of June 30, 2012:

	Date of Acquisition	Leasable Area sqm (1)	APSA's Effective Interest (3)	Occupancy Rate (2)	Accumulated Annual Rental Income as of June 30 and for the fiscal year ended (in Ps./000) (4)			Book Value (Ps./000) (5)
					2012	2011	2010	
Shopping Centers (6)								
Alto Palermo	11/97	18,701	100.0%	98.3%	149,377	120,338	98,020	253,763
Abasto Shopping (7)	07/94	37,711	100.0%	99.1%	149,544	118,259	91,304	314,874
Alto Avellaneda	11/97	36,943	100.0%	96.1%	98,575	77,121	59,833	155,606
Paseo Alcorta	06/97	14,107	100.0%	100.0%	63,575	52,027	42,714	131,525
Patio Bullrich	10/98	11,684	100.0%	100.0%	54,448	45,033	37,254	132,034
Alto Noa Shopping	03/95	19,038	100.0%	98.9%	25,819	19,275	13,701	38,788
Buenos Aires Design	11/97	13,769	53.7%	100.0%	20,026	17,329	14,613	15,925
Alto Rosario Shopping (7)	11/04	27,691	100.0%	97.6%	59,070	42,642	30,821	135,352
Mendoza Plaza Shopping	12/94	42,237	100.0%	96.4%	48,694	36,441	27,206	123,828
Fibesa and Others(8)	-	N/A	100.0%	N/A	52,568	35,832	24,928	-
Neuquén (9)	07/99	N/A	98.1%	N/A	-	-	-	22,539
Dot Baires Shopping (10)	05/09	49,527	80.0%	99.4%	101,023	77,169	64,515	479,587
Córdoba Shopping Villa Cabrera	12/06	15,191	100.0%	99.6%	25,643	19,113	13,446	76,153
Soleil	07/10	14,712	100.0%	100.0%	19,046	14,200	-	74,474

La Ribera Shopping	08/11	7,710	50.0%	98.7%	4,327	-	-	18,814
TOTAL SHOPPING CENTERS		309.021		98.4%	871,732	674,779	518,355	1,973,262
Consumer Finance Revenues (11)	-	N/A		N/A	4,836	68,576	265,346	-
GENERAL TOTAL (12)		309,021		98.4%	876,568	743,355	783,701	1,973,262

Notes:
(1) Total leaseable area in each property. Excludes common areas and parking spaces.-
(2) Calculated dividing occupied square meters by leaseable area on the last day of the period.-
(3) APSA’s effective interest in each of its business units. IRSA has a 95.59% interest in APSA.-
(4) Corresponds to total leases, consolidated as per the Technical Resolution 21 method.-
(5) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment in value, plus recovery of allowances, if applicable. Does not include works in progress.
(6) Through Alto Palermo S.A.
(7) Excludes Museo de los Niños (3,732 in Abasto and 1,261 in Alto Rosario).-
(8) Includes revenues from Fibesa S.A., Comercializadora Los Altos S.A. (merged with Fibesa S.A.), and others.
(9) Land for the development of a shopping center.
(10) During May 2009, a shopping center, a hypermarket and a movie theater complex were opened.
(11) APSA’s interest in Tarshop was 100% until 08/31/2010 and as from 09/01/2010 was 20%. APSA’s interest in APSA Media is 100%.
(12) Corresponds to the “shopping center” business unit mentioned in Note 3 to the Consolidated Financial Statements; includes revenues from “Credit Cards” (Tarshop and APSA Media).-

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

Our Tenants' Retail Sales

The following table sets forth the total approximate tenant retail sales in Pesos at the shopping centers in which we had an interest for the periods shown:

	Accumulated Tenants' retail sales as of June 30, (Ps./000) (1)		
	2010	2011	2012
Abasto	926,373	1,227,372	1,537,349
Alto Palermo	879,728	1,100,349	1,304,634
Alto Avellaneda	885,195	1,132,631	1,466,932
Paseo Alcorta	414,652	525,752	667,799
Patio Bullrich	344,789	432,319	498,545
Alto Noa	280,241	381,181	500,372
Buenos Aires Design	140,974	188,475	235,770
Mendoza Plaza	559,359	733,370	929,143
Alto Rosario	419,143	610,932	825,191
Córdoba Shopping- Villa Cabrera	164,257	244,189	340,254
Dot Baires Shopping	763,528	985,672	1,271,165
Soleil	-	204,077	254,050
La Ribera Shopping	-	-	135,224
Total(2)	5,778,239	7,766,319	9,966,428

Notes:

(1) Retail sales based upon information provided to us by retailers and past owners. The amounts shown reflect 100% of the retail sales of each shopping center, although in certain cases we own less than 100% of such shopping centers.

(2) Excludes sales from the booths and spaces used for special exhibitions.

Lease Expirations

The following table shows a schedule of lease expirations for our shopping center properties in place as of June 30, 2012, assuming that none of the tenants exercise renewal options or terminate their lease early.

Lease Expirations as of June 30,	Number of Leases Expiring(1)	Surface area subject to Expiring Leases (sqm)	Percentage of Total Surface Area subject to Expiration (%)	Amount under Expiring Leases (in thousands of PS)	Percentage of Expiring Leases (%)
2013	664	103,690	34 %	145,092,597	36 %
2014	376	52,329	17 %	99,292,382	25 %
2015	321	49,033	16 %	90,799,050	23 %
2016 and subsequent	115	103,970	34 %	63,471,693	16 %

Total (2)	1,476	309,022	100	%	398,655,722	100	%

(1) Includes vacant stores as of June 30, 2012. A lease agreement may be linked to one or more premises.
(2) Includes the basic rental income amount. Does not give effect to our ownership interest in each property.

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

Occupancy Rate

The following table shows the average occupancy rate of each shopping center during fiscal years ended June 30, 2012, 2011 and 2010:

	As of June 30		
	2010	2011	2012
Abasto	99.6	99.8	99.1
Alto Palermo	100.0	100.0	98.3
Alto Avellaneda	96.0	96.3	96.1
Paseo Alcorta	97.5	99.2	100.0
Patio Bullrich	99.7	100	100.0
Alto Noa	99.9	100	98.9
Buenos Aires Design	98.4	98.6	100.0
Mendoza Plaza	93.1	95.2	96.4
Alto Rosario	93.7	95.0	97.6
Córdoba Shopping Villa Cabrera	98.8	98.1	99.6
Dot Baires Shopping	100	99.7	99.4
Soleil	-	87.8	100.0
La Ribera Shopping	-		98.7
Weighted Average	98.5	97.6	98.4

Rental Price

The following table shows the annual/period average rental price per square meter for the fiscal years ended June 30, 2012, 2011 and 2010:

	Rental Prices as of June 30 for the fiscal periods (Ps./sqm) (1)		
	2010	2011	2012
Abasto	1,986.8	2,549.5	3,171.3
Alto Palermo	4,033.8	4,995.7	6,192.8
Alto Avellaneda	1,469.2	1,877.6	2,375.6
Buenos Aires Design	810.2	959.7	1,074.5
Paseo Alcorta	2,498.9	3,233.6	3,871.2
Patio Bullrich	2,673.9	3,201.7	3,791.1
Alto Noa	658.6	920.3	1,230.6
Alto Rosario	948.4	1,336.5	1,906.9
Mendoza Plaza	598.8	804.9	1,032.4
Córdoba ShoppingVilla Cabrera	731.6	1,104.0	1,459.2
Dot Baires Shopping	1,081.9	1,288.4	1,657.3
Soleil		870.5	1,129.1
La Ribera Shopping			1,017.3

(1) The annual price of rentals per square meter of gross leasable area reflects basic and supplementary rental charges as well as revenues from admission rights divided by the square meters of the gross leasable area.

Principal Terms of the Leases

Under Argentine Law, terms of commercial leases must be between three to ten years, with most leases in the shopping center business having terms of no more than five years. Alto Palermo's lease agreements are generally denominated in Pesos.

Leaseable space in Alto Palermo's shopping centers is marketed through an exclusive arrangement with its real estate brokers, Fibesa S.A. ("Fibesa") and Comercializadora Los Altos S.A. (merged with Fibesa S.A. as of July 1, 2009). Alto Palermo has a standard lease agreement, the terms and conditions of which are described below, which it uses for most tenants. However, Alto Palermo's largest tenants generally negotiate better terms for their respective leases. No assurance can be given that lease terms will be as set forth in the standard lease agreement.

Alto Palermo charges its tenants a rent which consists of the higher of (i) a monthly base rent (the "Base Rent") and (ii) a specified percentage of the tenant's monthly gross sales in the store (the "Percentage Rent") (which generally ranges between 4% and 10% of tenant's gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant's Base Rent generally increases between 7% and 12% each year on an annual and cumulative basis as from the thirteenth (13th) month of the lease effective term. 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, no assurance can be given that Alto Palermo may be able to enforce such clauses contained in its lease agreements.

In addition to rent, Alto Palermo charges most of its tenants an admission fee, which is required to be paid upon entering into a lease agreement and upon a lease agreement renewal, which is negotiated with each of the tenants. The admission fee is normally paid in one lump sum or in a small number of monthly installments. If the tenant pays this fee in installments, it is the tenant's responsibility to pay for the balance of any such amount unpaid in the event the tenant terminates its lease prior to its expiration. In the event of unilateral termination and/or resolution for breach of duties by the tenant, a tenant will not be refunded its admission right without Alto Palermo's consent.

Alto Palermo is responsible for supplying each shopping center with the electrical power connection and provision, a main telephone switchboard, central air conditioning connection and a connection to a general fire detection system. Each rental unit is connected to these systems. Alto Palermo also provides the food court tenants with sanitation and with gas systems connections. Each tenant is responsible for completing all the necessary installations within its own rental unit, in addition to payment of the direct expenses generated by these items within each rental unit. These direct expenses generally include: electricity, water, gas, telephone and air conditioning. Tenants must also pay for a percentage of total charges and general taxes related to the maintenance of the common areas. Alto Palermo determines this percentage based on several factors. The common area expenses include, among others, administration, security, operations, maintenance, cleaning and taxes.

Alto Palermo carries out promotional and marketing activities to increase visits to its shopping centers. These activities are paid for with the tenants' contributions to the Common Promotional Fund ("CPF"), which is administered by Alto Palermo. Every month tenants contribute to the CPF an amount equal to approximately 15% of their rent (Base Rent or Percentage Rent, as applicable), in addition to rent and expense payments. Alto Palermo may increase the percentage that tenants must contribute to the CPF, but the increase cannot exceed 25% of the original amount set forth in the corresponding lease agreement for the contributions to the CPF. Alto Palermo also may require tenants to make extraordinary contributions to the CPF to fund special promotional and marketing campaigns or to cover the costs of special promotional events that benefit all tenants. We may require tenants to make these extraordinary contributions up to four times a year provided that each such extraordinary contribution may not exceed 25% of the preceding monthly rental payment of the tenant.

Each tenant leases its rental unit as a shell without any fixtures. Each tenant is responsible for the interior design of its rental unit. Any modifications and additions to the rental units must be pre-approved by Alto Palermo. Alto Palermo has the option to decide tenants' responsibility for all costs incurred in remodeling the rental units or for removing any additions made to the rental unit when the lease expires. Furthermore, tenants are responsible for obtaining adequate insurance for their rental units, which must include, among other things, coverage for fire, glass breakage, theft, flood, civil liability and workers' compensation.

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

Sources of Shopping Center Revenues

Set forth below is a breakdown of the sources of our shopping center revenues for our fiscal years ended June 30, 2010, 2011 and 2012:

Type of Business	Accumulated Tenants' Sales as of June 30 for the fiscal periods (in millions of Ps)		
	2012	2011	2010
Anchor Store	708.2	571.6	449.7
Clothes and footwear	4,932.8	3,801.0	2,754.2
Entertainment	351.5	262.8	180.2
Home	1,795.6	1,468.8	1,172.9
Restaurant	937.4	701.6	495.9
Miscellaneous	1,186.2	918.7	691.4
Services	54.7	41.8	33.9
Total	9,966.4	7,766.3	5,778.2

Description of each Shopping Center

Set forth below is information regarding our subsidiary Alto Palermo's principal shopping centers.

Alto Palermo Shopping, City of Buenos Aires. Alto Palermo Shopping is a 146-store shopping center that opened in 1990 and is located in the densely populated middle-income neighborhood of Palermo in the City of Buenos Aires. Alto Palermo Shopping is located only a few minutes from downtown Buenos Aires and with nearby subway access at the intersection of Avenues Santa Fe and Coronel Díaz. Alto Palermo Shopping has a total constructed area of 65,029 square meters (including parking lot) that consists of 18,701 sqm of gross leaseable area. The shopping center has a food court with 19 stores. Alto Palermo Shopping is spread out over four levels and its parking lot may accommodate 654 cars for a fee over an area of 32,405 square meters. The shopping center target customer is a middle-income shopper aged 28 to 40 years old.

In the fiscal year ended on June 30, 2012, the public visiting the shopping center generated nominal retail sales totaling approximately Ps. 1,304.6 million, which represents annual sales for approximately Ps. 69,762.1 per square meter. Total rental income increased from about Ps. 121.2 million for fiscal year ended June 30, 2011 to Ps. 151.5 million for fiscal year ended June 30, 2012, accounting for monthly income per square meter of gross leaseable area equal to Ps. 539.9 in 2011 and Ps. 675.2 in 2012.

As of June 30, 2012, the occupancy rate was 98.3%.

Alto Avellaneda, Avellaneda, Greater Buenos Aires. Alto Avellaneda is a 140-store shopping center that opened in October 1995 and is located in the densely populated neighborhood known as Avellaneda, on the southern border of the City of Buenos Aires. This shopping center is located near a railway station and close to downtown Buenos Aires City. Alto Avellaneda has a total constructed area of 108,598.8 square meters (including parking lot) that includes 36,943 sqm of gross leaseable area. Alto Avellaneda has a six-screen multiplex movie theatre, a Wal-Mart megastore, an entertainment center, a 20-restaurant food court and starting in April 28, 2008, it also hosts a Falabella department store. Wal-Mart (not included in the gross leaseable area) acquired the space it occupies, but it pays a share of the common expenses of Alto Avellaneda's parking lot. This shopping center offers free-of-charge parking space for 2,700 cars over an area of 47,856 square meters.

In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,466.9 million, which represents annual revenues for approximately Ps. 39,708.41 per square meter. Total rental income increased from Ps. 77.2 million for fiscal year ended June 30, 2011 to Ps. 99.1 million for fiscal year ended June 30, 2012, which accounted for a monthly income per square meter of gross leaseable area of Ps. 175.5 in 2011 and Ps. 223.5 in 2012.

As of June 30, 2012, the occupancy rate was 96.1%.

Paseo Alcorta, City of Buenos Aires. Paseo Alcorta is a 111-store shopping center that opened in 1992 and is located in the residential neighborhood of Palermo Chico, one of the most exclusive areas in the City of Buenos Aires, within a short drive from downtown Buenos Aires. Paseo Alcorta has a total constructed area of approximately 87,553.8 square meters (including parking lot) that consists of 14,107 square meters of gross leaseable area. Paseo Alcorta has a 12-restaurant food court and a Carrefour hypermarket on the ground floor. Carrefour purchased the space it now occupies but it pays a share of the expenses of the shopping center's parking lot. It is a three-level shopping center that includes a parking lot that charges a fee (as from June 2008) with approximately 1,300 spaces.

In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 667.8 million, which represents annual sales for approximately Ps. 47,339.46 per square meter. Total rental income increased from approximately Ps. 52.3 million in fiscal year ended June 30, 2011 to Ps. 64.29 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of Ps. 313.4 in 2011 and Ps. 379.8 in 2012.

As of June 30, 2012, the occupancy rate was 100%.

Abasto Shopping, City of Buenos Aires. Abasto Shopping is a 173-store shopping center located in the City Buenos Aires. Abasto Shopping is directly accessible by Carlos Gardel subway station; it is six blocks away from Once railway station and near the highway to Ezeiza International Airport. Abasto Shopping opened on November 10, 1998. Our investment in Abasto amounted to US$ 111.6 million. The principal building is a landmark building, which during the period 1889 to 1984 operated as the primary fresh produce market for the City of Buenos Aires. The property was converted into a 116,646 square meter shopping center (including parking lot and common areas), with approximately 37,711 square meters of gross leaseable area (41,443 sqm including Museo de los Niños). Abasto is ranked #4 in terms of gross leaseable area in Argentina. The shopping center is near Torres de Abasto, our apartment complex, and Coto supermarket.

In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,537.3 million, which represents annual sales for approximately Ps. 40,766.5 per square meter. Total rental income increased from approximately Ps. 118.7 million in fiscal year ended June 30, 2011 to Ps. 150.5 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of Ps. 262.1 in 2011 and Ps. 332 in 2012.

As of June 30, 2012, the occupancy rate was 99.1%.

Patio Bullrich, City of Buenos Aires. Patio Bullrich is an 82-store shopping center that opened in 1988. Patio Bullrich was the first shopping center that started operations in the City of Buenos Aires. Our company purchased Patio Bullrich on October 1, 1998 for US$ 72.3 million. Patio Bullrich has a total constructed area of 29,982 square meters (including parking lot) that consists of 11,684 sqm of gross leaseable area and common areas consisting of 12,472 square meters. The shopping center includes a four-screen multiplex movie theatre seating 1,381 people and a 12-store food court. The four-story shopping center has a parking lot that charges a fee with 215 spaces over an area of 4,825 square meters.

In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 498.5 million, which represents annual sales for approximately Ps. 42,669.46 per square meter. Total rental income increased from approximately Ps. 45.1 million in fiscal year ended June 30, 2011 to Ps. 54.7 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of Ps. 320 in 2011 and Ps. 390.2 in 2012.

As of June 30, 2012, the occupancy rate was 100%.

Alto Noa, Salta, Province of Salta. Alto Noa is a 92-store shopping center located in the City of Salta, the capital of the Province of Salta. The shopping center consists of approximately 30,876 square meters of total constructed area that consists of 18,867 square meters of gross leaseable area and includes a 14-store food court, an entertainment center, a supermarket, an eight-screen movie theatre and parking facilities for 551 cars. In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 500.4 million, which represents annual sales for approximately Ps. 26,282.75 per square meter. Total rental income increased from approximately Ps. 19.3 million in fiscal year ended June 30, 2011 to Ps. 25.8 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of Ps. 84.6 in 2011 and Ps. 113.3 in 2012.

As of June 30, 2012, the occupancy rate was 98.9%.

Buenos Aires Design, City of Buenos Aires. Buenos Aires Design is a 62-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. Alto Palermo owns Buenos Aires Design through a 53.68% interest in Emprendimiento Recoleta S.A., which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta, one of the most popular tourist zones in Buenos Aires City. Buenos Aires Design has a total constructed area of 26,131.5 square meters that consists of 13,777 square meters of gross leaseable area and 8 restaurants. It is divided into two floors and has a 174-car parking lot. In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 235.8 million, which represents annual sales for approximately Ps. 17,123.4 per square meter. Total rental income increased from approximately Ps. 17.3 million in fiscal year ended June 30, 2011 to Ps. 20.1 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of Ps. 104.9 in 2011 and Ps. 121.9 in 2012.

As of June 30, 2012, the occupancy rate was 100%.

Alto Rosario, Santa Fe, City of Rosario. Alto Rosario is a shopping center of 146 stores, located in the City of Rosario, Province of Santa Fe. It was inaugurated in November 2004 and has 100,750 square meters of fully covered surface, and 28,646 square meters of gross leaseable area. This center is primarily devoted to clothing and entertainment and includes a food court with 17 stores, a children's' entertainment area, a 14-screen cinema complex and parking lot for close to 1,736 vehicles. In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 825.2 million, which represents annual sales for approximately Ps. 29,799.1 per square meter. Total rental income increased from approximately Ps. 42.7 million in fiscal year ended June 30, 2011 to Ps. 59.4 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of Ps. 124.3 in 2011 and Ps. 178.7 in 2012.

As of June 30, 2012, the occupancy rate was 97.6%.

Mendoza Plaza Shopping, Mendoza, City of Mendoza. Mendoza Plaza Shopping is a 150-store shopping center located in the City Mendoza in the Province of Mendoza. It consists of 40,659 square meters of gross leaseable area. Mendoza Plaza has a multiplex movie theatre covering an area of approximately 3,659 square meters, the Chilean department store Falabella, a food court with 22 stores, an entertainment center and a supermarket which is also a tenant. In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 929.1 million, which represents annual sales for approximately Ps. 21,998 per square meter. Total rental income increased from approximately Ps. 36.5 million in fiscal year ended June 30, 2011 to Ps. 49.1 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of Ps. 74.7 in 2011 and Ps. 96.8 in 2012.

As of June 30, 2012, the occupancy rate was 96.4%.

Córdoba Shopping, Villa Cabrera, City of Córdoba. Córdoba Shopping Villa Cabrera is a 106-store commercial center with a covered area of 35,000 square meters, consisting of 15,191 square meters of gross leaseable area located in Villa Cabrera, City of Córdoba. It has a 12-screen movie theatre complex and a parking lot for 1,500 vehicles. In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 340.3 million, which represents annual sales for approximately Ps. 22,398.9 per square meter. Total rental income increased from Ps. 19.2 million in fiscal year ended June 30, 2011 to Ps. 26.0 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of Ps. 105.3 in 2011 and Ps. 142.8 in 2012.

As of June 30, 2012, the occupancy rate was 99.6%.

Dot Baires Shopping, City of Buenos Aires, Buenos Aires. Dot Baires Shopping is a shopping center that was opened in May 2009. It has 4 floors and 3 underground levels, a covered surface area of 173,000 square meters, out of which 49,527 constitute Gross Leasable Area, 155 retail stores, a hypermarket, a 10-screen multiplex movie theater and parking space for 2,200 vehicles. Alto Palermo is owner of Dot Baires Shopping through an 80% ownership interest in this shopping center. In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,271.2 million, which represents annual sales for approximately Ps. 25,665.9 per square meter. Total rental income increased from approximately Ps. 76.6 million in fiscal year ended June 30, 2011 to Ps. 100.9 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of Ps. 128.8 in 2011 and Ps. 169.9 in 2012.

As of June 30, 2012, the occupancy rate was 99.4%.

Soleil Factory, San Isidro, Province of Buenos Aires. Soleil Factory is a one-story shopping center, with a surface area of 48,313 square meters, 14,091 square meters of which are gross leaseable area, in respect of which APSA is also authorized to build more than 9,697 square meters. It comprises 74 stores and 2,335 parking spaces. Soleil Factory opened in Argentina more than 25 years ago and we are turning it into a top-brand outlet. In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 254.1 million, which represents period average sales for approximately Ps. 17,267.9 per square meter. Total rental income increased from approximately Ps. 14.2 million in fiscal year ended June 30, 2011 to Ps. 19.1 million for fiscal year ended June 30, 2012, which accounts for monthly revenues per square meter of gross leaseable area of Ps. 84 in 2011 and Ps. 108.2 in 2012.

As of June 30, 2012, the occupancy rate was 100.0%.

La Ribera Shopping, City of Santa Fe. On June 15, 2011, Alto Palermo S.A. (APSA), directly and through its controlled company Torodur S.A., acquired a fifty-percent interest in the stock of Nuevo Puerto Santa Fe S.A. (NPSF), a company that is the tenant of a property where it constructed the shopping center and where the shopping center currently operates.

The price agreed upon for such acquisition of a 50% interest is US$ 4.5 million payable in 19 monthly installments without recognizing financing interest, and the last installment is due in February 2013.

The purchase of NPSF's shares was conditional upon Ente Administrador Puerto Santa Fe approving the change in the shareholding structure of NPSF and Caja de Asistencia Social Lotería de Santa Fe not raising any objection thereto. As such conditions were met, on August 18, 2011, the shares were transferred. Furthermore, NPSF and Casino Puerto Santa Fe (CPSF) executed a sub-concession agreement which replaces the previous lease agreement held by NPSF.

Accordingly, APSA became the owner of 33.33% and its controlled company Torodur became the owner of 16.66% of the shares, which in the aggregate account for 50% of the capital stock and voting rights of NPSF. In turn, GRAINCO S.A. became the owner of the remaining 50% interest.

La Ribera Shopping is located in an area of 43,219 square meters, with 48 retail stores and one 7-screen 2D and 3D multiplex movie theatre, the last screening room of which was opened in August 2012 and features state-of-the-art sound and image technology. It has also a Cultural Center consisting of 510 square meters, and 24,553 square meters including Outdoor Areas and free-of-charge Parking Lot. The gross leaseable area consists of approximately 7,710 square meters.

The shopping center is strategically located within the Port of Santa Fe, the most developed area in terms of real estate in the City of Santa Fe, 27 km away from the City of Paraná and 96 km away from the City of Rafaela. Its influence area represents a potential market consisting of over one million people.

In the fiscal year ended June 30, 2012, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 135.2 million, which represents period average sales for approximately Ps. 437.59 per square meter. Total rental income amounted to Ps. 8.65 million in fiscal year ended June 30, 2012 which accounts for monthly revenues per square meter of gross leaseable area of Ps. 93.5.

As of June 30, 2012, the occupancy rate was 98.7%.

Table of Contents

Development and Sale of Properties and Land Reserves

Residential Development Properties

The acquisition and development of residential apartment complexes and residential communities for sale is one of our core activities. Our development of residential apartment complexes consists of the new construction of high-rise towers or the conversion and renovation of existing structures such as factories or warehouses. In connection with our development of residential communities, we frequently acquire vacant land, develop infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. We may also develop or sell portions of land for others to develop complementary facilities such as shopping areas within residential developments.

In fiscal year ended June 30, 2012, revenues from the Development and sale of properties segment amounted to Ps. 328.4 million, compare to Ps. 341.1 million posted in the fiscal year ended June 30, 2011.

Construction and renovation works on our residential development properties are currently performed, under our supervision, by independent Argentine construction companies that are selected through a bidding process. We enter into turnkey contracts with the selected company for the construction of residential development properties pursuant to which the selected company agrees to build and deliver the development for a fixed price and at a fixed date. We are generally not responsible for any additional costs based upon the turnkey contract. All other aspects of the construction, including architectural design, are performed by third parties.

Another modality for the development of residential undertakings is the exchange of land for constructed square meters. In this way, we deliver undeveloped pieces of land and another firm is in charge of building the project. In this case, we receive finished square meters for commercialization, without taking part in the construction works.

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

The following table shows certain information and gives an overview regarding our sales and development properties as of June 30, 2012, 2011 and 2010:

Developments	Date of Acquisition	Estimated /Real Cost (in thousands of Ps.) (1)	Area intended for sale (sqm) (2)	Total Units / Lots (3)	IRSA's Effective Interest	Percentage Built	Percentage Sold (4)	Accumulated Sales (in thousands of Ps.) (5)	Accumulated Sales as o June 30, (in thousands of Ps.) (6)		
									2012	2011	2010
Residential Apartments											
Torres Renoir (15)	09/09/99	22,861	5,383	28	100.00%	100.00%	100.00%	53,940			14
Caballito Nuevo (16)	11/03/97	-	2,966	20	100.00%	100.00%	81.18%	48,418	9,248	39,170	-
Torres de Rosario (8) (15)	04/30/99	-	4,893	77	95.59%	100.00%	3.08%	10,720	9,190	1,530	-
Libertador 1703/1755 (Horizons) (14) (17)	01/16/07	399,355	44,648	467	50.00%	100.00%	100.00%	124,176	124,176	92,362	-
Other Residential Apartments (9)	N/A	231,677	158,747	1,660				310,084		1,599	11
Subtotal Residential Apartments		653,893	216,637	2,252				547,338	142,986	134,661	25
Residential Communities											
Abril/Baldovinos (10)	01/03/95	130,955	5,137	4	100.00%	100.00%	99.50%	237,062	-	1,607	5,06
El Encuentro (18)	11/18/97	-	26,373	22	100.00%	100.00%	64.24%	13,742	10,260	20,665	3,48
Villa Celina I, II and III	05/26/92	4,742	75,970	219	100.00%	100.00%	100.00%	14,028	-	-	-
Subtotal Residential Communities		135,697	170,480	245				264,832	10,260	22,272	8,54
Land Reserves											
Puerto Retiro	05/18/97	-	82,051	-	50.00%	0.00%	0.00%	-	-	-	-
Santa María del Plata	07/10/97	-	715,951	-	100.00%	0.00%	10.00%	-	-	-	-
Pereiraola	12/16/96	-	1,299,630	-	100.00%	0.00%	100.00%	46,311	-	-	46,31
Terreno Rosario (8) (19)	04/30/99	-	31,000	-	95.59%	0.00%	100.00%	38,345	27,273	22,931	-

Terreno Caballito	11/03/97	-	7,451	-	100.00%	0.00%	100.00%		-	-	52,658	-
Neuquén (8)	07/06/99	-	4,332	1	95.59%	0.00%	100.00%		-	-	9,102	-
Terreno Baicom	12/23/09	-	6,905	-	50.00%	0.00%	0.00%		-	-	-	-
Canteras Natal Crespo	07/27/05	-	4,300,000	-	50.00%	0.00%	0.00%		337	64	63	2
Thames	11/01/97	-	-	-	100.00%	-	100.00%		20,022	20,022	-	-
Terreno Beruti (8)	06/24/08	-	3,207	-	95.59%	0.00%	100.00%		-	-	75,373	-
Pilar	05/29/97	-	740,237	-	100.00%	0.00%	0.00%		-	-	-	-
Coto Air Space (8)	09/24/97	-	24,000	-	95.59%	0.00%	0.00%		-	-	-	-
Torres Jardín IV	07/18/96	-	3,176	-	100.00%	0.00%	100.00%		-	-	11,480	-
Terreno Caballito (8)	10/22/98	-	23,389	-	95.59%	0.00%	0.00%		-	-	-	-
Patio Olmos (8)	09/25/07	-	5,147	-	95.59%	100.00%	0.00%		-	-	-	-
Other Land Reserves (11)	N/A	-	14,455,235	3					2,213	-	1,969	1,17
Subtotal Land Reserves			21,701,711	4					107,228	47,359	173,576	47,50
Others												
Madero 1020	12/21/95	-	5,069	N/A	100.00%	100.00%	100.00%		18,848	-	-	7
Della Paolera 265	08/27/07	-	472	N/A	100.00%	100.00%	100.00%		6,850	-	-	-
Madero 942	08/31/94	-	768	N/A	100.00%	100.00%	100.00%		6,137	-	-	-
Dock del Plata	11/15/06	-	7,942	N/A	100.00%	100.00%	100.00%		84,206	-	-	42,136
Libertador 498	12/20/95	-	2,484	N/A	100.00%	100.00%	100.00%		93,558	10,600	10,504	46,60
Sarmiento 517	-	-	-	-	-	-	-	-		233	-	68,58
Edificios Costeros	03/20/97	-	734	N/A	100.00%	100.00%	100.00%		68,580	69,040	-	10,94
Libertador 602	01/05/96	-	677	N/A	100.00%	100.00%	100.00%		10,948	-	-	-
Museo Renault	-	-	-	-	-	-	-	-		47,927	-	-
Laminar	03/25/99	-	6,521	N/A	100.00%	100.00%	100.00%		74,510	-	-	-
Reconquista 823	11/12/93	-	5,016	N/A	100.00%	100.00%	100.00%		31,535	-	-	-
Locales Crucero I	-	-	192	N/A	100.00%	100.00%	100.00%		2,006	-	-	-
Others (12)	N/A	-	-	N/A	N/A	N/A	N/A		25,283	-	59	91
Subtotal Others			36,892						422,461	127,800	10,563	169,25
TOTAL (13)		789,590	22,062,720	2,501					1,341,859	328,404	341,073	255,56

26

Notes:

(1) Cost of acquisition plus total investment made and/or planned for apartments and residential communities' projects already developed or under development (adjusted for inflation as of 02/28/03, if applicable).-

(2) Total area intended for sale upon completion of the development or acquisition and before the sale of any of the units (including parking and storage spaces but excluding common areas). In the case of Land Reserves the land area was considered.

(3) Represents the total units or plots upon completion of the development or acquisition (excluding parking and storage spaces).

(4) The percentage sold is calculated dividing the square meters sold by the total saleable square meters, which includes sales made under the preliminary sales agreements for which no title deed has been executed yet.

(5) Includes only the cumulative sales consolidated by the RT21 method adjusted for inflation as of 02/28/03.-

(6) Corresponds to the company's total sales consolidated by the RT4 method adjusted for inflation as of 02/28/03. Excludes turnover tax deduction.-

(7) Cost of acquisition plus improvements, plus capitalized interest of consolidated properties in portfolio as of June 30, 2012, adjusted for inflation as of 02/28/03.

(8) Through Alto Palermo S.A.-

(9) Includes the following properties: Torres de Abasto through APSA (fully sold), units to be received by Beruti through APSA, Torres Jardín, Edificios Cruceros (fully sold), San Martin de Tours, Rivadavia 2768, Alto Palermo Park (fully sold), Minetti D (fully sold), Dorrego 1916 (fully sold), Padilla 902 (fully sold), Caballito barter receivable and Lotes Pereiraola through IRSA.

(10) Includes the sales of Abril's shares.

(11) Includes the following land reserves: Terreno Pontevedra, Isla Sirgadero, Terreno San Luis, Mariano Acosta, Merlo and Intercontinental Plaza II through IRSA, Zetol and Vista al Muelle through Liveck and C.Gardel 3134 (fully sold), C.Gardel 3128 (fully sold), Aguero 596 (fully sold), República Arabe Siria (fully sold), Terreno Mendoza (fully sold), Zelaya 3102, Conil, Soleil air space and Other APSA (Through APSA)

(12) Includes the following properties: Puerto Madero Dock XIII (fully sold). It also includes income from termination and income due to the reimbursement of common maintenance expenses, stamp tax and associated fees.

(13) Corresponds to the "Development and sale of properties" business unit mentioned in Note 3 to the Consolidated Financial Statements.

(14) Owned by CYRSA S.A.

(15) Corresponds to swap receivables disclosed as "Inventories" in the Consolidated Financial Statements for parcels "G" and "H".
The degree of physical progress of parcel "G" at June 30, 2011 is 100% and of parcel "H" is 84%.

(16) 63% of the area was sold under deed.

(17) Gains derived from 99.4% of sales have been recognized as Net Realizable Value.

(18) 42% of the area was sold under deed.

In the apartment building market, we acquire undeveloped properties strategically located in densely populated areas of the City of Buenos Aires, particularly properties located near shopping centers and hypermarkets or those to be constructed. We then develop multi-building high-rise complexes targeting the middle- and high- income market. These are equipped with modern comforts and services, such as open “green areas,” swimming pools, sports and recreation facilities and 24-hour security. In the loft buildings market, our strategy is to acquire old buildings no longer in use located in areas with a significant middle and upper-income population. The properties are then renovated into unfinished lofts allowing buyers the opportunity to design and decorate them according to their preferences.

Completed Apartment Projects

Torres Jardín, City of Buenos Aires. Torres Jardín is a high-rise residential complex located in the Buenos Aires neighborhood of Villa Crespo, approximately five minutes from Abasto Shopping. Torres Jardín I, II and III have been completed and consist of 490 one, two and three-bedroom residential apartments. The complex also includes 295 spaces of underground parking. As of June 30, 2012, 2 spaces for motorcycle parking were pending sale.

Edificios Cruceros, City of Buenos Aires. “Edificios Cruceros” is a project located in the Puerto Madero area. This dwelling building covers 6,400 square meters of surface area, and it is close to the “Edificios Costeros” office building. This project targets the high-income segment of the population and all its common areas have views to the river. This development was partially financed through the anticipated sale of its apartments. Works have been completed and at June 30, 2012 it is fully sold.

Barrio Chico, City of Buenos Aires. This is a unique Project located in Barrio Parque, an exclusive residential zone in the City of Buenos Aires. During May 2006 the successful marketing of this project was launched. The image of the product was previously developed with the name of “Barrio Chico” with advertisements in the most important media. As of June 30 2012, the project is finished and only 5 parking spaces remain to be sold.

Palacio Alcorta, City of Buenos Aires. Palacio Alcorta is a 191-loft units residential property that we converted from a former Chrysler factory in the residential neighborhood of Palermo Chico, one of the most exclusive areas of Buenos Aires City, located just a ten-minute drive from downtown Buenos Aires. The loft units range from 60 to 271 sqm. This development project targets the upper-income market. Palacio Alcorta has 165 parking spaces and also seven retail units that belong to us. All of the loft units in the complex have been sold.

Concepción Arenal 3000, City of Buenos Aires. Concepción Arenal 3000 is a 70-loft residential property located in the north-central area of the City of Buenos Aires. Each loft unit has a salable area of 86 sqm and a parking space. Lofts in this building are targeted towards the middle-income market. As of June 30, 2012, the project had been completed and fully sold.

Alto Palermo Park and Plaza, City of Buenos Aires. Alto Palermo Park is one of two 34-story apartment buildings located two blocks from Alto Palermo Shopping in the exclusive neighborhood of Palermo. Apartments in this building are targeted primarily towards the upper-income market. Alto Palermo Park is located next to its twin building, Alto Palermo Plaza. Both buildings are comprised of three- and four-bedroom apartments with an average area of 158 sqm in the case of Alto Palermo Park and of 294.5 sqm, in the case of Alto Palermo Plaza. Each unit includes an average of 18 and 29 sqm parking/storage space, respectively. These buildings were included with the assets that the Company acquired in November 1997 from Pérez Companc. As of the date of this report, 100% of both towers was sold.

Villa Celina, Province of Buenos Aires. Villa Celina is a 400-plot residential community for the construction of single-family homes located in the residential neighborhood of Villa Celina on the southwestern edge of the City of Buenos Aires. We have been developing this property in several stages since 1994. The first three stages involved 219 lots, each measuring on average 347 square meters and the last two stages involve 181 lots. As of June 30, 2012, 100% of the project had been sold.

Torres Renoir, Dique III. During fiscal year 2006 we closed swap agreements that allowed us to start the construction of these two exclusive residential buildings of 37 and 40 stories. Located in Dique III in Puerto Madero, City of Buenos Aires, this project was directed to a medium-high income public. The project includes amenities and high-class services. As of June 30, 2012, the works were completed and the units were fully sold.

Table of Contents

Apartment Projects Currently Under Development

Torre Caballito, City of Buenos Aires. This property, with a surface of 8,404 square meters, is situated in the northern area of Caballito's residential neighborhood in the City of Buenos Aires. On May 4, 2006, IRSA and KOAD S.A. ("KOAD"), an Argentine developer, entered into an asset exchange agreement valued at US$ 7.5 million pursuant to which it sold to Koad plot number 36 of "Terrenos de Caballito" whereby KOAD has agreed to develop a residential complex called "Caballito Nuevo", at its costs, consisting of two 34-story towers containing 220 apartments each, consisting of one, two and three bedroom residential units with surface areas ranging from 40 to 85 sqm, totaling approximately 28,000 saleable sqm. The project offers a wide variety of amenities and services. As a result of this transaction, Koad delivered to IRSA 118 apartments and 61 parking lots in the first tower, representing 25% of the total square meters for sale. As of June 30, 2012, 9 apartments and 11 parking spaces are still pending sale.

Horizons Project, Vicente López, Olivos, Province of Buenos Aires. In January, 2007, we acquired the total shares of Rummaala S.A., the main asset of which is a plot of land located in Vicente Lopez, Province of Buenos Aires. The purchase price was US$ 21.17 million, payable as follows: (i) US$ 4.25 million in cash and (ii) delivery of certain units of the building to be constructed in the land owned by Rummaala in the amount of US$ 16.92 million, within a 4-year term as from the later of the approval date of the plans by the competent authorities or the date on which the property is vacated. As security for compliance with the construction of the future building and transfer of the future units, the shares acquired were pledged.

Simultaneously with the foregoing transaction, Rummaala acquired a plot of land adjacent to its own property for a total purchase price of US$ 15.0 million, payable as follows: (i) US$ 0.5 million in cash; (ii) through the delivery of certain units of buildings Cruceros I and II in the amount of US$ 1.25 million and (iii) trough the delivery of certain units of the building to be constructed in the land acquired for a total purchase price of US$ 13.25 million, within a 40-month term as from the later of the approval date of the plans by the competent authorities or the date on which the property is vacated. As security for compliance with the construction of the future building and transfer of the future units, the property located at Suipacha 652 was mortgaged.

In April 2007, we created CYRSA S.A. ("CYRSA") in order to have a corporate vehicle to facilitate the development of a specific project together with one or more investors having in-depth knowledge and vast experience in the industry. To that end, we contributed 100% of the capital stock in Rummaala S.A. and the debt in kind associated to the acquisition of the land to CYRSA for a net amount of $ 21.5 million, whereas CYRELA contributed $ 21.5 million (an amount equivalent to the value of the shares that we contributed).

We entered into an agreement with Cyrela Brazil Realty S.A. Empreendimentos e Partiçipacões for the development of residential projects in the Republic of Argentina through CYRSA, which will operate under the name of IRSA - CYRELA.

IRSA-CYRELA's development project in this plot made up by two adjacent blocks in the Vicente López neighborhood, was launched in March under the name "Horizons". It is one of the most significant developments in Greater Buenos Aires, which entailed a new concept in residential complexes given its emphasis on the use of common spaces. This project includes two complexes with a total of six buildings; one of them facing the river with three 14-floor buildings (the "River" complex) and the other on Avenida del Libertador with three 17-floor buildings (the "Park" complex), totaling 59,000 sqm of constructed surface area for sale distributed in 467 units (to the exclusion of the units to be delivered in exchange for the acquisition of land). With its unique and innovating style in residential complexes, Horizons has 32 amenities, including a meeting room; a work zone; heated swimming pools; club house and spa, sauna, gym, children room, teen room; theme-park areas; and aerobic trail, to name but a few. The showroom was opened to the public in March 2008 with immediate success.

As of June 30, 2012, preliminary sales agreements had been executed for 100% of our own units on sale. The Towers located in both blocks are completed and the title deeds of its units are being executed. Delivery of the last units is expected to be completed during fiscal year 2012-2013.

Private Residential Communities

In the residential communities market, we acquire undeveloped properties located in suburban areas or neighborhoods near the large cities to develop private neighborhoods and country clubs in which to sell vacant lots for the construction of single family homes. In these properties we build streets and roads and arrange for the provision of basic municipal services and amenities such as open spaces, sports facilities and security. We seek to capitalize on improvements in transportation and communication around the City of Buenos Aires, the growing suburbanization of the region and the shift of the population moving to countryside-type residential communities.

An important factor in the trend towards living in suburban areas has been the improvements and additions to the Autopista Panamericana, Avenida General Paz and Acceso Oeste highways, which significantly reduce traveling time, encouraging a significant number of families to move to the new residential neighborhoods. Furthermore, improvements in public train, subway and bus transportation since their privatization have also influenced the trend to adopt this lifestyle.

As of June 30, 2012, our residential communities for the construction of single-family homes for sale in Argentina had a total of 5,137 square meters of saleable area in Abril, and 26,373 sqm of saleable area in “El Encuentro” (Benavidez). Both residential communities are located in the province of Buenos Aires.

Abril, Hudson, Greater Buenos Aires. Abril is a 312-hectare private residential community located near Hudson City, approximately 34 kilometers south of the City of Buenos Aires. We have developed this property into a private residential community for the construction of single family homes targeting the upper-middle income market. The project includes 20 neighborhoods subdivided into 1,273 lots of approximately 1,107 square meters each. Abril also includes an 18-hole golf course, 130 hectares of woodlands, a 4,000-square meter mansion and entertainment facilities. A bilingual school, horse stables and sports centers and the construction of the shopping center were concluded in 1999. The neighborhoods have been completed, and as of June 30, 2012, 99.6% of the property had been sold for an aggregate of over Ps. 240 million, with 5,137 square meters available for sale.

El Encuentro, Benavidez, Tigre. In the district of Benavidez, Municipality of Tigre, 35 kilometers north from downtown Buenos Aires, a 110-hectare gated residential complex known as “El Encuentro” is located, consisting of a total of 527 lots with a total saleable area of 610,785.15 sqm with two privileged front accesses: the main one to Vía Bancalari and the service one to Highway No. 9, allowing an easy way to and from the city. On May 21, 2004 an exchange deed was signed for the original lot whereby DEESA agreed to pay US$ 4.0 million to our subsidiary Inversora Bolívar, of which US$ 1.0 million were paid in cash and the balance of US$ 3.0 million was paid on December 22, 2009, with the transfer of 110 residential plots already chosen, totaling a saleable area of 127,795 sqm. The development of the project is completed and equipped with power supply, water, sewage, effluent treatment plant, public lighting, finished driveways and accesses, buildings, sports facilities, etc.

As of June 30, 2012, after having started its commercialization in March 2010, 84 units have been sold; there are reserves for 6 units for an amount of US$ 0.82 million, and 22 units are available for sale.

Land Reserves

We have acquired large undeveloped properties as land reserves located in strategic areas for the future development of office and apartment buildings, shopping centers and single family housing. We have acquired what we believe to be two of the largest and most important undeveloped river front plots in Buenos Aires, Puerto Retiro and Santa María del Plata, for the future development of residential and office spaces. In addition, we have benefited from the improvement of land values during periods of economic growth. As of June 30, 2012, our land reserves totaled 25 properties consisting of approximately 2,160 hectares (including the lot in Caballito, and the air space over Coto C.I.C.S.A. - "Coto"- where we hold interests through our subsidiary Alto Palermo).

Table of Contents

Land Reserves in the City of Buenos Aires

Solares de Santa Maria, City of Buenos Aires, (formerly Santa María del Plata). Solares de Santa María is a 70-hectare property facing the Río de la Plata in the south of Puerto Madero, 10 minutes from downtown Buenos Aires. Through our subsidiary Solares de Santa María S.A. ("Solares de Santa María") we are owners of this property. We intend to develop this property for mixed purposes, i.e. our development project involves residential complexes as well as offices, stores, hotels, sports and sailing clubs, services areas with schools, supermarkets and parking lots.

As part of the project, we had sold 10% of Solares de Santa María capital stock for US$ 10.6 million to Mr. Israel Sutton Dabbah, who is part of the Sutton Group. An initial payment of US$ 1.5 million was made and the balance of US$ 9.1 million was due on December 23, 2009. In order to secure his obligations under the share purchase agreement, the buyer created a pledge on certain assets owned by it for our and our subsidiary, Palermo Invest S.A.'s benefit.

On the first days of September 2010, and after the end of fiscal year 2010, we acquired (through E-commerce Latina S.A.) a 100% interest in Unicity for the sum of US$ 2.5 million. The main asset of Unicity includes 31,491,932 shares representative of 10% of Solares de Santa María S.A.'s stock capital and pursuant to which it held liabilities with IRSA for the purchase price balance, which as of even date amounts to US$ 9.1 million. On September 28, 2010 such liabilities were capitalized and we received in exchange 36,036,000 shares accounting for 88.61% of Unicity, and the remaining balance of 11.39% is held by E-Commerce Latina S.A.

In 1997 we acquired the site which the National Executive Branch had assigned to be the Olympic village of the Olympic Games in case Buenos Aires was chosen as host city to hold the Olympic Games. A rule passed by the Legislative Branch of the City of Buenos Aires in 1992 provided general urban standards to the site, and stated that the "Site urban design" was to be submitted for approval of the Environmental Urban Plan Council (Consejo de Planificación Urbana - "COPUA"). As from the acquisition of this property, we have been seeking the municipal approvals necessary for the development of a mixed project in the area.

In the year 2000, we filed a master plan for the Santa María del Plata site, which was assessed by COPUA and submitted to the Town Treasurer's Office for its consideration. In 2002, the Government of the City of Buenos Aires issued a notice of public hearing and in July 2006, the COPUA made some recommendations about the project, and in response to the recommendations made by COPUA to the project on December 13, 2006, we filed an amendment to the project to adjust it to the recommendations made by COPUA, making material amendments to our development plan for the Area, which amendments included the donation of 50% of the site to the City of Buenos Aires for public use and convenience and a perimetrical pedestrian lane along the entire site on the river bank.

In March 2007, a committee of the Government of the City of Buenos Aires, composed of representatives from the Legislative and Executive Branches, issued a report stating that such Committee had no objections to our development plan and requested that the General Treasury render a decision concerning the scope of the development plan submitted for the project.

In November 2007, 15 years after the Legislative Branch of the City of Buenos Aires granted the general zoning standards for the site, the Government Chief of the City of Buenos Aires executed Decree No. 1584/07, which passed the specific ruling, set forth certain rules for the urban development of the project, including types of permitted constructions and the obligation to assign certain spaces for public use and convenience.

Notwithstanding the approval of Decree No. 1584/07 in 2007, several municipal approvals are still pending and in December 2007, a municipal court rendered a decision restricting the implementation of our proposed development plan due to objections made by a legislator of the City of Buenos Aires, alleging the suspension of Decree No. 1584/07 and each construction project and/or the municipal permits granted for business purposes. Notwithstanding the legality and validity that has the referred decree for the company, alternatively, Agreement 5/10 was executed with the Government of the City of Buenos Aires, which has been sent with a legislative bill to the Legislature of the City of Buenos Aires under number 976-J-2010, for approval. Once approved, these regulations will have the hierarchy of a law.

Puerto Retiro. Puerto Retiro is an 8.2 hectare undeveloped riverside property bounded by the Catalinas and Puerto Madero office zones to the west, the Retiro railway station to the north and the Río de la Plata to the south and east. One of the only two significant privately owned waterfront properties in the City of Buenos Aires, Puerto Retiro may currently be utilized only for port activities, so we have initiated negotiations with municipal authorities in order to rezone the area. Our plan is to develop a 360,000 sqm financial center. The launching date has not been settled and consequently, the estimated cost and financing method are not decided yet. We own a 50% interest in Puerto Retiro.

Caballito lot, Ferro Project. This is a property of approximately 23,791 sqm in the City of Buenos Aires, neighborhood of Caballito, one of the most densely populated of the city, which Alto Palermo purchased in November 1997. This plot would allow developing a shopping center having 30,000 sqm, a hypermarket, a cinema complex, and several recreation and entertainment activity areas. At present, the legislature of the City of Buenos Aires has received a legislative bill to approve the zoning parameters corresponding to this property which already has the consent of the Executive Branch.

Beruti plot. During June 2008, APSA acquired a plot of land situated at Beruti 3351/3359, between Bulnes and Avenida Coronel Díaz in Palermo, a neighborhood in the City of Buenos Aires quite close to our Shopping Center known as “Alto Palermo Shopping”. The transaction involved a surface area of 3,207 sqm for a price of US$ 17.8 million. This has been a significant acquisition because of the strategic location of the property, in the immediate vicinity of our main shopping center.

In October 2010, the lot was sold to TGLT for US$ 18.8 million. As consideration for the sale, APSA received US$ 10.7 million in cash upon the execution of the preliminary sales agreement. As consideration for the balance, APSA will receive 17.33% of the apartments’ saleable area, 15.82% of the residential parking spaces and 170 business parking spaces located in the first and second underground levels. As security for the transaction, TGLT delivered to APSA a performance bond for US$ 4.0 million and a first-degree mortgage in the name of APSA for US$ 8.1 million, over the lot. Delivery is expected to take place in November 2013.

Terreno Paraná. On June 30, 2009, Alto Palermo S.A. (APSA) executed a “Letter of Intent” whereby it stated its intention to acquire a plot of land of approximately 10,022 sqm in the City of Paraná, Province of Entre Ríos, to be allocated to the construction, development and exploitation of a shopping center or mall. The purchase price was US$ 0.5 million, out of which at the beginning of July 2010, the sum of US$ 0.05 million was paid as advance payment, in August 2010 US$ 0.1 million was paid, and the remaining US$ 0.35 million will be paid upon the execution of the title deed. The certificate of possession of the Lot was executed on December 29, 2012.

Caballito plot. During this fiscal year, we and TGLT executed a barter deed pursuant to which we transferred to TGLT under a swap agreement the property detailed in the deed as described below, which has a total surface area of 9,784 sqm: plot of land, designated as Parcel ONE L, in block 35, facing Méndez de Andes street between Rojas and Colpayo streets in the Caballito neighborhood.

In turn, TGLT agreed to carry out in the property a real estate development for residential use. In exchange for the transfer of the property, APSA will receive non-cash considerations equivalent to US$ 12.75 million, which consist in transferring under barter to APSA certain home units in the buildings to be built which will represent 23.1% of the saleable area and 21.1% of the parking spaces area. As security for the transaction, TGLT has granted to IRSA a first-degree mortgage over the property in the amount of US$ 12.75 million.

Pursuant to the Barter Deed executed by the parties the units in Tower 1 will be delivered in October 2014, the units in Tower 2 will be delivered in April 2015 and the units in Tower 3 will be delivered in October 2015.

Coto Residential Project. Alto Palermo owns approximately 24,000 sqm in air space over the top of the Coto hypermarket that is close to the Abasto Shopping Center in the heart of the City of Buenos Aires. Alto Palermo S.A. and Coto Centro Integral de Comercialización S.A. (Coto) executed and delivered a deed dated September 24, 1997 whereby APSA acquired the rights to receive parking units and the rights to build on top of the premises located in the block formed by the streets Agüero, Lavalle, Guardia Vieja and Gallo, in the Abasto neighborhood.

Terreno Baicom. On December 23, 2009, we acquired 50% of a parcel located in the surroundings of the Buenos Aires Port, for a purchase price of Ps. 4.5 million. The property’s total surface area is 6,905 sqm and there is a construction permit associated for 34,500 sqm in line with the City of Buenos Aires urban construction rules and regulations.

Land reserves in the Province of Buenos Aires

Sale of Pereiraola, Hudson. Directly and indirectly through Inversora Bolivar, we had a 100.0% interest in Pereiraola S.A., a company whose principal asset is a 130-hectare undeveloped property adjacent to Abril, a private residential community developed by IRSA.

On April 21, 2010, the Company entered into a purchase and sale agreement with a third party whereby IRSA agrees to sell 100% of Pereiraola S.A.'s shares. The total price of the transaction was established at US$ 11.8 million plus VAT, which meant a gain of Ps. 21.7 million over book value.

On June 25, 2010, we accepted a purchase bid for US$ 11,786,972, to be paid partly in cash and partly in kind. For the cash-based payment, the buyer has paid us US$ 1,940,000. The US$ 7,760,000 balance will be paid in 4 half-yearly, equal and consecutive installments of US$ 1,940,000 each. As to the non-monetary part of the transaction, the buyer will transfer ownership to us over certain lots within 36 months starting on the date its bid is accepted.

Late in July 2012, the buyer paid the monetary portion of consideration and therefore only delivery of the promised lots is pending.

To secure payment of the price, the buyer sets up a pledge over Pereiraola's shares, which remain in our custody. Besides, the buyer created a first-degree mortgage in our favor over the property.

Pilar. Pilar is a 74-hectare undeveloped land reserve property located close to the city of Pilar, 55 kilometers northwest of downtown Buenos Aires. The property is easily accessible due to its proximity to the Autopista del Norte highway. Pilar has become one of Argentina's fastest developing areas. We are considering several alternatives for this property including the development of a residential community or the sale of this property in its current state and, therefore, we do not have a cost estimate or financing plan. The plot's book value is estimated to be Ps. 3.4 million as of June 30, 2012.

Table of Contents

Land reserves in other provinces

Torres Rosario Project, City of Rosario, Province of Santa Fe. APSA owns a block of land of approximately 50,000 sqm divided into 8 smaller plots in the City of Rosario, near the Alto Rosario Shopping Center. At June 30, 2011, 2 of the plots had been bartered with Condominios del Alto S.A. (plots 2-G and 2-H).

As consideration for the barter of parcel 2-G (totaling a surface area of 10,128 sqm for sale), in December 2011 Condominios del Alto S.A. transferred 15 apartments, with a total constructed area of 1,504.45 sqm (representative of 14.85% of the total building constructed in this parcel) and 15 parking spaces (representative of 15% of the total parking surface area to be constructed in this property). These units are already for sale since May 2010.

As consideration for the barter of parcel 2-H (totaling a surface area of 14,500 sqm for sale), Condominios del Alto S.A. will transfer 42 apartments, with a total constructed surface area of 3,188 sqm (representative of 22% of the total building to be constructed in this parcel) and 47 parking spaces (representative of 22% of the total parking surface area to be constructed in this property). The degree of completion of parcel 2-H is 84%.

As of June 30, 2012, the rest of the parcels of Block 2 had been sold, as per the following detail. Parcel 2-A was sold for US$ 4.2 million and its title deed was executed in June 2011; parcel 2-B was sold for US$ 1.51 million and its title deed was executed in June 2011; parcel 2-C was sold for US$ 1.51 million and its title deed was executed in June 2011; parcel 2-D was sold for US$ 1.54 million, to be collected in 5 installments (4 installments of US$ 0.257 million collected in February, July and August 2011, a fourth one collected in November 2011 and the fifth one collected in February 2012 for US$ 0.513 million, on which date the title deed was executed in the name of buyer); parcel 2-E was sold for US$ 1.43 million and its title deed was executed in May 2010; and parcel 2-F was sold for US$ 1.93 million and its title deed was executed in June 2011. On December 28, 2011 Condominios del Alto transferred to APSA title to the 15 apartment units and 15 parking spaces comprising the non-monetary portion of consideration under the Barter Agreement for 2G parcel entered into in October 2007. Therefore, APSA discharged the mortgage on the property that secured payment of the consideration.

Condominios del Alto I- (parcel 2-G)

The project is composed of two opposite blocks of buildings, commercially divided into 8 sub-blocks. Apartments (97 units) are distributed in 6 floors with parking spaces (98 units) in the basement. Condominios del Alto I's amenities include a swimming pool with solarium, a multiple use room, sauna, a gym with dressroom and a laundry. Given its excellent location and construction quality, this development is targeted at a medium-high income segment.
As of June 30, 2012, the project had been completed and 7 apartments with parking space had been sold, with 8 apartments, 8 parking spaces and one storage space being available for sale.

Condominios del Alto II – (parcel 2-H)

The project will be composed of two opposite blocks of buildings, commercially divided into 10 sub-blocks. The project will include a total of 189 apartments distributed in 6 floors and 195 parking spaces located in two basements. The amenities will include a swimming pool with solarium, a multiple use room, sauna, a gym with dressroom and a laundry. As of June 30, 2012 the project had been completed and deliveries are in progress, with 35 apartments (3,601 sqm), 41 parking spaces and 5 storage spaces being available for sale.

Neuquén Project, Province of Neuquén. The main asset of the project is a plot of land of approximately 50,000 sqm. The project contemplates the construction of a shopping center, a hypermarket, a hotel and an apartment building.

On June 12, 2009, a new agreement was executed with the Municipality of Neuquén whereby we were required to submit the blueprints of the new Road Project (including the additions to the project agreed upon) and the blueprints of the Modified General Project. The respective modifications to the blueprints mentioned were filed on October 19, 2009. Then, the Municipality of Neuquén raised some objections that were duly responded. On January 18, 2010, the Municipality of Neuquén requested corrections to the blueprints filed and imposed a 30-day term for filing them. Finally, APSA was notified that the architectural project had been registered, which triggered, on April 8, 2010, the commencement of a term of 90 running days for the start of the shared works. APSA submitted the working plans for the first stage of the works (which contemplate the construction of the Shopping Center and the Hypermarket) and was granted the authorizations necessary to start working. On July 5, 2010, well within the 90-running day term already mentioned, APSA started the shared works.

The first stage of the works is to be finished in a maximum 22-month period counted as from the date of commencement of the construction works. In the event of a breach of the conditions agreed upon, the Municipality of Neuquén is entitled to terminate the agreement and proceed as necessary, which means that the Municipality of Neuquén is entitled to demand that the parcels it sold to the Company be returned.

On June 18, 2009, Shopping Neuquén S.A. received from the company G&D Developers S.A. US$ 119 thousand as price for the sale of a lot of approximately 4,332 sqm located in the surroundings of the property that will host the shopping center, though separate from it, in the framework of the negotiations conducted with the Municipality of Neuquén.

As of June 30, 2011, the area that was planned to be used for construction of a Hypermarket had been sold to a subsidiary of COTO.

On June 4, 2012, pursuant to an agreement entered into between Shopping Neuquén S.A. and the Municipality of Neuquén, a new extension was agreed to resume works on the site, following appointment of a new constructor. The new deadlines contemplate the Appointment of a constructor and Resumption of Works.

Ex Escuela Gobernador Vicente de Olmos, Córdoba, Province of Córdoba. In November 2006 we participated in a public bidding process called by Corporación Inmobiliaria Córdoba S.A. for the sale of the building known as Ex Escuela Gobernador Vicente de Olmos, located in the City of Córdoba. The building has 5,147 sqm of surface area. Inside the building there is a portion of the Patio Olmos shopping center, which operates in four commercial floors and has two underground parking lots. This shopping center also includes two neighboring buildings with cinemas and a commercial annex connected to the area covered by the call for bids and legally related through easement contracts. The building is under a concession contract effective for a 40-year term, expiring in February 2032, in which we acted as grantor. On September 25, 2007, the Government of the Province of Córdoba executed and delivered the title deed conveying the property where the Patio Olmos Shopping Center is currently operating, together with the transfer of the respective concession contract.

Canteras Natal Crespo, Province of Córdoba. The first guidelines for development of this project are in progress on the basis of the Master Plan of the Chilean architect firm called URBE. Also, preliminary filings have been submitted to the Municipality of La Calera and to the Provincial Government.

This undertaking is characterized by an attractive and varied residential offer of land, dwelling areas of low and medium density, and commercial and social areas. Each one of the quarters will have a full service infrastructure and will be distinguished by the particularities of the land in the outstanding natural environment of the Sierras Chicas of the Province of Córdoba.

Canteras Natal Crespo S.A. is a company located in the Province of Córdoba that will have as main activity the urbanization of own or third parties plots of land, the so-called countries, lots for sale or rent, production of quarries, real estate business and construction of houses.

Purchase of Nobleza Piccardo’s Plant

We have acquired, through a subsidiary in which we have a 50% interest, the property where Nobleza Piccardo has its manufacturing plant. It is located in the City of San Martin (Av. San Martín 601), in the Province of Buenos Aires; and due to its size and location it is an excellent site for the future development of different segments. The total area of its plot is 160,000 sqm with a built area of 81.786 sqm. According to the executed agreement, Nobleza Piccardo will lease 100% of the plot during the first year, vacating it partially until the 3rd lease year, at which time it will vacate the whole plot.

During the first lease year, the rental area is 80,026 sqm including storehouses and offices and during the second year of lease, the leased area will be reduced to 27,614 sqm.

We are preparing a Master Plan in order to apply before the authorities of San Martín’s Town Hall for the zoning parameters that will allow us to develop a mixed-use project.

On May 16 the Municipality of San Martín approved the pre-feasibility application for business, entertainment, event, office and other uses.

On May 30, by accepting a letter of Offer of Shares APSA acquired 100% of IRSA's shares in Quality Invest S.A. (50% of all shares), a Company whose sole asset is the lot where the manufacturing plant and administrative offices of Nobleza Piccardo operated. The property area is 160,000 square meters, the built area is 80,000 square meters, and it is located only 200m away from the intersection of Av. San Martín and Av. Gral Paz in the district of San Martín.

The transaction amounted to US$ 9,700,000.

Other Land Reserves

Our portfolio also includes twelve land reserve properties located in the City of Buenos Aires and its surrounding areas. These properties are projected for future developments of offices, shopping centers, apartment buildings and residential communities. The main properties under this category include Merlo, Mariano Acosta and Pontevedra. We also own a property in the surroundings of the City of Santa Fe called Isla Sirgadero.

Table of Contents

Hotels

At the end of the 1997 fiscal year, we acquired the Hotel Llao Llao, our first luxury hotel. Some months later, as part of the acquisition from Pérez Companc of the Old Alto Palermo, we acquired an indirect 50% interest in Hotel Intercontinental in Buenos Aires which we own through our subsidiary Inversora Bolívar. In March 1998, we acquired the Hotel Libertador. During fiscal year 1999, we sold a 20% interest in the Hotel Libertador to Hoteles Sheraton de Argentina S.A.C., ("Hoteles Sheraton de Argentina") and during the fiscal year 2000, we sold 50% of our interest in the Hotel Llao Llao to the Sutton Group. During fiscal year 2007 we increased our share in Inversora Bolivar by 100% and obtained an indirect share in the Hotel Intercontinental of 76.34%.

The following chart shows certain information regarding our luxury hotels:

Hotels	Date of Acquisition	IRSA's Effective Interest	Number of rooms	Average Occupancy (1)	Average price per room (Ps.) (2)	Accumulated sales as of June 30, (Ps. 000)			Book Value (Ps. 000)
						2012	2011	2010	
Intercontinental (3)	11/01/97	76.34%	309	75%	695	85,977	78,841	64,092	52,476
Sheraton Libertador (4)	03/01/98	80.00%	200	85%	614	55,642	43,786	36,996	37,795
Llao Llao (5)	06/01/97	50.00%	201	21%	1,071	28,393	70,256	58,806	70,430
Terrenos Bariloche (5)	12/01/06	50.00%	N/A	N/A	N/A	N/A	N/A	N/A	21,900
Total	-	-	710	63%	701	170,013	192,883	159,894	182,601

Notes:
(1) Accumulated average in the twelve-month period.
(2) Accumulated average in the twelve-month period.
(3) Indirectly owned through Nuevas Fronteras S.A. (Subsidiary of IRSA).
(4) Indirectly owned through Hoteles Argentinos S.A.
(5) Indirectly owned through Llao Llao Resorts S.A.

Hotel Llao Llao, San Carlos de Bariloche, Province of Rio Negro.

In June 1997 we acquired the Hotel Llao Llao from Llao Llao Holding S.A. Fifty percent is currently owned by the Sutton Group. The Hotel Llao Llao is located on the Llao Llao peninsula, 25 kilometers from San Carlos de Bariloche and is one of the most important tourist hotels in Argentina. Surrounded by mountains and lakes, this hotel was designed and built by the famous architect Bustillo in a traditional alpine style and first opened in 1938. The hotel was renovated between 1990 and 1993 and has a total constructed surface area of 15,000 sqm and 158 original rooms. The hotel-resort also includes an 18-hole golf course, tennis courts, health club, spa, game room and swimming pool. The hotel is a member of The Leading Hotels of the World, Ltd., a prestigious luxury hospitality organization representing 430 of the world's finest hotels, resorts and spas. The Hotel Llao Llao is currently being managed by Compañía de Servicios Hoteleros S.A., which manages the Alvear Palace Hotel, a luxury hotel located in the Recoleta neighborhood of Buenos Aires. During 2007, the hotel was subject to an expansion and the number of suites in the hotel rose to 201 rooms.

Hotel Intercontinental, City of Buenos Aires.

In November 1997, we acquired 51% of the Hotel Intercontinental from Pérez Companc S.A. The Hotel Intercontinental is located in the downtown City of Buenos Aires neighborhood of Monserrat, near the Intercontinental Plaza office building. Intercontinental Hotels Corporation, a United States corporation, currently owns 24% of the Hotel Intercontinental. The hotel's meeting facilities include eight meeting rooms, a convention center and a divisible 588 sqm ballroom. Other amenities include a restaurant, a business center, a sauna and a fitness facility with swimming pool. The hotel was completed in December 1994 and has 309 rooms. The hotel is managed by the Intercontinental Hotels Corporation.

Hotel Sheraton Libertador, City of Buenos Aires.

In March 1998 we acquired 100% of the Hotel Sheraton Libertador from Citicorp Equity Investment for an aggregate purchase price of US$ 23 million. This hotel is located in downtown Buenos Aires. The hotel contains 193 rooms and 7 suites, eight meeting rooms, a restaurant, a business center, a spa and fitness facilities with a swimming pool. In March 1999, we sold 20% of our interest in the Sheraton Libertador Hotel for US$ 4.7 million to Hoteles Sheraton de Argentina. The hotel is currently managed by Sheraton Overseas Management Corporation, a United States corporation.

Terreno Bariloche, "El Rancho," San Carlos de Bariloche, Province of Río Negro.

On December 14, 2006, through our hotel operator subsidiary, Llao Llao Resorts S.A., we acquired a land covering 129,533 sqm of surface area in the City of San Carlos de Bariloche in the Province of Río Negro. The total price of the transaction was US$ 7.0 million, of which US$ 4.2 million were paid in cash and the balance of US$ 2.8 million was financed by means of a mortgage to be paid in 36 monthly, equal and consecutive installments of US$ 0.086 million each. The land is in the border of the Lago Gutiérrez, close to the Llao Llao Hotel in an outstanding natural environment and it has a large cottage covering 1,000 sqm of surface area designed by the architect Ezequiel Bustillo.

Table of Contents

Other Investments in Argentina and Abroad

Acquisition of companies in the real estate business in the Republic of Uruguay

In the course of fiscal year 2009 we acquired a 100% ownership interest in Liveck S.A. ("Liveck"), a company organized under the laws of Uruguay, in exchange for a token consideration. In June 2009, Liveck had acquired a 90% stake in the capital stock of Vista al Muelle S.A. and Zetol S.A., two Uruguay-based real estate companies, for US$ 7.8 million. The remaining 10% ownership interest in both companies is in the hands of Banzey S.A. (Banzey). These companies have undeveloped lands in Canelones, Uruguay, close to the capital city of Uruguay, Montevideo.

The total purchase price for Zetol was US$ 7.0 million; there has been a down payment for US$ 2.0 million and it has been agreed that the balance shall be paid in 5 installments of US$ 1.0 million each, accruing interest at an annual 3.5% rate on outstanding balances, against the consummated launches of the projected construction or within a maximum term of 93 months counted as from the date of acquisition by the Company. The sellers may choose to receive, in lieu of cash for the outstanding balances (principal plus interest), ownership over units in the buildings to be constructed in the land owned by Zetol equivalent to 12% of the total marketable meters to be constructed.

The total price for the acquisition of Vista al Muelle was US$ 0.83 million, as follows: there has been a US$ 0.5 million down payment and it has been agreed that the balance will be paid within a maximum term of two years plus an annual 8% interest rate on balances.

To secure compliance with the obligations assumed by Liveck in connection with the above-mentioned transactions, Ritelco S.A. has tendered a surety bond to secure 45% of the price balance, interest, and the sellers’ option rights.

There is a mortgage over the land bought, which means that the sellers rely on a dual guarantee. As of June 30, 2009, the Company sold a 50% stake in Liveck to Cyrela Brazil Realty S.A for US$ 1.3 million.

Under the agreement for the purchase and sale of Zetol and Vista al Muelle and its respective addenda, Liveck has undertaken to acquire the shareholding held by Banzey (or by Ernesto Kimelman or by an entity owned by him, as applicable) in those companies and Banzey has agreed to sell the shares for the amount in US Dollars or in Uruguayan Pesos, as applicable, that any of them would have actually contributed to Zetol and Vista al Muelle, until the transaction is consummated.

In December 2009, Vista al Muelle acquired other real property totaling US$ 1.9 million; there has been a US$ 0.3 million down payment and the balance shall be discharged through the delivery of housing units and/or storefronts to be constructed and equivalent to 12% of a 65.54% portion of the sum of the prices of all the units covered by the Launching Price List for Sector B (the parties have already signed a plat of subdivision to this end).

In February 2010, it acquired additional real estate for a total of US$ 1.0 million in exchange for a down payment of US$ 0.15 million with the balance to be paid in 3 consecutive and equal installments maturing on December 31, 2011, June 30, 2013 and December 30, 2014 and accruing an annual 3% interest rate on the outstanding balance, payable quarterly and in arrears as from December 31, 2009.

On December 17, 2010, IRSA and Cyrela executed a stock purchase agreement pursuant to which IRSA purchased from Cyrela a 50% stake in Liveck S.A. for US$ 2.7 million. Accordingly, as of June 30, 2012, IRSA’s stake, through Tyrus, in Liveck is 100%.

We intend to carry out an urban project consisting in the construction of apartment buildings to be subsequently sold. The project has been granted the requisite “urban feasibility” status by the Mayor’s Office of the Canelones department and by its local legislature.

Lipstick building, New York, United States

In July 2008, IRSA (through its subsidiaries) acquired a 30% equity interest in Metropolitan, whose net equity is mainly an office building known as "Lipstick Building", and the debt related to this asset. The transaction included the acquisition of (i) put rights effective July 2011 over 50% of the interest purchased for a price equal to the amount invested plus interest at a rate of 4.5% per annum and (ii) a right of first offering for the acquisition of 60% of the 5% equity interest. The price paid for the transaction was US$ 22.6 million.

During fiscal year 2011, as a result of negotiations successfully undertaken, an agreement was reached to restructure Metropolitan's debt as follows:

(i) the mortgage debt was reduced from US$ 210.0 million to US$ 130.0 million at a Libor rate + 400 basis points, subject to a cap of 6.25% and a 7-year maturity term;

(ii) the junior debt, amounting to US$ 45.0 million (excluding accrued interest) was repaid with the payment of US$ 2.25 million; and

(iii) the existing ground leases will be maintained under the same terms and conditions as they were granted, in principle for a remaining period of 66 years.

This restructuring took place on December 30, 2010. On such date, a principal payment of US$ 15.0 million (previously contributed by IRSA) was made under the new restructured mortgage debt, reducing it from US$ 130.0 million to US$ 115.0 million.

Following such closing, IRSA indirectly holds 49% of New Lipstick LLC, a holding company that is owner of Metropolitan, and under the scope of these agreements, it cancelled the put option for 50% of the equity interest initially acquired.

The Lipstick Building is a landmark building in the City of New York, located on Third Avenue and 53rd Street in Midtown-Manhattan, New York. It was designed by architects John Burgee and Philip Johnson (Glass House and Seagram Buildings among other remarkable works) and its name is due to its original elliptic form and the reddish color of its façade. Its gross leaseable area is around 57,500 sqm distributed in 34 stories.

As of June 30, 2012, this building had an occupancy rate over 86% generating average revenues above US$ 63.0 per sqm per month.

In the last year 5 new lease agreements were executed in respect of an area equal to 1547 sqm, generating average monthly revenues of US$ 74.5/sqm. In addition, 3 agreements were renewed in respect of an area of 808 sqm with average monthly revenues of US$ 69.5/sqm. While the building net absorption rate was somewhat negative (-2.57%), the average rental amount compared to the previous year rose by 5% (from US$ 60/sqm to US$ 63/sqm).

In respect of the "turn key" offices constructed on floor 26, 3 of them were occupied, and the last one is available for lease. Going ahead with the turn key office development program, designs are in progress to build more spaces on floors 17, 19, 27 and 31, which were also entrusted to the architecture firm Gensler. In addition, in July remodeling of the exterior of the Lobby was completed and a photo exhibition about the life of Philip Johnson was inaugurated and curated by Hillary Lewis; both works were entrusted to the renowned firm Moed de Armas & Shannon.

39

Building located at 183 Madison Avenue, New York, NY

In December 2010, IRSA, through Rigby 183 LLC ("Rigby 183"), in which it indirectly holds a 49% stake through IMadison LLC ("IMadison"), jointly with other partners, acquired a building located at 183 Madison Avenue, Midtown South, Manhattan, New York. This area involves famous and prominent buildings such as, the Empire State Building, the Macy's Herald Square, and the Madison Square Garden and it also has one of the largest office and store markets, excellent means of transport, restaurants, stores and entertainment options.

The purchased property consists of a pre-war building built in 1925 designed by the architecture firm Warren & Wetmore (the same that designed the Grand Central Terminal of New York). It has 19 office stories for rent and a store on its Ground Floor. The net leaseable area is approximately 23,200 sqm, 3,523 sqm of which correspond to retail stores and 19,677 sqm are offices.

The total purchase price was US$ 98 million (US$ 4,224 per leaseable sqm) composed of US$ 48 million of principal (IMadison contributed US$ 23.5 million), US$ 40 million under a loan granted by M&T Bank at a rate of 5.01% per annum due in 5 years and a loan for US$ 10 million to carry out the capex and prebuilds program.

As of June 30, 2012, the building's occupancy rate was 93% with new agreements executed in respect of an area equal to approximately 9,300 sqm from August to year end with an average monthly rent of US$ 45/sqm, resulting in a 11.5% increase in the total average rent for the whole building (from US$ 35/sqm to US$ 39/sqm). In this period remodeling works were performed and completed in all common areas of the building and "turn key" offices were built on several floors, with an investment over US$ 10 MM. Furthermore, in September 2011 the building was declared "New York City Landmark" and its lobby was declared "New York City Interior Landmark".

Table of Contents

Investment in Hersha Hospitality Trust

On August 4, 2009, through Real Estate Investment Group L.P. (“REIG”), a company indirectly controlled and managed by our Company, together with other minority investors, we acquired 5.7 million common shares of Hersha, a leading company in the hotels segment in the United States, for a total purchase price of US$ 14.3 million. Accessorily to the initial acquisition of our equity interest in Hersha, we received an option to buy up to 5.7 million additional common shares in Hersha at a price of US$ 3.00 per share exercisable at any time prior to July 31, 2014 subject to certain conditions.

In January 2010, we acquired 4.8 million additional shares for a total price of US$ 14.4 million, increasing our stake in Hersha to 10.3%. In turn, on March 24, 2010, Hersha resolved upon a capital increase whereby it issued 27,600,000 Class A common shares. In connection with this increase we exercised our preemptive subscription rights granted under the initial transaction and acquired 3,864,000 additional Class A common shares for a price per share of US$ 4.25, for a total amount of US$ 16.4 million. In October 2010, under the scope of the new issue of capital, we acquired 2,952,625 Class A common shares, at a price per share of US$ 5.8 for a total amount of US$ 17.1 million. Then, during this fiscal period, we sold a total of 2,542,379 Class A common shares for a total amount of US$ 16.1 million.

On February 10, 2012, Hersha gave notice to REIG of exercise of its call option for 5,700,000 shares in Hersha granted in August 2009 under the agreements executed in due course. Therefore, Hersha issued 2,521,561 shares and REIG was not required to pay any price. The price of the shares is US$ 13.6 million. In addition, pursuant to the investment agreements, the company has a representative in Hersha’s Board of Trustees, which is currently composed of nine members.

As of June 30, 2012, the Company’s direct and indirect interest in Hersha accounts for 9.13%.

Hersha is a REIT traded in the New York Stock Exchange, under the "HT" ticker. Hersha’s investments are mainly in institutional hotels located in business hubs, urban and retail centers and secondary tourist destinations and markets mainly along the US Northeast as well as in some select niches in the US West coast. Hersha chooses its acquisitions in locations that it perceives as booming markets and relies on intensive management to create and enhance long-term value added.

As of June 30, 2012, Hersha’s portfolio of hotels comprises majority stakes in 56 hotels and ownership interests in 8 hotels through joint ventures. These hotels are all within the "select service" and "upscale hotels" categories. In the aggregate, Hersha’s 64 hotels represent over 9,221 rooms and are mainly located in Arizona, California, North Carolina, Connecticut, Delaware, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island and Virginia. The properties are operated under highly prestigious, leading franchises (such as Marriott ®, Courtyard by Marriott ®, Residence Inn ®, Fairfield Inn ®, Springhill Suites ®, TownePlace Suites ®, Hilton ®, Hilton Garden Inn ®, Hampton Inn ®, Homewood Suites ®, Hyatt Summerfield Suites ®, Holiday Inn ®, Holiday Inn Express ®, Comfort Inn ®, Mainstay Suites ®, Sleep Inn ®, Sheraton Hotel ®, and Hawthorn Suites ®)). Hersha also operates some of its hotels through independent boutique hotel chains.

Table of Contents

Investment in Supertel Hospitality Inc.

In March 2012, IRSA, through its subsidiary Real Estate Strategies, L.P., in which it holds a 66.8% interest, consummated the transaction for the acquisition of 3,000,000 Series C convertible preferred shares issued by Supertel Hospitality Inc. (SHI) in an aggregate amount of US$ 30,000,000. Such preferred shares will bear an annual 6.25% preferred dividend and will carry the same voting rights as common shares.

In addition and subject to certain restrictions, they will be convertible into common shares at the rate of ten shares for each preferred share for a term of 5 years.

Furthermore, pursuant to the Agreement, the Investment Company has received warrants to acquire 30 million additional common shares. Subject to certain restrictions, the warrants may be exercised at any time during the 5-year period from closing of the transaction (such exercise being mandatory under certain conditions following 3 years from such closing) at a price of US$ 1.20 per share.

Pursuant to the investment agreements, RES is entitled to appoint up to 4 directors out of a total number of 9 directors and to exercise preemptive rights over future issues of shares. As of the date hereof, RES has appointed the 4 directors and holds voting rights in respect of a 34% interest in SHI. Likewise, exercise of the rights of conversion into common shares under both the preferred shares and warrants is limited to the same percentage.

Supertel is a REIT listed in Nasdaq with the symbol “SPPR” and is focused on middle-class and long-stay hotels in 23 states in the United States of America, which are operated by various operators and franchises such as Comfort Inn, Days Inn, Hampton Inn, Holiday Inn, Sleep Inn and Super 8, among others.

Table of Contents

7. COMPETITION

Offices and other non-shopping center rental properties

Substantially all of our office and other non-shopping center rentals are located in developed urban areas. There is a great number of office buildings, shopping malls, retail and residential premises in the areas where our properties are located. This is a highly fragmented market, and the abundance of comparable properties in our vicinity may adversely affect our ability to rent or sell office space and other real estate as well as the sale and rental price of the properties.

In the future, both national and foreign companies may participate in Argentina's real estate development market, competing with us for business opportunities. Moreover, in the future we may participate in the development of real estate in foreign markets, potentially encountering well established competitors.

Shopping centers

Because most of our shopping centers are located in highly populated areas, there are competing shopping centers within, or in close proximity to, our targeted areas. The number of shopping centers in a particular area could have a material effect on our ability to lease space in our shopping centers and on the amount of rent that we are able to charge. We believe that due to the limited availability of large plots of land and zoning restrictions in the City of Buenos Aires, it will be difficult for other companies to compete with us in areas through the development of new shopping center properties. Our principal competitor is Cencosud S.A. which owns and operates Unicenter shopping center and the Jumbo hypermarket chain, among others.

The following chart shows certain information relating to the most important owners and operators of shopping centers in Argentina:

Company	Shopping Center	Location(1)	Gross Leaseable Area (sqm)	Shops	National gross leaseable area(2) (%)	Shops(2) (%)
APSA						
	Abasto de Buenos Aires	CABA	41,464	174	2.41 %	2.84 %
	Alto Palermo Shopping	CABA	18,617	143	1.08 %	2.34 %
	Buenos Aires Design(3)	CABA	13,777	62	0.80 %	1.01 %
	Dot Baires Shopping	CABA	49,527	152	2.88 %	2.48 %
	Paseo Alcorta(4)	CABA	52,736	111	3.07 %	1.81 %
	Patio Bullrich	CABA	11,742	83	0.68 %	1.36 %
	Córdoba Shopping(4)	Córdoba	22,175	107	1.29 %	1.75 %
	Alto Avellaneda(4)	GBA	67,914	140	3.95 %	2.29 %
	Soleil	GBA	24,512	69	1.43 %	1.13 %
	Mendoza Plaza Shopping(4)	Mendoza	40,673	148	2.37 %	2.42 %
	Alto Rosario (4)	Rosario	40,906	146	2.38 %	2.39 %
	Alto Noa(4)	Salta	19,001	92	1.11 %	1.50 %
	La Ribera Shopping	Santa Fe	7,719	49	0.45 %	0.80 %
	Subtotal		410,763	1,476	23.90 %	24.12 %

Cencosud S.A.								
	Portal de Palermo(4)	CABA	32,252	36	1.88	%	0.59	%
	Portal de Madryn	Chubut	4,100	26	0.24	%	0.43	%
	Factory Parque Brown(4)	GBA	31,468	91	1.83	%	1.49	%
	Factory Quilmes(4)	GBA	43,405	47	2.53	%	0.77	%
	Factory San Martín(4)	GBA	35,672	31	2.08	%	0.51	%
	Las Palmas del Pilar Shopping(4)	GBA	50,906	131	2.96	%	2.14	%
	Plaza Oeste Shopping(4)	GBA	41,120	146	2.39	%	2.39	%
	Portal Canning(4)	GBA	15,114	21	0.88	%	0.34	%
	Portal de Escobar(4)	GBA	31,995	31	1.86	%	0.51	%
	Portal Lomas(4)	GBA	32,883	50	1.91	%	0.82	%
	Unicenter Shopping(4)	GBA	94,279	287	5.49	%	4.69	%
	Portal de los Andes (4)	Mendoza	33,154	45	1.93	%	0.74	%
	Portal de la Patagonia(4)	Neuquén	38,468	94	2.24	%	1.54	%
	Portal de Rosario(4)	Rosario	66,361	182	3.86	%	2.98	%
	Portal de Tucumán(4)	Tucumán	21,301	94	1.24	%	1.54	%
	Portal de Trelew (4)	Chubut	21,812	69	1.27	%	1.13	%
	Subtotal		594,290	1,381	34.59	%	22.61	%
Other Operators			712,895	3,260	41.51	%	53.29	%
Total			1,717,948	6,117	100	%	100	%

(1) "GBA" means Greater Buenos Aires, the Buenos Aires metropolitan area, and "CABA" means the Autonomous City of Buenos Aires.

(2) Percentage over total shopping centers in Argentina. Figures may not sum due to rounding.

(3) The effective interest held by Alto Palermo S.A., the company that operates the concession of this building, is 53.684% in ERSA.

(4) Includes total leaseable area occupied by supermarkets and hypermarkets.

Source: Argentine Chamber of Shopping Centers.

8. SUBSEQUENT EVENTS

These events took place subsequent to our year-end date, June 30, 2012:

- On August 31, 2012, IRSA executed the deed of conveyance for the sale of Unit No. 358 located on the 9th floor and units (parking spaces) number 238, 242, 249, 251, 254, 257, in the 2nd basement, and number 045, 039, 107 and 117 in the 3rd basement, of the building located at Avda. Libertador 498. The transaction amount was Ps. 15 million, collected on August 8, 2012, the date when the preliminary sales agreement was executed.

- On August 31, 2012, IRSA International LLC agreed to acquire 100% of Rigby Madison LLC's equity interest in the company Rigby 183 LLC, equivalent to 33.36%. Such transfer includes all rights, title and interest held by such company. The agreed price is US$ 32.5 million, payable as follows: (i) US$ 5.0 million shall be deposited into an escrow account two business days following execution of the deed of covenant; and (ii) the remaining balance shall be transferred upon execution of the final agreement. The transaction's closing date is scheduled for October 23, 2012.

- On September 4, 2012, the Company, in its own name and through its subsidiaries, sold 2,000,000 common shares in Hersha for a total of US$ 9.7 million.

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

9. SUMMARY SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following table shows a summary of our financial and other information as of June 30, 2012 and 2011 and for the fiscal years ended on such dates. This information has been derived from our audited financial statements and their related notes (the "Audited Consolidated Financial Statements" or "financial statements"). As the following information is a summary, it does not include all the information reflected in the Audited Consolidated Financial Statements and in the relevant notes:

Information from the Consolidated Statement of Income	As of June 30 and for the fiscal years ended on such dates,(1) 2012	2011
Revenues	1,567,251	1,441,930
Costs	(550,331)	(600,755)
Gross profit	1,016,920	841,175
Selling expenses	(108,514)	(106,704)
Administrative expenses	(217,406)	(200,359)
Subtotal	(325,920)	(307,063)
Gain from recognition of inventories at net realizable value	42,817	45,442
Net gain from retained interest in securitized receivables	-	4,707
Gains from operations and holdings of real estate assets	573	1,140
Operating income	734,390	585,401
Amortization of negative goodwill, net	18,145	17,427
Financial and holding results generated by assets:		
Interest income	25,876	20,000
Foreign exchange gains/losses	47,456	23,340
Other holdings results	(8,590)	(2,898)
Subtotal	64,742	40,442
Financial and holding results generated by liabilities		
Interest expenses	(279,086)	(230,811)
Foreign exchange losses	(213,673)	(82,855)
Other financing expenses	(14,974)	(9,022)
Subtotal	(507,733)	(322,688)
Financial results, net	(442,991)	(282,246)
Gain on equity investees	116,766	138,420
Other income and expenses, net	(29,827)	(14,609)
Income before tax and minority interest	396,483	444,393
Income tax and minimum presumed income tax	(102,683)	(91,203)
Minority interest	(13,719)	(58,405)
Net income for the year	280,081	294,785
Basic net income per share	0.484	0.509
Basic net income per GDS	4.840	5.090
Diluted net income per share	0.484	0.509
Diluted net Income per GDS	4.840	5.090

Information from the Consolidated Balance Sheets		
Cash and Bank and current investments	380,640	378,353
Current inventories	132,179	262,660
Accounts receivables, net	301,388	248,998
Total current assets	963,050	1,045,180
Long-term investments	2,318,203	1,946,145
Fixed assets	3,319,660	3,405,851
Total assets	6,600,565	6,303,605
Short-term debt	575,687	683,813
Total current liabilities	1,280,467	1,305,757
Long-term debt	2,065,826	1,756,919
Total non-current liabilities	2,621,890	2,379,229
Net shareholders' equity	2,335,279	2,313,687
Other accounting information		
EBITDA	911,271	755,814
Depreciations and amortizations	177,454	171,553
Capital expenditures	154,008	966,958
Net cash flows generated by (used in):		
Operating activities	878,600	571,832
Investing activities	(402,324)	(746,042)
Financing activities	(505,410)	335,130

45

10. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND PROSPECTS

The following management's discussion and analysis of financial condition and results of operations as of June 30, 2012 and 2011 and for the fiscal years ended on such dates should be read in conjunction with our "Audited Consolidated Financial Statements".

Variability of Results

Income derived from the lease of office space and retail stores and sales of properties are two core sources of income. The historical results of our Company's operations have varied over different periods based on the prevailing opportunities in connection with the sale of properties. No assurance can be given that our results will not continue to be influenced by the periodical sale of properties.

Consolidation

We have consolidated our Balance Sheets, Statements of Income and Cash Flow statements for the fiscal years ended June 30, 2012 and 2011 line by line with the financial statements of our controlled companies in accordance with the procedure set forth in Technical Resolution No. 21 of Federación Argentina de Consejos Profesionales de Ciencias Económicas ("F.A.C.P.C.E."), approved by Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires ("CPCECABA") and Comisión Nacional de Valores (National Securities Commission). All significant intercompany balances and transactions have been eliminated in consolidation.

Certain reclassifications have been made from the financial statements as of June 30, 2011 originally released for purposes of their comparison with the figures as of June 30, 2012.

The financial statements have been prepared in constant currency, recognizing the overall effects of inflation until August 31, 1995. From that date to December 31, 2001, the financial statements' restatement was discontinued due to the existence of a monetary stability period. From January 1, 2002 to February 28, 2003, the effects of inflation were recognized due to the existence of an inflationary period. Inflation accounting was again discontinued as from that date.

This criterion represents a departure from the generally accepted accounting principles, which required that the financial statements be restated up to September 30, 2003. However, due to low inflation rates during the period from March to September 2003, this departure did not have a material effect on the financial statements taken as a whole.

The index used for the restatement of accounts was the wholesale domestic price index published by the Argentine Institute of Statistics and Census.

Progress made in compliance with IFRS Implementation Plan

On April 29, 2010, our Board of Directors approved a specific plan for implementing the International Financial Reporting Standards (IFRS), the application of which shall be mandatory as from the next fiscal year starting on July 1, 2012. In conformity with such plan, the Company has completed personnel training and the initial diagnosis of the differences between standards, and it is currently implementing the required changes in processes and systems to make them consistent with the new standards.

Note 26 to the consolidated financial statements explains the main effects from the change in standards on information related to the Company's Shareholders' Equity including reconciling the shareholders' equity notes, income for the year, other comprehensive income and the statement of cash flows reconciliation notes which show the impacts caused by the new valuation method applicable under IFRS with respect to Argentine professional accounting standards.

Having monitored the specific plan for implementing the IFRS, our Board has not become aware of any circumstance calling for changes in the plan and/or hinting at any potential deviation from the stipulated objectives and terms.

Table of Contents

Revenue Recognition

We primarily derive our revenues from Argentina-based office space and shopping center rentals and operation, development and sale of residential properties, consumer financing and Hotels operations. This section reflects our revenue recognition policies and those of our controlled and jointly-controlled subsidiaries.

Development and sale of properties. We recognize income from the sale of properties when all the criteria listed below are met:

- the sale has been consummated (sales are not considered to have been consummated until (i) the parties are bound by the terms of an agreement, (ii) all valuable considerations have been exchanged, (iii) any permanent financing to be granted by the seller has been agreed upon, and (iv) all the conditions previous to the closing of the deal have been met);

- we have determined that the initial and continued investment by the buyer is adequate evidence of a commitment to pay for the property (the adequacy of a buyer's initial investment is measured based on (i) its components and (ii) its size compared to the price of the property);

- we have a receivable not subject to future subordination (our receivable shall not occupy a rank, class o position than the remaining of the buyer) and

- we have transferred to the buyer the risks and benefits inherent in ownership and we no longer hold a continued ownership interest over the property.

We generally enter into purchase and sale agreements with purchasers of units in our residential development properties prior to the commencement of construction. Pursuant to this practice, we initiate our marketing and sales efforts on the basis of already-commissioned architectural designs and model units. As a general rule, purchasers pay a booking charge for the units and subsequently enter into fixed price purchase and sale agreements. The balance of the purchase price is due upon delivery of the constructed and completed unit.

Construction of such residential development properties is done pursuant to "turn-key" contracts with major Argentine and South American construction companies that provide for construction to be completed within a prescribed period and budget, subject to customary exceptions.

We use the percentage-of-completion method of accounting with respect to sales of development properties under construction effected under fixed-priced contracts. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs applied to the total contract price. It is not until construction works have been significantly commenced and the down payments received are substantial as per our own parameters that we recognize revenues.

The percentage-of-completion method of accounting requires management to prepare budgeted costs (i.e., the estimated costs of completion) in connection with sales of properties and/or units. All changes to estimated costs of completion are incorporated into revised estimates during the contract period.

Under this method of accounting, revenues for work completed may be recognized in the statement of income prior to the period in which actual cash proceeds from the sale are received. In this situation, a deferred asset is recorded. Alternatively, and as it is more common for us, where property and/or unit purchasers pay us an advance down-payment and monthly cash installments prior to the commencement of construction, a liability is recorded. This is recorded as a customer advance in the financial statements.

Office and other non-shopping center rental properties leases and services. We account for our leases with tenants as operating leases. We charge tenants a base rent on a monthly basis. We recognize rental income on a straight-line basis over the term of the leases and unpaid leases are included in the receivables account from sales, leases and services in the financial statements.

Shopping center operations, leases and services. We account for our leases with tenants as operating leases. We generally charge tenants a rent which consists of the higher of (i) a monthly base rent (the "Base Rent") and (ii) a specified percentage of the tenant's monthly gross sales (the "Percentage Rent") (which generally ranges between 4% and 10% of tenant's gross sales). Furthermore, pursuant to the rent escalation clause in most leases, the tenant's Base Rent generally increases between 7% and 12% each year during the term of the lease. Minimum rental income is accounted for on an accrual basis.

Certain lease agreements contain provisions which provide for rents based on a percentage of sales or based on a percentage of sales volume above a specified threshold. We determine the compliance with specific targets and calculate the additional rent on a monthly basis as provided for in the contracts. Thus, contingent rents are not recognized until the required thresholds are exceeded.

In general, our lease agreements vary from 36 to 120 months. Law No. 24,808 provides that tenants may rescind commercial lease agreements after the initial six months, upon not less than 60 days' written notice, subject to penalties that range from one to one and a half month rent if the tenant rescinds during the first year of its lease, and one month of rent if the tenant rescinds after the first year of its lease.

We also charge our tenants a monthly administration fee, prorated among the tenants according to the amounts established in their leases, which vary from shopping center to shopping center, relating to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the entirety of the shopping centers operations. We recognize administration fees monthly as they accrue. In addition to rent, we generally charge tenants "admission rights", a non-reimbursable admission fee that they may be required to pay upon entering into a lease or upon lease renewal. An admission right is normally paid in one lump sum or in a small number of monthly installments. We recognize admission rights using the straight-line method over the life of the respective lease agreements.

We also derive revenues from parking lot fees charged to visitors. We recognize parking revenues as services are performed.

In addition, we act as lease agents by contacting potential tenants of available spaces in our shopping centers. As a result, we principally obtain revenues from fees charged by us for the execution of lease agreements, which are calculated as a percentage of rental income and admission rights. This income is accounted for at the time of successful conclusion of the transaction.

Consumer financing. We derive revenues from consumer financing transactions with credit cards which primarily are comprised of (i) merchant discount fees which are recognized when transactional information is received and processed by us; (ii) data processing services which consist of processing and printing cardholders account statements, and which are recognized as services are provided; (iii) life and disability insurance charges to cardholders which are recognized on an accrual basis and (iv) income from interest arising from financing and loan activities.

Hotel operations. We recognize revenues from room service, catering services, and restaurant as earned on the close of each business day.

12. Operating Costs and Expenses

Allocation of expenses and other income to business segments

Allocation of selling expenses to business segments.

Selling expenses directly attributable to the Shopping centers, Consumer financing and Hotel operations segments are allocated to these business units. These expenses are incurred individually by each segment. All other selling expenses are allocated respectively to the remaining segments according to the segment which has specifically incurred each expense.

Allocation of administrative expenses to business segments.

Administrative expenses directly attributable to the Shopping centers, Consumer financing and Hotel operations segments are allocated to these segments. These expenses are incurred individually by these segments. All other administrative expenses are prorated among the Development and sale of properties segment and the Offices and other non-shopping center rental properties segments based on the percentage of the operating assets and revenues generated by each segment. Accordingly, 47.2% and 52.8% of administrative expenses (excluding expenses directly attributable to the Shopping centers, Consumer financing and Hotel operations segments) are allocated to the Development and sale of properties segment and to the Office and other non-shopping center rental properties segment, respectively.

Allocation of net gain from recognition of inventories at net realizable value

These results are allocated to the Development and sale of properties segment.

Allocation of net gain from retained interest in securitized receivables (Consumer finance)

These results are allocated to the Consumer financing segment.

Allocation of net gain from operations and holding of real estate assets

These results are allocated directly to the segment that generates them.

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

Allocation of financial results to business segments

Includes interest income, foreign exchange gain (loss) from assets, other holding results, interest expenses, foreign exchange gain (loss) from liabilities and other financial expenses, allocated to each segment, as described below.

Each one of the following segments: Shopping centers, Consumer financing and Hotel operations manages its financial transactions individually. The gains/losses on said transactions are directly allocated to these segments. The financial gains or losses unrelated to these business units are shown in the Financial transactions and other segment as they are not specifically generated by any other segment separately, except Interest income and Interest expenses, which are prorated among all the segments in proportion to the corresponding assets to each segment.

Allocation of Gains/(Losses) on equity investees, Other income and expenses, Minority interest and Income tax to business segments

Allocation of Gain/(Losses) on equity investees

These results are directly allocated to the segment that generates them.

Allocation of other income and expenses

The Shopping centers, Consumer Financing and Hotel operations segments each manage their expenses individually. The results generated by such operations are directly allocated to these segments. The remaining expenses are shown in the financial transactions and other segment since they are not specifically generated by any other separate segment.

Allocation of Income tax and minimum presumed income tax

Income tax and the respective minimum presumed income tax are allocated to the segment that generates them.

Allocation of minority interest

Minority interests are allocated to the respective segments of the company that generates them.

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

13. Business Segment Reporting

We have six reportable segments. These segments are: "Development and sale of properties", "Office and other non-shopping center rental properties", "Shopping centers", "Hotel operations", "Consumer financing", and "Financia operations and other."

A general description of each segment follows:

Development and sale of properties. This segment includes the operating results of construction and/or sale of property business.

Office and other non-shopping center rental properties. This segment includes the operating results from our lease and service revenues for offices and other non-shopping center rental properties, received from tenants.

Shopping Centers. This segment includes the operating results from the shopping center business and lease of advertising spaces.

Hotel operations. This segment includes the operating results of our hotels principally comprised of room service, catering service and restaurant revenues.

Consumer Financing. It includes the results from the consumer finance business, credit cards and securitization of receivables by Tarshop S.A. and Apsamedia S.A.

Financial operations and other. This segment primarily includes any income/(loss) relating to and/or arising from securities-related transactions and other businesses. This segment also includes the results from related companies associated with the banking business.

We measure our reportable segments based on operating income. Inter-segment transactions, if any, are accounted for at current market prices. We evaluate performance and allocate our resources to each segment based on operating income. None of our activities is dependent upon a single customer.

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

The following tables contain some operating data by business segment:

As of and for year ended June 30, 2012	Development and sale of properties	Office and other non-shopping center rental properties (1)	Shopping centers	Hotel operations	Consumer Financing	Financial operations and other	Total
				(in thousands of Ps)			
Consolidated Income Statement data							
Revenues	328,404	192,267	871,732	170,012	4,836	-	1,567,251
Costs	(217,774)	(33,332)	(180,638)	(116,983)	(1,604)	-	(550,331)
Gross profit	110,630	158,935	691,094	53,029	3,232	-	1,016,920
Selling expenses	(22,528)	(10,337)	(52,776)	(22,577)	(296)	-	(108,514)
Administrative expenses	(39,732)	(44,098)	(88,456)	(44,853)	(267)	-	(217,406)
Gain from recognition of inventories at net realizable value	42,817	-	-	-	-	-	42,817
Gain from operation and holding of real estate assets, net	12	561	-	-	-	-	573
Operating income	91,199	105,061	549,862	(14,401)	2,669	-	734,390
Amortization of negative goodwill, net	981	(2,063)	19,227	-	-	-	18,145
Financial results, net	(22,374)	(51,031)	(149,806)	(10,303)	(1,575)	(207,902)	(442,991)
Gain on equity investees	2,095	(15,332)	(151)	13,577	10,364	106,213	116,766
Other income and expenses, net	-	-	(16,918)	172	1,508	(14,589)	(29,827)
Income before taxes and minority interest	71,901	36,635	402,214	(10,955)	12,966	(116,278)	396,483
Income tax and minimum presumed income tax	(25,165)	(12,822)	(160,954)	(6,816)	211	102,863	(102,683)
Minority interest	178	-	(27,410)	13,513	-	-	(13,719)
Income / (loss) for the year	46,914	23,813	213,850	(4,258)	13,177	(13,415)	280,081
Gross margin (2)	0.34	0.83	0.79	0.31	0.67	-	0.65
	0.28	0.55	0.63	(0.08)	0.55	-	0.47

Operating margin (3)							
Net margin (4)	0.32	0.31	0.25	(0.03)	2.72	-	0.18
Depreciations and amortizations (5)	82	25,488	138,583	13,284	17	-	177,454
Consolidated Balance Sheet data							
Operating assets	706,223	1,321,294	2,470,062	659,236	15,875	1,032,623	6,205,313
Non-operating assets	41,639	41,847	(183,517)	68,013	46,631	380,639	395,252
Total assets	747,862	1,363,141	2,286,545	727,249	62,506	1,413,262	6,600,565
Operating liabilities	22,596	103,298	511,045	41,009	7,525	-	685,473
Non-operating liabilities	538,124	496,670	1,760,141	273,628	71	148,250	3,216,884
Total liabilities	560,720	599,968	2,271,186	314,637	7,596	148,250	3,902,357

(1) Includes offices, retail stores and residential units.
(2) Gross profit divided by revenues.
(3) Operating income divided by revenues.
(4) Income/(Loss) for the year divided by revenues.
(5) Included in Operating income.

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

As of and for year ended June 30, 2011	Development and sale of properties	Office and other non-shopping center rental properties (1)	Shopping centers	Hotel Operations	Consumer Finance	Financial operations and other	Total
	(in thousands of Ps.)						
Consolidated Income Statement data							
Revenues	341,074	164,618	674,779	192,883	68,576	-	1,441,930
Costs	(244,764)	(32,559)	(181,473)	(119,471)	(22,488)	-	(600,755)
Gross profit	96,310	132,059	493,306	73,412	46,088	-	841,175
Selling expenses	(15,396)	(5,283)	(40,229)	(20,923)	(24,873)	-	(106,704)
Administrative expenses	(41,425)	(43,734)	(67,935)	(40,318)	(6,947)	-	(200,359)
Gain from recognition of inventories at net realizable value	45,442	-	-	-	-	-	45,442
Net gain from retained interest in securitized receivables	-	-	-	-	4,707	-	4,707
Gain from operations and holdings of real estate assets	128	1,012	-	-	-	-	1,140
Operating income	85,059	84,054	385,142	12,171	18,975	-	585,401
Amortization of negative goodwill, net	981	725	15,621	-	100	-	17,427
Financial results, net	(16,714)	(38,369)	(121,991)	(11,326)	(26,820)	(67,026)	(282,246)
Income on equity investees	443	-	41	9,682	9,298	118,956	138,420
Other income and expenses, net	(1,621)	-	(2,745)	1,040	9,245	(20,528)	(14,609)
Income before taxes and minority interest	68,148	46,410	276,068	11,567	10,798	31,402	444,393
Income tax and minimum presumed income tax	(21,413)	(15,763)	(81,129)	(7,257)	4,702	29,657	(91,203)
Minority interest	768	-	(39,975)	(19,200)	-	2	(58,405)
Income / (loss) for the year	47,503	30,647	154,964	(14,890)	15,500	61,061	294,785

Gross margin (2)	0.28	0.80	0.73	0.38	0.67	-	0.58
Operating margin (3)	0.25	0.51	0.57	0.06	0.28	-	0.41
Net margin (4)	0.14	0.19	0.23	(0.08)	0.23	-	0.20
Depreciations and amortizations (5)	200	24,155	132,027	14,269	902	-	171,553
Consolidated Balance Sheet data							
Operating assets	671,738	1,367,767	2,413,943	479,881	26,198	1,007,869	5,967,396
Non-operating assets	40,754	44,846	(179,505)	29,251	22,510	378,353	336,209
Total assets	712,492	1,412,613	2,234,438	509,132	48,708	1,386,222	6,303,605
Operating liabilities	24,491	137,990	402,523	39,030	31,112	-	635,146
Non-operating liabilities	484,542	439,717	1,683,938	212,778	-	228,865	3,049,840
Total liabilities	509,033	577,707	2,086,461	251,808	31,112	228,865	3,684,986

(1) Includes offices, retail stores and residential units.
(2) Gross profit divided by revenues.
(3) Operating income divided by revenues.
(4) Income/(Loss) for the year divided by revenues.
(5) Included in Operating income.

53

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

14. Results of IRSA's Operations for fiscal years ended June 30, 2012 and 2011

Revenues

Revenues grew by 8.7%, from Ps. 1,441.9 million for fiscal year 2011 to Ps. 1,567.3 million in the fiscal year 2012 due to the increases in revenues posted by our Shopping Centers, Office and other non-shopping center rental properties segments, except for the Consumer financing, Hotel operations and Development and sale of properties segments that will be further discussed below.

Development and sale of properties

This segments' revenues often exhibit major variations between periods by reason of (i) the non-recurrent nature of real estate purchase and sale transactions and the price obtained from them, (ii) the quantity of construction works in progress and (iii) the date of completion of these construction works projects. The revenues of our Development and sale of properties segment decreased by 3.7% from Ps. 341.1 million for fiscal year 2011 to Ps. 328.4 million for fiscal year 2012.

The revenues of our Development and sale of properties segment for fiscal year 2011 included, mainly:

- Ps. 92.4 million as income from the sale of completed units of Horizons;
- Ps. 91.8 million as income from the sale and barter of Caballito lots;
- Ps. 75.4 million as income from the sale and barter of Terreno Beruti;
- Ps. 22.9 million as income from the sale of parcels of Rosario's lots; and
- Ps. 20.7 million as income from the sale of lots of "El Encuentro".

The revenues of our Development and sale of properties segment for fiscal year 2012 included, mainly:

- Ps. 124.2 million as income from the sale of completed units of Horizons;
- Ps. 69.0 million as income from the sale of offices known as "Costeros Dique IV";
- Ps. 20.0 million as income from the sale of the Thames property;
- Ps. 10.6 million as income from the sale of home units in the Libertador 498 building;
- Ps. 47.9 million as income from the sale and barter of the property known as "Museo Renault"; and
- Ps. 27.3 million as income from the sale of parcels of Rosario's lots.

Office and other non-shopping center rental properties

The revenues from our segment Office and other non-shopping center rental properties were up by 16.8%, from Ps. 164.6 million for fiscal year 2011 to Ps. 192.3 million for fiscal year 2012. This increase in the volume of business in the office segment is mainly due to full occupation of the new "Dot Building", the occupation rate of which was already 100% as of July 31. Some floors in "La Nación" building which had been vacant as of the end of fiscal year 2011 were also occupied in this year.

The portfolio occupation rate was 96%, six percentage points above the occupation rate posted as of the end of fiscal year 2011. The rent for the entire portfolio remained at about 27 US$/leased sqm.

Shopping centers

The revenues from our Shopping centers segment grew by 29.2%, from Ps. 674.8 million for fiscal year 2011 to Ps. 871.7 million for fiscal year 2012. Such variation was mainly generated by a Ps. 154.2 million increase in revenues from fixed and variable leases, explained in turn by: (i) a 28.3% increase in our lessees' total sales, which rose from Ps. 7,766.3 million during the fiscal year ended on June 30, 2011 to Ps. 9,966 million in the fiscal year ended on June 30, 2012 and (ii) an increase in the average price per square meter.

Hotel Operations

The revenues from our Hotel Operations segment decreased by 11.9% from Ps. 192.9 million for fiscal year 2011 to Ps. 170.0 million for fiscal year 2012, mainly owing to the fact that our Llao Llao Hotel suffered the consequences of the eruption of the Chilean volcano which prevented tourists from visiting the City of Bariloche for as long as the airport was closed. In fiscal year 2012, the hotel occupation rate has begun to recover and reached about 21.5%, and the prices were also adjusted downwards in order to attract tourists in spite of the climate conditions caused by the volcano. On the other hand, our hotels in Buenos Aires have offset in part the decrease in the business volume of Llao Llao Hotel, reaching occupation rates of 80% and charging higher prices.

Consumer Financing

The revenues from our Consumer Financing segment declined by 92.9%, from Ps. 68.6 million for fiscal year 2011 to Ps. 4.8 million for fiscal year 2012 as a result of the sale of Tarshop S.A.'s 80% interest (deconsolidation of its income as from September 1, 2010).

Costs

The costs decreased by 8.4%, from Ps. 600.8 million for fiscal year 2011 to Ps. 550.3 million for fiscal year 2012, by reason of cost decreases in our Development and sale of properties, Shopping centers, Hotel operations and Consumer financing segments, partially offset by an increase in the costs of our Office and other non-shopping center rental properties segment. Our consolidated costs, as a percentage of our consolidated income, decreased from 41.7%, for fiscal year 2011 to 35.1%, for fiscal year 2012.

Development and sale of properties

This segments' costs often exhibit major variations between periods by reason of (i) the non-recurrent nature of real estate purchase and sale transactions and the price obtained from them, (ii) the quantity of construction works in progress and (iii) the date of completion of these construction works projects. The costs associated to our Development and sale of properties segment decreased by 11.0%, from Ps. 244.8 million for fiscal year 2011 to Ps. 217.8 million for fiscal year 2012.

The costs incurred by our Development and sale of properties segment for fiscal year 2011 primarily included:

- Ps. 88.9 million as costs related to the sale of completed units of Horizons;
- Ps. 57.3 million as costs related to the sale and barter of Caballito lots;
- Ps. 53.8 million as costs related to the sale and barter of Terreno Beruti.

The costs incurred by our Development and sale of properties segment for fiscal year 2012 primarily included:

- Ps. 120.2 million as costs related to the sale of completed units of Horizons;
- Ps. 26.5 million as costs related to the sale of Rosario lots;
- Ps. 24.0 million as costs related to the sale of the property known as Museo Renault; and
- Ps. 15.3 million as costs related to the sale of offices known as "Costeros Dique IV".

The costs associated to our Development and sale of properties segment as a percentage of this segments' revenues decreased from 71.8% for fiscal year 2011 to 66.3% for fiscal year 2012.

Office and other non-shopping center rental properties

Depreciation accounts for the largest portion of this segments' costs. The costs of our Office and other non-shopping center rental properties segment grew by 2.4%, from Ps. 32.6 million for fiscal year 2011 to Ps. 33.3 million for fiscal year 2012, mainly owing to an increase in the maintenance expenses of properties for rent and increased depreciation costs of Dot Baires' offices and the San Martín property, both of them recently added to the office portfolio.

The costs associated to our Office and other non-shopping center rental properties segment as a percentage of this segments' revenues decreased from 19.8% for fiscal year 2011 to 17.3% for fiscal year 2012.

Shopping centers

The costs of our Shopping centers segment decreased by 0.5% from Ps. 181.5 million for fiscal year 2011 to Ps. 180.6 million for fiscal year 2012. Such decrease was mainly attributable to: (i) a reduction in costs related to non-recovered common maintenance expenses by Ps. 12.2 million; (ii) lower lawsuit-related contingency charges of Ps. 1.8 million; (iii) lower claim and legal costs charges of Ps. 1.0 million; (iv) a decrease in the cost of available units by Ps. 0.9 million; partially offset by (v) an increase by Ps. 4.5 million in parking costs; (vi) an increase in maintenance and repair costs by Ps. 1.7 million and (vii) an increase in depreciation and amortization by Ps. 1.3 million.

The costs associated to our Shopping centers segment as a percentage of this segments' revenues declined from 26.9% for fiscal year 2011 to 20.7% for fiscal year 2012.

Hotel Operations

The costs of our Hotel operations segment decreased by 2.1%, from Ps. 119.5 million for fiscal year 2011 to Ps. 117.0 million for fiscal year 2012, mainly by reason of a Ps. 2.4 million rise in tax benefits pursuant to Decree No. 814, mainly explained by an increase in such benefit.

The costs associated to our Hotel operations segment as a percentage of this segments'' revenues increased from 61.9% for fiscal year 2011 to 68.8% for fiscal year 2012.

Consumer Financing

The costs of our Consumer Financing segment shrank by 92.9%, from Ps. 22.5 million for fiscal year 2011 to Ps. 1.6 million for fiscal year 2012. Such decrease is primarily due to the sale of Tarshop S.A.'s 80% interest (deconsolidation of its income as from September 1, 2010).

Gross profit

As a result of the factors described in the preceding paragraphs, gross profit increased by 20.9%, from Ps. 841.2 million for fiscal year 2011 to Ps. 1,016.9 million for fiscal year 2012, primarily on account of an increase in the gross profit of our Shopping Centers, Office and other non-shopping center rental properties, and Development and sale of properties segments, partially offset by a decline in the gross profit posted by our Consumer Financing and Hotel operations segments. When measured as a percentage of our revenues, gross profit increased from 58.3% for fiscal year 2011 to 64.9% for fiscal year 2012.

Development and sale of properties

The gross profit of our Development and sale of properties segment increased by 14.9%, from Ps. 96.3 million for fiscal year 2011 to Ps. 110.6 million for fiscal year 2012.

Office and other non-shopping center rental properties

The gross profit of our Office and other non-shopping center rental properties segment grew by 20.4%, from Ps. 132.1 million for fiscal year 2011 to Ps. 158.9 million for fiscal year 2012.

Shopping centers

The gross profit of our Shopping centers segment climbed 40.1%, from Ps. 493.3 million for fiscal year 2011 to Ps. 691.1 million for fiscal year 2012.

Hotel operations

The gross profit of our Hotel operations segment decreased by 27.8%, from Ps. 73.4 million for fiscal year 2011 to Ps. 53.0 million for fiscal year 2012.

Consumer Financing

The gross profit of our Consumer Financing segment declined by 93.0%, from Ps. 46.1 million for fiscal year 2011 to Ps. 3.2 million for fiscal year 2012.

Selling expenses

Selling expenses increased by 1.7% from Ps. 106.7 million for fiscal year 2011 to Ps. 108.5 million for fiscal year 2012, mainly by reason of a great reduction in the Selling expenses of our Consumer Finance segment, which were in turn partially offset by increases in the Selling expenses of our Development and sale of properties, Hotel operations, Shopping centers and Office and other non-shopping center rental properties segments.
The selling expenses as a percentage of the segment's revenue decreased from 7.4% for fiscal year 2011 to 6.9% for fiscal year 2012.

Development and sale of properties

The Selling expenses of our Development and sale of properties segment are made up by commissions and expenses from sales, salaries and social security contributions, non-recoverable common maintenance expenses, doubtful accounts and the allowance for doubtful accounts. Selling expenses grew by Ps. 7.1 million from Ps. 15.4 million for fiscal year 2011 to Ps. 22.5 million for fiscal year 2012, mainly by reason of a Ps. 2.8 million increase in commissions and expenses from sales, a Ps. 2.5 million increase in salaries and social security contributions, and a Ps. 1.3 million increase in non-recoverable common maintenance expenses.

The selling expenses as a percentage of the segment's revenue related to the were up from 4.5% for fiscal year 2011 to 6.9% for fiscal year 2012.

Office and other non-shopping center rental properties

The Selling expenses associated to our Office and other non-shopping center rental properties segment increased by 95.7% from Ps. 5.3 million for fiscal year 2011 to Ps. 10.3 million for fiscal year 2012, mainly by reason of a Ps. 2.8 million increase in salaries and social security contributions and the non-recurrence of doubtful accounts for Ps. 0.9 million.

The Selling expenses associated to our Office and other non-shopping center rental properties segment as a percentage of this segments' revenues increased from 3.2% for fiscal year 2011 to 5.4% for fiscal year 2012.

Shopping centers

The Selling expenses associated to our Shopping centers segment grew by 31.2% from Ps. 40.2 million for fiscal year 2011 to Ps. 52.8 million for fiscal year 2012, by reason of: (i) a Ps. 7.5 million increase in the turnover tax charge; (ii) a Ps. 2.2 million increase in advertising expenses; (iii) an increase in the loan losses charge by Ps. 1.5 million and (iv) a Ps. 1.1 million increase in the salaries and social security contributions charges during this fiscal year in comparison with the previous one.

The Selling expenses associated to our Shopping centers segment as a percentage of this segments' revenues remained stable at 6.0% for both fiscal years.

Hotel operations

The Selling expenses associated to our Hotel operations segment increased by 7.9% from Ps. 20.9 million for fiscal year 2011 to Ps. 22.6 million for fiscal year 2012. The Selling expenses associated to our Hotel operations segment as a percentage of this segments'' revenues increased slightly from 10.8% for fiscal year 2011 to 13.3% for fiscal year 2012.

Consumer Financing

The Selling expenses associated to our Consumer Financing segment decreased by Ps. 24.6 million from Ps. 24.9 million for fiscal year 2011 to Ps. 0.3 million for fiscal year 2012, primarily on account of the sale of 80% of the share interest in Tarshop S.A. (deconsolidation of its income as from September 1, 2010).

Administrative expenses

Administrative expenses is basically comprised of salaries, bonuses and social security contributions, third parties' fees and services and taxes, rates and contributions (except for turnover tax). Administrative expenses grew by 8.5%, from Ps. 200.4 million for fiscal year 2011 to Ps. 217.4 million for fiscal year 2012, mainly on account of increases in our Shopping Centers, Office and other non-shopping center rental properties, and Hotel operations segments, partially offset by declines in the Consumer Financing and Development and sale of properties segments.

When measured as a percentage of revenues, administrative expenses remained stable at 13.9% for both fiscal years.

Development and sale of properties

The Administrative expenses associated to our Development and sale of properties segment decreased by 4.1%, from Ps. 41.4 million for fiscal year 2011 to Ps. 39.7 million for fiscal year 2012, mainly due to changes in taxes, rates and contributions, and in fees and compensation for services, as well as in salaries and social security contributions.

The Administrative expenses associated to our Development and sale of properties segment as a percentage of this segments'' revenues remained stable at 12.1% for both fiscal years.

Office and other non-shopping center rental properties

The Administrative expenses of our Offices and other non-shopping center rental properties segment increased by 0.8%, from Ps. 43.7 million for fiscal year 2011 to Ps. 44.1 million for fiscal year 2012. The increase was mainly due to a reclassification of taxes, rates and contributions, and in salaries and compensation for services under Salaries and Social Security contributions.

The Administrative expenses associated to our Office and other non-shopping center rental properties segment as a percentage of this segments' revenues declined from 26.6% for fiscal year 2011 to 22.9% for fiscal year 2012.

Shopping centers

The Administrative expenses associated to our Shopping centers segment grew by 30.2%, from Ps. 67.9 million for fiscal year 2011 to Ps. 88.5 million for fiscal year 2012: (i) a Ps. 6.2 million increase in directors fees, (ii) a Ps. 4.7 million increase in taxes, rates and contributions; (iii) a Ps. 3.9 million increase in salaries and social security contributions; and (iv) a Ps. 2.0 million increase in fees and payments for services. When measured as a percentage of this segments' revenues, the Administrative expenses associated to our Shopping centers segment remained stable at 10.1% for both fiscal years.

Hotel operations

Administrative expenses associated to our Hotel operations segment grew by 11.2%, from Ps. 40.3 million for fiscal year 2011 to Ps. 44.9 million for fiscal year 2012, primarily as a result of a Ps. 2.7 million increase in third parties' fees and services and a Ps. 1.4 million increase in operating material.

Administrative expenses associated to our Hotel operations segment as a percentage of this segments' revenues increased as they went from 20.9% for fiscal year 2011 to 26.4% for fiscal year 2012.

Consumer Financing

The Administrative expenses associated to our Consumer Finance segment declined by 96.2% from Ps. 6.9 million for fiscal year 2011 to Ps. 0.3 million for fiscal year 2012. Such decrease is mainly due to the sale of Tarshop S.A.'s 80% interest (deconsolidation of its income as from September 1, 2010).

When measured as a percentage of the segments' revenues, the Administrative expenses associated to our Consumer Financing segment decreased from 10.1% for fiscal year 2011 to 5.5% for fiscal year 2012.

Gain From recognition of inventories at net realizable value

During fiscal year 2012, we recognized Ps. 42.8 million as income on the recognition of inventories at net realizable value, mainly in connection with "Museo Renault" for Ps. 16.4 million "Condominios II" for Ps. 8.5 million, "Libertador 498" for Ps. 8.1 million and "Horizons" for Ps. 6.0 million, which compared to the Ps. 45.4 million income that had been recognized for fiscal year 2011, mainly attributable to "Horizons" for Ps. 13.2 million, "Torres Jardín IV" for Ps. 7.8 million and "Terrenos Rosario" for Ps. 15.0 million and "Caballito Nuevo" for Ps. 5.8 million.

Net gain from retained interest in securitized receivables

The line net gain from retained interest in securitized receivables declined Ps. 4.7 million, from a Ps. 4.7 million for fiscal year ended June 30, 2011 to no income/(loss) for the fiscal year ended June 30, 2012, mainly on account of the sale of Tarshop S.A.'s 80% interest (deconsolidation of its income as from September 1, 2010).

Gain from operations and holdings of real estate assets, net

This line reflects the income and losses associated to the recognition and/or the reversal of impairment charges. The gains and losses resulting from real estate holdings and transactions decreased by Ps. 0.6 million from Ps. 1.1 income for fiscal year 2011 to Ps. 0.6 million income for fiscal year 2012.

Operating income

Operating income increased by 25.5% from Ps. 585.4 million in income for fiscal year 2011 to Ps. 734.4 million in income for fiscal year 2012, mainly due to an increase in our Shopping centers, Office and other non-shopping center rental properties and Development and sale of properties segments, which was partly offset by a reduction in the Operating income of our Hotel operations and Consumer financing segments.

When measured as a percentage of revenues, our Operating income increased from 40.6% for fiscal year 2011 to 46.9% for fiscal year 2012.

Development and sale of properties

The Operating income of our Development and sale of properties segment increased by 7.2% from Ps. 85.1 million in income for fiscal year 2011 to Ps. 91.2 million in income for fiscal year 2012, mainly by reason of increases in selling expenses, partially offset by a decrease in revenues, costs, gain from recognition of inventories at net realizable value, in administrative expenses and in gain from operations and holding of real estate. The Operating income of our Development and sale of properties segment when measured as a percentage of this segments' revenues increased from 24.9% for fiscal year 2011 to 27.8% for fiscal year 2012.

Office and other non-shopping center rental properties

The Operating income of our Offices and other non-shopping center rental properties segment increased by 25.0%, from Ps. 84.1 million in income for fiscal year 2011 to Ps. 105.1 million in income for fiscal year 2012, mainly on account of an increase in revenues, and due to lower administrative expenses, partly offset by increased Selling expenses. The Operating income of our Office and other non-shopping center rental properties segment as a percentage of this segments' revenues increased from 51.1% for fiscal year 2011 to 54.6% for fiscal year 2012.

Shopping centers

The Operating income of our Shopping centers segment grew by 42.8%, up from Ps. 385.1 million in income for fiscal year 2011 to Ps. 549.9 million in income for fiscal year 2012, mainly by reason of higher revenues and lower costs, partly offset by increases in Administrative expenses and Selling expenses. When measured as a percentage of this segments' revenues, the Operating income of our Shopping centers segment increased from 57.1% for fiscal year 2011 to 63.1% for fiscal year 2012.

Hotel operations

The Operating income of our Hotels segment decreased by 218.3%, from Ps. 12.2 million in income for fiscal year 2011 to a loss of Ps. 14.4 million for fiscal year 2012, mainly due to a decrease in revenues and higher administrative and selling expenses, partly offset by a decrease in costs. When measured as a percentage of the segments' revenues, the Operating income of Hotels increased from 6.3% for fiscal year 2011 to 8.5% for fiscal year 2012.

Consumer Financing

The Operating income of our Consumer Financing segment declined by 85.9%, from Ps. 19.0 million in income for fiscal year 2011 to Ps. 2.7 million in income for fiscal year 2012, as a result of decreased revenues and lower net gain from retained interest in securitized receivables, partially offset by lower costs, Selling and Administrative expenses, mainly due to the sale of 80% of the share interest in Tarshop S.A. (deconsolidation of its income as from September

1, 2010). When measured as a percentage of this segments' revenues, the Operating income associated to Consumer Financing segment rose from 27.7% for fiscal year 2011 to 55.2% for fiscal year 2012.

Table of Contents

Amortization of negative goodwill, net

Amortization of negative goodwill, net, primarily includes: (i) the amortization of the goodwill associated to the following APSA's subsidiaries: Fibesa S.A., Soleil Factory S.A., Empalme S.A.I.C.F.A. y G., Mendoza Plaza Shopping S.A., Nuevo Puerto Santa Fe S.A. and Emprendimiento Recoleta S.A., and (ii) the amortization of IRSA's negative goodwill arising from the acquisition of shares in Alto Palermo S.A. and Palermo Invest S.A. Goodwill amortization remained stable in this fiscal year compared to the previous year.

Financial results, net

Our Financial results, net (a loss) grew by Ps. 160.7 million, up from a Ps. 282.2 million loss for fiscal year 2011 to a Ps. 443.0 million loss for fiscal year 2012, mainly by reason of:

i. a Ps. 48.3 million increase in the financing expenses associated to the payments of interest accrued on our financial debts.
ii. a Ps. 106.7 million loss for foreign exchange differences, both in fiscal year 2012 and compared to the previous fiscal year due to a greater variation in the US Dollar offer rate throughout fiscal year 2012 (it rose from Ps. 4.110 at June 30, 2011 to Ps. 4.527 at June 30, 2012), in contrast to the situation a year earlier when the US$/Ps. exchange rate had slightly varied (up from Ps. 3.931 at June 30, 2010 to Ps. 4.110 at June 30, 2011).

Gain on equity investees

Gain on equity investees declined by Ps. 21.7 million, from Ps. 138.4 million income for fiscal year 2011 to Ps. 116.8 million income for fiscal year 2012. This decrease is mainly attributable to the lower income for Ps. 47.1 million related to the sale of shares in Hersha Hospitality Trust during the previous fiscal year, partially offset by Ps. 28.3 million derived from our investment in Banco Hipotecario.

Other income and expenses, net

The line Other income and expenses, net, went up by Ps. 15.2 million, from a Ps. 14.6 million loss for fiscal year 2011 to a Ps. 29.8 million loss for fiscal year 2012, mainly due to: (i) a Ps. 10.3 million increase in donations and (ii) a Ps. 4.8 million increase in Expenses from stock issuance.

Income tax and minimum presumed income tax

Income tax and minimum presumed income tax increased by Ps. 11.5 million, from a Ps. 91.2 million loss for fiscal year 2011 to a Ps. 102.7 million loss for fiscal year 2012. We applied the deferred tax method upon assessing income tax for the two fiscal years, thus recognizing temporary differences as deferred tax assets and liabilities.

Minority interest

This line includes the results of third parties' minority interests in those subsidiaries in which we exercise control or in which we have effective control. This result decreased by Ps. 44.7 million, from a Ps. 58.4 million loss for fiscal year 2011 to a Ps. 13.7 million loss for fiscal year 2012, mainly due to the acquisition of APSA's minority interest (which generated a lower loss from minority interest) and the income from Tyrus S.A., due to a higher net loss experienced by its subsidiaries.

Net income

As a result of the factors described in the preceding paragraphs, income for the year declined by Ps. 14.7 million, from Ps. 294.8 million for fiscal year 2011 to Ps. 280.1 million for fiscal year 2012.

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

15. IRSA's Indebtedness

The following table sets forth the scheduled maturities of our outstanding debt as of June 30, 2012:

Schedule of Maturities or Amortization	Currency	Less than 1 year	More than 1 year and up to 2 years	More than 2 years and up to 3 years	More than 3 years and up to 4 years	More than 4 years	Total (1)	Annual Average Interest Rate (%)
		(In million Pesos, constant currency, as of June 30, 2012)(2)						
Banking debt and other								
Bank loans (3)	PS/US$	320,203	-	-	-	-	320,203	
Hoteles Argentinos' secured loans	US$	1,865	-	-	-	-	1,865	
APSA's 2012 Notes for Ps.154 M (Series II)	PS	-	-	-	-	-	-	11 %
IRSA's 2013 Series III Notes	PS	102,888	(601)	(601)	(601)	52,834	153,920	Badlar+ 249 pb
IRSA's 2014 Series IV Notes	US$	38,278	(1,960)	(1,960)	(1,960)	120,546	152,943	7.45 %
APSA's 2014 Convertible Notes for US$ 50 M (4)	US$	1	-	38	-	-	39	10 %
APSA's 2017 Notes for US$ 120 M (Series I)	US$	4,554	(455)	(910)	-	482,333	485,522	7.875 %
IRSA's 2017 Notes	US$	23,175	(710)	(710)	(710)	677,973	699,018	8.50 %
IRSA's 2020 Notes	US$	34,004	(875)	(875)	(875)	663,702	695,081	11.50 %
Seller financing (2)	US$	49,775	18,959	-	-	62,765	131,499	
Financial Leases	US$	944	107	213	53	106	1,423	
Total banking debt and other		575,687	14,465	(4,805)	(4,093)	2,060,260	2,641,513	
Total debt		575,687	14,465	(4,805)	(4,093)	2,060,260	2,641,513	

(1) Figures may not sum due to rounding.
(2) Exchange rate as of June 30, 2012 US$1.00 = Ps. 4.5270.
(3) Includes bank overdrafts.
(4) Disclosed net of the notes held by the Company

IRSA’s 8.5% Series I Notes due 2017

On February 2, 2007, IRSA issued 2017 fixed-rate notes for a total amount of US$150.0 million, which accrue interest at an annual interest rate of 8.5% payable semi-annually and which mature in a single installment on February 2, 2017.

These notes also contain a covenant limiting our ability to pay dividends which may not exceed the sum of:

- 50% of the cumulative consolidated net income; or

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

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

- 100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by IRSA or by its restricted subsidiaries from (a) any contribution to IRSA’s capital stock or the capital stock of its restricted subsidiaries or issuance and sale of IRSA’s qualified capital stock or the qualified capital stock of its restricted subsidiaries subsequent to the issue of IRSA’s notes due 2017, or (b) issuance and sale subsequent to the issuance of IRSA’s notes due 2017 or its indebtedness or the indebtedness of its restricted subsidiaries that has been converted into or exchanged for IRSA’s qualified capital stock, (c) any kind of reduction in IRSA’s indebtedness or the indebtedness of any of its restricted subsidiaries; or (d) any kind of reduction in investments in debt certificates (other than permitted investments) and in the return on assets; or (e) any distribution received from an unrestricted subsidiary.

IRSA’s 11.5% Series II Notes due 2020

On July 20, 2010, IRSA issued fixed-rate notes due in 2020 for a total amount of US$ 150.0 million, which accrue interest at an annual interest rate of 11.5% payable semi-annually and which mature in a single installment on July 20, 2020.

Series II notes are subject to the same covenants as described for Series I notes due 2017.

IRSA's New Global Note Program and Issuance of Series III and Series IV Notes

Under its US$ 300,000,000 Global Note Program approved by its Shareholders' Meeting dated October 31, 2011, on February 10, 2012, IRSA placed by means of a public offering Notes for an aggregate amount of Ps. 300 million, issued in two series: Series III and IV.

Series III Notes, for a principal amount of Ps. 153.2 million, accrue interest at BADLAR rate plus 249 basis points, and mature 18 months from their issue date. They are repayable in three consecutive payments due within 12, 15 and 18 months after their issue date.

Series IV Notes, for a principal amount of US$ 33.8 million (equivalent to Ps. 146.9 million), accrue interest at a fixed rate of 7.45%, are subscribed and repayable in Pesos at the applicable exchange rate, and mature 24 months after the issue date. They are repayable in 4 equal consecutive payments due within 15, 18, 21 and 24 months after their issue date.

Debt structuring for the Acquisition of Edificio República

On April 28, 2008, IRSA executed a loan agreement secured by a mortgage with Banco Macro S.A. pursuant to which Banco Macro S.A. lent it US$ 33.6 million which it applied to the repayment of the debt balance owed to Fideicomiso República, which was incurred with respect to the acquisition of Edificio República. The principal shall be repaid in five annual, equal and consecutive installments maturing on April 28 each year and accruing interest at an annual nominal rate of 12% payable semi-annually on April and October 28, each year. Banco Macro's loan is secured by a mortgage on the property known as "Edificio República". In May 2012, IRSA partially prepaid the fifth installment under this loan; therefore, the outstanding principal balance amounts to US$ 200,000.

Hoteles Argentinos Loan

On March 15, 2010 a loan agreement was entered into with Standard Bank Argentina S.A., whereby it lent to Hoteles Argentinos the sum of Ps. 19.0 million, which were used to repay the loan with Credit Suisse First Boston International. In addition, on March 15, 2010, the mortgage and swap agreement entered into with Credit Suisse First Boston International were cancelled. The new loan with Standard Bank Argentina S.A. was repayable in a single payment that fell due on the first anniversary of the agreement's execution date, and accrued interest at a fixed rate of 16.25% payable every three months in arrears. On March 15, 2011, this loan was replaced with three loans granted by Standard Bank Argentina S.A.: a Peso-denominated loan for Ps. 15.8 million, due on March 14, 2012, accruing interest at a rate of 16.75%, and two dollar-denominated facilities of US$ 0.4 million each, the first of which matured on September 12, 2011 and accrued interest at a rate of 3.70%, and the second one fell due on March 14, 2012 and accrued interest at a rate of 3.90%. On September 12, 2011, when the first dollar-denominated loan fell due, interest was paid and the principal amount was renewed for an additional year at an interest rate of 3.90% for the new period.

On March 14, 2012, Hoteles Argentinos refinanced its Ps. 15.8 million loan with Standard Bank Argentina S.A. through a bank checking account overdraft agreement with such bank. Under this agreement, a fixed interest rate is paid and the agreement's term is renewable each month. On that same date, the US$ 0.4 million loan held with such bank was repaid.

68

APSA’s 10% Convertible Notes due 2014

On July 19, 2002, APSA issued US$ 50.0 million in unsecured Convertible Notes in exchange for cash and the settlement of certain liabilities owed to its shareholders. The proceeds received by APSA were used to repay short term bank loans for Ps. 27.3 million and to redeem secured notes issued by APSA for Ps. 52.8 million. The notes accrue interest (payable semi-annually) at a 10.0% fixed interest rate per annum and are convertible at any time at the holder’s option into shares of common stock of Ps. 0.10 par value each. The conversion rate per U.S. dollar is the lower between (i) Ps. 3.08642 and (ii) the result from dividing the exchange rate prevailing on the conversion date by APSA’s common shares’ par value. The convertible notes’ original maturity date was July 19, 2006, but the noteholders’ meeting held on May 2, 2006 extended the initial maturity date to July 19, 2014. The rest of the terms and conditions remained unaltered. During fiscal years 2011, 2007, 2006, 2005, 2004 and 2003, holders of US$ 18.3 million convertible notes of APSA exercised their conversion rights. Consequently, APSA issued 477,544,197; 101,582; 1,539,000; 52,741,373; 22,852,514; and 4,829,745 common shares, respectively. On September 22, 2011, APSA reported that one holder of convertible Notes exercised its conversion right, and 277,777 common shares of Ps. 0.1 par value each were issued, and thus Notes for a principal amount of US$ 9,000 were canceled. Following such conversion, the total number of shares increased from 1,259,608,411 to 1,259,886,188. If all the holders of Convertible Notes exercised their conversion rights, APSA’s total amount of outstanding shares would increase from 1,259.9 million to 2,239.7 million.

As of June 30, 2012, we held US$ 31.7 million of APSA’s convertible notes.

APSA’s Series I and Series II Notes

On May 11, 2007, APSA issued two new series of notes under its global program. Series I consists of notes for a principal amount of US$120 million, which accrue interest at a fixed rate of 7.875% per annum, payable semi-annually, and with maturity on May 11, 2017. Series II consists of notes for a principal amount of Ps. 154 million (equivalent to US$ 50 million), accruing interest at 11% per annum, payable semi-annually, and repayable in seven semi-annual installments commencing on June 11, 2009. All these notes were fully repaid as scheduled and the last installment was paid during this fiscal year.

Acquisition of Alto Palermo’s Series I Notes

During fiscal year 2009, we purchased US$ 39.6 million in principal amount of APSA’s Series I Notes, for a total amount of US$ 19.3 million.

In turn, in the course of fiscal 2009, our subsidiary Alto Palermo repurchased US$ 5.0 million in principal amount of its Series I notes. The weighted average price paid was US$ 0.3978 for a total of US$ 1.9 million.

In fiscal year 2011, we sold US$ 39.6 million in principal amount of such notes for an average price of US$ 0.9605, totaling US$ 38.08 million. In addition, during this fiscal year APSA has repurchased US$ 5.0 million in principal amount of its Series I notes. The weighted average price paid was US$ 1.0201 for a total amount of US$ 5.1 million.

Therefore, as of June 30, 2012, our consolidated holdings of APSA’s Series I notes amounted to US$ 10.0 million[1] in principal amount.

Acquisition of APSA's Series II Notes

During fiscal 2009, we bought US$ 15.1 million in principal amount of APSA's Series II Notes, for a total of US$ 8.2 million, representing a weighted average price of US$ 0.5513. In turn, in the course of fiscal year 2009, our subsidiary APSA purchased US$ 3.0 million in principal amount of its Series II notes, for a total of US$ 2.3 million, representing a weighted average price of US$ 0.75.

APSA's Series II notes matured during this fiscal year.

APSA's Series III and Series IV Notes

On November 13, 2009, APSA issued two new series of Notes under its US$ 200,000,000 Global Note Program. Series III consisted of notes for a principal amount of Ps. 55.8 million, which accrued interest at the BADLAR Private interest rate plus 3% payable every three months and maturing on May 12, 2011. Series IV consisted of notes for a principal amount of US$ 6.6 million (equivalent to Ps. 25.0 million), which accrued interest at a fixed interest rate of 6.75% per annum payable semiannually and maturing on May 12, 2011.

The proceeds derived from Series III and Series IV were used for refinancing or repaying the short-term debt and working capital in Argentina.

As of June 30, 2012, these two series of notes were due and fully paid.

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1 All of which is held by APSA.

16. CORPORATE SERVICE AGREEMENT ENTERED INTO WITH CRESUD S.A.C.I.F. Y A. AND APSA

In view of the fact that our Company, CRESUD and APSA have developed operating areas with certain similarities, the Board of Directors deemed it appropriate to implement alternative initiatives aimed at reducing certain fixed costs in its activities in order to reduce their impact on operating results, thereby taking advantage of and optimizing individual efficiencies of each company in the different areas of operations management.

Accordingly, on June 30, 2004, the Company entered into a "Framework Agreement for the Exchange of Corporate Services" (the "Agreement") with Cresud and APSA, which was subsequently amended on August 23, 2007, August 14, 2008, November 27, 2009 and July 11, 2011.

The Framework Agreement for the Exchange of Corporate Services executed by and between us, CRESUD and APSA currently applies to the following areas in the exchange of services: Human Resources, Finance, Institutional Relations, Administration and Control, Systems and Technology, Insurance, Messenger Services, Contracts, Audit and Control, Technical, Infrastructure and Services, Purchases, Architecture and Design, Development and Works, Real Estate, Hotels and Tourism, Assistance to Board of Directors and Safety.

The exchange of services consists in the provision of services for value in relation to any of the above mentioned areas, carried out by one or more of the parties to the Framework Agreement for the Exchange of Corporate Services on behalf of the other party or parties, invoiced and payable primarily through offsetting based on the provision of services in any such areas, and secondarily in cash, in case of a difference in value of the services provided. Under such agreement, the companies hired an external consulting company to review and evaluate on a six-month basis the criteria used in the settlement of corporate services, as well as the bases of distribution and supporting documentation used in the process, to be reflected in a report prepared and delivered for each six-month period.

On March 12, 2010 we entered into a new amendment to the Framework Agreement for the Exchange of Corporate Services with CRESUD and APSA so as to simplify the issues arising from the consolidation of the financial statements resulting from the increase of Cresud's investment in our Company. In this regard, our Board of Directors deemed it convenient and advisable for achieving such simplification, to unify in Cresud a part of the operations by transferring to it our and APSA's employment agreements. Effective since January 1, 2010, labor costs of such employees were transferred to Cresud's payroll, which will continue to be distributed with us and APSA pursuant to the conditions of the Framework Agreement for the Exchange of Corporate Services.

In the future, and in order to follow the policy of making the most efficient distribution of corporate resources among the different areas, the Framework Agreement for the Exchange of Corporate Services may be extended or amended in respect of other areas shared by the Company with Cresud and APSA.

It should be noted that, notwithstanding this procedure, the Company, Cresud and APSA maintain total discretionary independence in their strategic and commercial decisions, and confidentiality, and that the allocation of costs and income is performed based on operating efficiency and equity principles, without pursuing individual economic benefits for each company. The implementation of this project has not impaired the identification of the economic transactions or services involved, or the effectiveness of internal control systems or internal and external audit work of each company, or the disclosure of the transactions subject to the Framework Agreement for the Exchange of Corporate Services in accordance with Technical Resolution No. 21 of the FACPCE. Furthermore, Mr. Alejandro Gustavo Elsztain has been appointed to the position of General Coordinator, whereas Cedric Bridger has been charged with the operation and implementation of the agreement on behalf of our Company, Daniel E. Mellincovsky shall represent Cresud and Abraham Perelman shall represent APSA. All these individuals are members of the Audit Committees of their respective companies.

Corporate Governance

At IRSA we understand that good corporate governance practices should be supported and framed in an environment of adequate interaction and operation of its corporate bodies in accordance with the regulations in force, as the most efficient manner of protecting our shareholders.

Furthermore, the Company is subject to the provisions of the Sarbanes Oxley Act; therefore, it must assure the effectiveness of its internal control system for financial reporting purposes. It has passed its Code of Ethics, which is applicable to all its employees and sets forth a strict system of authorization and information disclosure practices aligned with the highest international standards as concerns investor relations.

The foregoing principles, along with the ongoing updating of its corporate governance practices in line with the most stringent market practices, place IRSA as the leading company in the Argentine capital markets.

In addition, a summary of the most significant differences between IRSA's corporate governance practices and the practices applied by US companies as per the standards set by the New York Stock Exchange (NYSE) for such companies may be consulted in Spanish and English in the Company's web page (www.irsa.com.ar).

In compliance with the provisions of Decree No. 677/01, below is a brief description of the aspects related to the decision making processes and internal control system as of the date of this Annual Report.For further illustration we refer to Exhibit I to this Annual Report, which includes the corporate governance report required by the Corporate Governance Code implemented by General Resolution No. 516/2007 issued by the National Securities Commission (hereinafter, the "Code" and the "CNV", respectively).

Table of Contents

17. BOARD OF DIRECTORS AND MANAGEMENT

Board of Directors

We are managed by a Board of Directors. Our by-laws provide that our Board of Directors will consist of a minimum of eight and a maximum of fourteen regular directors and a like or lesser number of alternate directors. Our directors are elected for three-year terms by a majority vote of our shareholders at a general ordinary shareholders' meeting and may be reelected indefinitely.

Currently our Board of directors is composed of fourteen regular directors and two alternate directors. Alternate directors will be summoned to exercise their functions in case of absence, vacancy or death of a regular director or until a new director is designated.

The table below shows information about our regular directors and alternate directors:

Name	Date of Birth	Position in IRSA	Date of current appointment	Term expiration	Current position held since
Eduardo S. Elsztain	01/26/1960	Chairman	2009	2012	1991
Saúl Zang	12/30/1945	First Vice-Chairman	2009	2012	1994
Alejandro G. Elsztain	03/31/1966	Second Vice-Chairman	2007	2013	2001
Fernando A. Elsztain	01/04/1961	Regular Director	2008	2014	1999
Carlos Ricardo Esteves	05/25/1949	Regular Director	2008	2014	2005
Cedric D. Bridger	11/09/1935	Regular Director	2009	2012	2003
Marcos Fischman	04/09/1960	Regular Director	2009	2012	2003
Fernando Rubín	06/20/1966	Regular Director	2007	2013	2004
Gary S. Gladstein	07/07/1944	Regular Director	2007	2013	2004
Mario Blejer	06/11/1948	Regular Director	2008	2014	2005
Mauricio Wior	10/23/1956	Regular Director	2009	2012	2006
Gabriel A. G. Reznik	11/18/1958	Regular Director	2008	2014	2008
Ricardo H. Liberman	12/18/1959	Regular Director	2008	2014	2008
Daniel Ricardo Elsztain	12/22/1972	Regular Director	2007	2013	2007
Salvador D. Bergel	04/17/1932	Alternate Director	2008	2014	1996
Enrique Antonini	03/16/1950	Alternate Director	2007	2013	2007

Ricardo Esteves, Cedric Bridger, Mario Blejer, Ricardo H. Liberman and Enrique Antonini are independent directors, pursuant to CNV Resolution No. 400/2002.

The following is a brief biographical description of each member of our Board of Directors:

Eduardo S. Elsztain. Mr. Elsztain studied Economic Sciences at Universidad de Buenos Aires. He has been engaged in the real estate business for more than twenty years. He is the President of Alto Palermo, Consultores Assets Management S.A., BACS Banco de Crédito & Securitización (“BACS”), Cresud and BrasilAgro Companhia Brasileira de Propiedades Agrícolas, and Banco Hipotecario, among others. He is also Vice-chairman of the Board of Directors of E-Commerce Latina S.A. He is Fernando A. Elsztain’s cousin and Alejandro G. Elsztain and Daniel Ricardo Elsztain’s brother.

Saúl Zang. Mr. Zang obtained a law degree from Universidad de Buenos Aires. He is a member of the International Bar Association and the Interamerican Federation of Lawyers. He is a founding partner of Zang, Bergel & Viñes Abogados law firm. He is also vice-chairman of Alto Palermo and Cresud; Puerto Retiro and Fibesa, and a director of Banco Hipotecario, Nuevas Fronteras S.A., Tarshop, Palermo Invest S.A. and BrasilAgro.

Alejandro G. Elsztain. Mr. Elsztain obtained a degree in agricultural engineering from Universidad de Buenos Aires. Currently he is chairman of Inversiones Ganaderas S.A. and Cactus Argentina, second vice-chairman of Cresud and executive vice-chairman of Alto Palermo. He is also vice-chairman of Nuevas Fronteras and Hoteles Argentinos and regular director of Inversora Bolívar S.A. He is the brother of Chairman Eduardo S. Elsztain and Daniel Ricardo Elsztain, and a cousin of Director Fernando A. Elsztain.

Fernando A. Elsztain. Mr. Elsztain studied architecture at Universidad de Buenos Aires. He has been engaged in the real estate business as a consultant and as managing officer of a family-owned real estate company. He is chairman of the board of directors of Llao Llao Resorts S.A., Palermo Invest S.A. and Nuevas Fronteras S.A. He is also a director of Alto Palermo, Hoteles Argentinos and Tarshop and an alternate director of Banco Hipotecario and Puerto Retiro, among others. He is Alejandro Elsztain, Eduardo S. Elsztain and Daniel Ricardo Elsztain’s cousin.

Carlos Ricardo Esteves. He has a degree in Political Sciences from Universidad El Salvador. He was a member of the Boards of Directors of Banco Francés del Río de la Plata, Bunge & Born Holding, Armstrong Laboratories, Banco Velox and Supermercados Disco. He was one of the founders of CEAL (Consejo Empresario de América Latina) and is a member of the board of directors of Encuentro de Empresarios de América Latina (padres e hijos) and is co-President of Foro Iberoamericano.

Cedric D. Bridger. Mr. Bridger is qualified as a certified public accountant in the United Kingdom. From 1992 through 1998, he served as chief financial officer of YPF S.A. Mr. Bridger was also financial director of Hughes Tool Argentina, chief executive officer of Hughes Tool in Brazil and Hughes’ corporate vice-president for South American operations. He is also a director of Banco Hipotecario.

Marcos Fischman. Mr. Fischman a pioneer in corporate coaching in Argentina. He studied at the Hebrew University of Jerusalem. He provides consulting services to businessmen, students and artists. In 1993 he joined our company and provides us with consulting services in communication and development.

Fernando Rubín. Mr. Rubin has a degree in psychology from Universidad de Buenos Aires and attended a post-graduate course in Human Resources and Organizational Analysis at E.P.S.O. Since July 2001, he has been the manager of organizational development at Banco Hipotecario. He served as corporate manager of human resources for IRSA, director of human resources for Moet Hennessy Louis Vuitton (“LVMH”) in Argentina and Bodegas Chandon in Argentina and Brazil. He also served as manager of the human resources division for the international consulting firm Roland Berger & Partner-International Management Consultants. He currently serves as CEO of Banco Hipotecario.

Gary S. Gladstein. Mr. Gladstein has a degree in economics from the University of Connecticut and a master's degree in business administration from Columbia University. He was operations manager in Soros Fund Management LLC and is currently a senior consultant of Soros Fund Management LLC.

Mario Blejer. Dr. Blejer obtained a degree from Hebrew University and a Ph.D. from the University of Chicago. He lectured courses at Hebrew University, Boston University and New York University. He has published several articles on macroeconomic and financial stability subjects. He served for twenty years in different departments of the IMF. In 2002, he was appointed chairman of the Central Bank and during 2003 he was appointed director of the Center for Studies of Central Banks of the Bank of England.

Mauricio Wior. Mr. Wior obtained a masters degree in finance, as well as a bachelors degree in economics and accounting from Tel Aviv University in Israel. Mr. Wior is currently a director of Ertach S.A. and Banco Hipotecario. He has held positions at Bellsouth where he was Vice President for Latin America from 1995 to 2004. Mr. Wior was also CEO of Movicom Bellsouth from 1991 to 2004. In addition, he led the operations of various cellular phone companies in Uruguay, Chile, Peru, Ecuador and Venezuela. He was president of Asociación Latinoamericana de Celulares (ALCACEL); the U.S. Chamber of Commerce in Argentina and the Israeli-Argentine Chamber of Commerce. He was a director of Instituto para el Desarrollo Empresarial de la Argentina (IDEA), Fundación de Investigaciones Económicas Latinoamericanas (FIEL) and Tzedaka.

Gabriel A. G. Reznik. Mr. Reznik obtained a degree in Civil Engineering from Universidad de Buenos Aires. He worked for IRSA from 1992 until May 2005, when he resigned. He previously worked for an independent construction company in Argentina. He is an alternate director of Puerto Retiro S.A., Tarshop and Fibesa, as well as member of the board of directors of Banco Hipotecario, among others.

Ricardo Liberman. Mr. Liberman graduated as a Public Accountant from Universidad de Buenos Aires. He is also an independent consultant in audit and tax matters.

Daniel Ricardo Elsztain. Mr. Elsztain graduated with a major in Economic Sciences from the Torcuato Di Tella University and has a Master in Business Administration from the Austral IAE University. At present, he is our Commercial Manager and he has held such position since 2004. He also serves as Director in Hersha Hospitality Trust and Supertel Hospitality Inc. Mr. Elsztain is the brother of both the Chairman of the Board of Directors, Mr. Eduardo S. Elzstain, and of the Executive Vice-Chairman, Mr. Alejandro G. Elzstain and cousin of Director Fernando A. Elzstain.

Salvador D. Bergel. Mr. Bergel obtained a law degree and a PhD from Universidad Nacional del Litoral. He is a founding partner of Zang, Bergel & Viñes Abogados law firm and a consultant at Repsol YPF S.A. He is also an alternate director of Cresud and APSA.

Enrique Antonini. Mr. Antonini holds a degree in law from the School of Law of Universidad de Buenos Aires. He has been director of Banco Mariva S.A. since 1992 until today, and of Mariva Bursátil S.A. since 1997 until today. He is a member of the Banking Lawyers Committee and the International Bar Association. At present, he is Alternate Director of Cresud.

Employment contracts with our directors

We do not have written contracts with our directors. However, Messrs. Eduardo Elsztain, Saúl Zang, Alejandro Elsztain, Fernando Elsztain and Fernando Rubín are employed by our Company under the Labor Contract Law No. 20,744.

Law No. 20,744 governs certain conditions of the labor relationship, including remuneration, protection of wages, hours of work, holidays, paid leave, maternity protection, minimum age requirements, protection of young workers and suspension and termination of the contract.

Table of Contents

Executive Committee

Pursuant to our by-laws, our day-to-day business is managed by an Executive Committee consisting of five regular directors and one alternate director, among which there should be the chairman, first vice-chairman and second vice-chairman of the board of directors. The current members of the Executive Committee are Messrs. Eduardo S. Elsztain, Saúl Zang, Alejandro Elsztain and Fernando Elsztain, as regular members. The executive committee meets as needed by our business, or at the request of one or more of its members.

The executive committee is responsible for the management of the daily business pursuant to the authority delegated by the Board of Directors in accordance with applicable laws and our by-laws. Pursuant to Section 269 of the Argentine Corporations Law, the Executive Committee is only responsible for the management of the day-to-day business. Our by-laws authorize the executive committee to:

- designate the managers of our Company and establish the duties and compensation of such managers;
- grant and revoke powers of attorney on behalf of our Company;
- hire, discipline and fire personnel and determine wages, salaries and compensation of personnel;
- enter into contracts related to our business;
- manage our assets;
- enter into loan agreements for our business and set up liens to secure our obligations; and
- perform any other acts necessary to manage our day-to-day business.

Senior Management

Appointment of Senior Management

Our Board of Directors appoints and removes senior management.

Senior Management Information

The following table shows information about our current senior management appointed by the Board of Directors:

Name	Date of birth	Position	Current position held since
Eduardo S. Elsztain	01/26/1960	Chief Executive Officer	1991
Daniel Ricardo Elsztain	12/22/1972	Chief Real Estate Business Officer	2012
David A. Perednik	11/15/1957	Chief Administrative Officer	2002
Jorge Cruces	12/22/1972	Chief Real Estate Officer	2007
Matías Iván Gaivironsky	02/23/1976	Chief Financial Officer	2011

The following is a description of each of our senior managers who are not directors:

David A. Perednik. Mr. Perednik obtained a degree in accounting from Universidad de Buenos Aires. He has worked for several companies such as Marifran Internacional S.A., a subsidiary of Louis Dreyfus Amateurs where he worked as chief financial officer from 1986 to 1997. He also worked as a senior consultant in the Administration and Systems Department of Deloitte & Touche from 1983 to 1986. He also serves as chief administrative officer of Cresud and Alto Palermo.

Matías Iván Gaivironsky. Mr. Matías Gaivironsky obtained a degree in business administration at Universidad de Buenos Aires. He has a Master in Finance from Universidad del CEMA. Since 1997 he has served in various positions at Cresud, IRSA and APSA, and he has served as Chief Financial Officer since December 2011. In 2008 he served as Chief Financial Officer in Tarshop and was later appointed Manager of the Capital Markets and Investor Relations Division of Cresud, IRSA and APSA.

Jorge Cruces. Mr. Cruces obtained the degree of Architect and a Master in Business Administration, Finance Mention and Strategic Management Mention, at Universidad de Belgrano. Before joining the group, he worked as Business Development – Real Estate Manager at Diveo, Diginet and as Real Estate Projects Manager of Giménez Zapiola Binswagner. At present he serves as Chief Real Estate Officer at IRSA and Alto Palermo. He is also Academic coordinator and Professor of the Cluster Portfolio and Asset Management of the Executive program of Real Estate Management at Universidad Torcuato Di Tella.

Supervisory Committee

Our supervisory committee (Comisión Fiscalizadora) is responsible for reviewing and supervising our administration and affairs and verifying compliance with our by-laws and resolutions adopted at the shareholders' meetings. The members of the supervisory committee are appointed at our annual general ordinary shareholders' meeting for a one-year term. The supervisory committee is composed of three regular members and three alternate members and pursuant to Section 294 of the Argentine Corporations Law No. 19,550, as amended, must meet at least every three months.

The following table shows information about the members of our supervisory committee, who were elected at the annual ordinary shareholders' meeting, held on October 31, 2011:

Name	Date of Birth	Position	Expiration Date	Current position held since
José D. Abelovich	07/20/1956	Regular Member	2012	1992
Marcelo H. Fuxman	11/30/1955	Regular Member	2012	1992
Noemí Cohn	05/20/1959	Regular Member	2012	2010
Silvia De Feo	10/07/1958	Alternate Member	2012	2003
Roberto Murmis	04/07/1959	Alternate Member	2012	2005
Alicia Rigueira	12/02/1951	Alternate Member	2012	2006

Set forth below is a brief biographical description of each member of our supervisory committee:

José D. Abelovich. Mr. Abelovich obtained a degree in accounting from Universidad de Buenos Aires. He is a founding member and partner of Abelovich, Polano & Asociados S.R.L., a law firm member of Nexia International, a public accounting firm in Argentina. Formerly, he had been a manager of Harteneck, López y Cía/Coopers & Lybrand and has served as a senior advisor in Argentina for the United Nations and the World Bank. He is a member of the supervisory committees of Cresud, Alto Palermo, Alto Palermo Shopping, Hoteles Argentinos, Inversora Bolívar and Banco Hipotecario.

Marcelo H. Fuxman. Mr. Fuxman obtained a degree in accounting from Universidad de Buenos Aires. He is a partner of Abelovich, Polano y Asociados S.R.L., a law firm member of Nexia International, a public accounting firm in Argentina. He is also a member of the supervisory committee of Cresud, Alto Palermo, Alto Palermo Shopping, Inversora Bolívar and Banco Hipotecario.

Noemí Cohn. Mrs. Cohn obtained a degree in accounting from Universidad de Buenos Aires. She is a partner of Abelovich, Polano y Asociados S.R.L. / Nexia International, an accounting firm in Argentina, and she works in the Audit sector. Mrs. Cohn worked in the audit area of Harteneck, López and Company, Coopers & Lybrand in Argentina and in Los Angeles, California. Mrs. Cohn is a member of the Supervisory Committees of Cresud and APSA, among others.

Silvia De Feo. Mrs. De Feo obtained a degree in accounting from Universidad de Belgrano. She is a manager at Abelovich, Polano & Asociados S.R.L., a law firm member of Nexia International, an accounting firm in Argentina and former manager at Harteneck, Lopez & Cía./Coopers & Lybrand. She is also a member of the Supervisory Committees of Cresud, Alto Palermo Shopping, Inversora Bolívar and Baldovinos S.A.

Roberto Murmis. Mr. Murmis holds a degree in accounting from Universidad de Buenos Aires. Mr. Murmis is a partner at Abelovich, Polano & Asociados S.R.L., a law firm member of Nexia International. Mr. Murmis worked as an advisor to Secretaría de Ingresos Públicos del Ministerio de Economía of Argentina. Furthermore, he is a member of the supervisory committee of Cresud, Alto Palermo Shopping, Futuros y Opciones S.A. and Llao Llao Resorts S.A.

Alicia Rigueira. Mrs. Rigueira holds a degree in accounting from Universidad de Buenos Aires. Since 1998 she has been a manager at Estudio Abelovich, Polano & Asociados SRL, a law firm member of Nexia International. From 1974 to 1998, Mrs. Rigueira performed several functions at Harteneck, Lopez y Cía., affiliated with Coopers & Lybrand. Mrs. Rigueira was professor at the School of Economic Sciences at Universidad de Lomas de Zamora.

Table of Contents

Internal Control

Management uses the Integrated Framework-Internal Control issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Report") to assess the effectiveness of internal control over financial reporting.

The COSO Report sets forth that internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of the entity's objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations

Based on the above, the company's internal control system involves all the levels of the company actively involved in exercising control:

- the board of directors, by establishing the objectives, principles and values, setting the tone at the top and making the overall assessment of results;
- the management of each area is responsible for the internal control in relation to objectives and activities of the relevant area, i.e. the implementation of policies and procedures to achieve the results of the areas and, therefore, those of the entity as a whole;
- the other personnel play a role in exercising control, by generating information used in the control system or taking action to ensure control.

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report
Audit Committee

In accordance with the Regime of Transparency in Public Offerings provided by Decree No. 677/2001 and the regulations of Comisión Nacional de Valores ("CNV"), our board of directors established an Audit Committee.

The Audit Committee is a committee of the board of directors, the main function of which is to assist the board of directors in (i) exercising its duty of care, diligence and competence in issues relating to us, specifically as concerns the enforcement of accounting policies, and disclosure of accounting and financial information, (ii) management of our business risk, the management of our internal control systems, (iii) behavior and ethical conduct of the Company's businesses, (iv) monitoring the sufficiency of our financial statements, (v) our compliance with the laws, (vi) independence and competence of independent auditors, (vii) performance of our internal audit duties both by our company and the external auditors and (viii) it may render, upon request of the Board of Directors, its opinion on whether the conditions of the related parties' transactions for relevant amounts may be considered reasonably sufficient under normal and habitual market conditions.

The Audit Committee must meet at least once a year.

In accordance with Decree No. 677/2001 and the Regulations of Comisión Nacional de Valores, our Audit Committee is made up by three independent directors. The NYSE Regulations establish that as of July 31, 2005, foreign companies listing securities in the United States must have an Audit Committee fully formed by independent directors.

Currently, we have a fully independent Audit Committee composed of Messrs. Cedric Bridger, Ricardo Liberman and Mario Blejer.

Table of Contents

Compensation

Directors

Under the Argentine Business Corporations Law (Law No. 19,550), if the compensation of the members of the Board of Directors and the Supervisory Committee is not established in the by-laws of the Company, it should be determined by the shareholders' meeting. The maximum amount of total compensation to the members of the Board of Directors and the Supervisory Committee, including compensation for technical or administrative permanent activities, cannot exceed 25% of the earnings of the company. That amount should be limited to 5% when there is no distribution of dividends to shareholders and will be increased in proportion to the distribution up to such limit if all earnings are distributed. For purposes of applying this provision, the reduction in the distribution of dividends derived from reducing the Board of Directors' and Supervisory Committee's fees will not be considered.

When one or more directors perform special commissions or technical or administrative activities, and there are no earnings to distribute, or they are reduced, the shareholders meeting may approve compensation in excess of the above mentioned limits. The compensation of our directors for each fiscal year is determined pursuant to the Argentine Business Corporations Law and taking into consideration whether the directors performed technical or administrative activities and our fiscal year's results. Once the amounts are determined, they are considered at the shareholders' meeting.

In the course of our shareholders' meeting held on October 31, 2011, the shareholders approved total compensation in the amount of Ps. 23.4 million for all our directors for the fiscal year ended on June 30, 2011. At the end of this fiscal year, these amounts had been totally paid.

Senior Management

We pay our senior management pursuant to a fixed amount, established by taking into consideration their background, capacity and experience and an annual bonus which varies according to their individual performance and our overall results. The total and aggregate compensation paid to our Senior Management for the fiscal year ended June 30, 2012 was Ps. 13.2 million.

Supervisory Committee

The shareholders meeting held on October 31, 2011, approved by majority vote the decision not to pay any compensation to our Supervisory Committee.

Audit Committee

The members of our Audit Committee do not receive compensation in addition to that received for their service as members of our board of directors.

Compensation plan for executive management

During this fiscal year, we are developing a special compensation plan for key managers by means of contributions to be made by the employees and by the Company.

Such Plan is directed to key managers selected by us and aims to retain them by increasing their total compensation package through an extraordinary reward, granted to those who have met certain conditions.

Participation and contributions under the Plan are voluntary. Once the invitation to participate has been accepted by the employee, he or she may make two kinds of contributions: monthly contributions (salary based) and extraordinary contribution (annual bonus based). The suggested contribution to be made by Participants is: up to 2.5% of their monthly salary and up to 7.5% of their annual bonus. Our contribution will be 200% of the employees' monthly contributions and 300% of the extraordinary employees' contributions.

The funds collected as a result of the Participants' contributions are transferred to a special independent vehicle created in Argentina as an Investment Fund approved by Comisión Nacional de Valores. Such funds are freely redeemable upon request of the Participants.

The funds collected as a result of our contributions are transferred to another independent vehicle separate from the previous one. In the future, participants will have access to 100% of the benefits of the Plan (that is, including our contributions made on the participants' behalf to the specially created vehicle) under the following circumstances:

- ordinary retirement in accordance with applicable labor regulations;
- total or permanent incapacity or disability; and
- death.

In case of resignation or termination without cause, the Participant may redeem amounts contributed by us only if he or she has participated in the Plan for at least 5 years subject to certain conditions.

Table of Contents

Long-term Incentive Program

The Company has developed a long term incentive and retention stock program for its management team and key employees under which contributions are made by both the program participants and the Company. At its sole discretion, the Company plans to repeat the plan for an additional fiscal year (2012-2013) under the same or other conditions, with the possibility of providing an extraordinary reward consisting of freely available shares payable on a single opportunity in September 2014.

The beneficiaries under the Plan are invited to participate by the Board of Directors and their decision to access the Plan is voluntary. Once an officer agrees to participate, he or she may make a single annual contribution (based on their annual bonus). The suggested contribution is up to 7.5% of their bonus, and in the first year the contribution made by the Company is ten times the amount of the employee's contribution. The contributions and/or shares of the Company that are purchased with these funds will be transferred to special purpose vehicles.

The contributions for the next fiscal years will be defined after the closing of each fiscal year.

In the future, the Participants or their successors in interest will have access to 100% of the benefit (the Company's contributions made in their name) in the following cases:

- if an employee resigns or is dismissed for no cause, he or she will be entitled to the benefit only if 5 years have elapsed from the moment of each contribution
- retirement
- total or permanent disability
- death

Code of Ethics

The Code of Ethics is effective as from July 31, 2005 with the aim of providing a wide range of guidelines as concerns accepted individual and corporate behavior. It is applicable to directors, managers and employees of the Company and its controlled companies. The Code of Ethics that governs our business, in compliance with the laws of the countries where we operate, may be found on our website www.irsa.com.ar.

A Committee of Ethics composed of three Board members is responsible for providing solutions to issues related to the Code of Ethics and is in charge of taking disciplinary measures in case of breach of the Code.

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

18. MARKET INFORMATION

New York Stock Exchange

Our Global Depositary Shares (GDSs), representing 10 common shares each, are listed on the New York Stock Exchange under the trading symbol "IRS". Our GDSs started to be listed on the New York Stock Exchange on December 20, 1994 and they were issued by the Bank of New York, Inc., acting as depositary. However, it should not be assumed that our GDSs will be listed at a multiple 10 times higher than the price per common share. The table below shows the high and low closing prices of our GDSs in the New York Stock Exchange for the indicated periods.

	US$ per GDS	
	High	Low
Fiscal year		
2012	13.75	6.48
2011	17.56	10.41
2010	13.23	1.87
2009	12.00	3.01
	High	Low
Quarter		
2012		
4th quarter	9.67	6.48
3rd quarter	11.24	10.01
2nd quarter	11.17	8.60
1st quarter	13.75	8.52
2011		
4th quarter	13.78	12.46
3rd quarter	16.77	13.80
2nd quarter	17.56	13.92
1st quarter	14.79	10.41
2010		
4th quarter	13.23	10.22
3rd quarter	10.83	9.05
2nd quarter	9.87	7.85
1st quarter	8.30	4.75
2009		
4th quarter	5.00	3.54
3rd quarter	4.53	3.01
2nd quarter	7.11	3.08
1st quarter	12.00	7.27
	High	Low
Month (calendar year 2012)		
June	7.70	6.48
May	8.07	6.86
April	9.67	7.80
March	11.24	10.10
February	11.24	10.10

January	10.64	10.01

Source: Bloomberg.

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

Buenos Aires Stock Exchange

Our common shares are listed on the Buenos Aires Stock Exchange (“BASE”) under the trading symbol “IRSA”. Our common shares started to be traded on the BASE in 1948. The table below shows the high and low closing prices of our common shares in the BASE for the indicated periods:

	Pesos per share	
	High	Low
Fiscal year		
2012	5.83	3.87
2011	6.97	4.12
2010	5.23	1.87
2009	3.70	1.10
	High	Low
Quarter		
2012		
4th quarter	5.03	3.87
3rd quarter	5.5	4.6
2nd quarter	5.2	3.95
1st quarter	5.83	4.0
2011		
4th quarter	5.90	5.29
3rd quarter	6.85	5.72
2nd quarter	6.97	5.52
1st quarter	5.80	4.12
2010		
4th quarter	5.23	4.28
3rd quarter	4.24	3.40
2nd quarter	3.75	2.89
1st quarter	3.15	1.87
2009		
4th quarter	1.95	1.40
3rd quarter	1.50	1.10
2nd quarter	2.25	1.15
1st quarter	3.70	2.26
	High	Low
Month (fiscal year 2012)		
June	5.03	4.00
May	4.60	3.87
April	5.00	4.15
March	5.50	5.25
February	5.30	4.70
January	4.95	4.60

Source: Bloomberg.

Dividends and Dividend Policy

Pursuant to Argentine law, the distribution and payment of dividends to shareholders is allowed only if they result from realized and net earnings of the company pursuant to annual financial statements approved by our 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 corporate laws and our by-laws, net and realized profits for each fiscal year are required to be allocated as follows:

- 5% of such net profits should be 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;
    - additional amounts may be allocated for the payment of optional reserve funds, to establish contingency reserves, to a new account or for whatever other purpose our shareholders may determine.

According to rules issued by 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.

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-annually and due on February 2, 2017. These notes limit 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.
- 100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by the Company or by its restricted subsidiaries from (a) any contribution to the Company's capital stock or the capital stock of its restricted subsidiaries or issuance and sale of the Company's qualified capital stock or the qualified capital stock of its restricted subsidiaries subsequent to the issue of the Company's notes due 2017, or (b) issuance and sale subsequent to the issuance of the Company's notes due 2017 or its indebtedness or the indebtedness of its restricted subsidiaries that has been converted into or exchanged for qualified capital stock of the Company, (c) any kind of reduction in the Company's indebtedness or the indebtedness of any of its restricted subsidiaries; or (d) any kind of reduction in investments in debt certificates (other than permitted investments) and in the return on assets; or (e) any distribution received from an unrestricted subsidiary.

Our dividend policy consists in the distribution of an amount not to exceed the higher of a) twenty percent (20%) of the Sales, leases and services of "Offices and other Non-Shopping Center Rental Properties" segment, defined in Segment information, as of June 30 of each year, or b) twenty percent (20%) of Net income defined in the Consolidated Statements of Income as of June 30 of each year. This policy requires that we must at all times comply with the covenants imposed by our financial obligations.

Table of Contents

IRSA Inversiones y Representaciones Sociedad Anónima

Annual Report

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

Year declared	Cash dividends (in million Ps.)	Cash dividends (1) (Ps.)	Stock dividends(1) (Ps.)	Total per share (Ps.)
1997	15.0	0.110	-	0.110
1998	13.0	0.060	0.05	0.110
1999	18.0	0.076	0.04	0.116
2000		-	0.20	0.204
2001		-	-	-
2002		-	-	-
2003		-	-	-
2004		-	-	-
2005		-	-	-
2006		-	-	-
2007		-	-	-
2008		-	-	-
2009	31.7	0.055	-	0.055
2010	120.0	0.207	-	0.207
2011	311.6	0.539	-	0.539
2012	99.0	0.171	-	0.171

Notes:
(1) Corresponds to payments per share.

The table below presents the dividend payment ratio to the total amount of dividends paid for by our subsidiary Alto Palermo, from which we collect dividends in our capacity as shareholders, each fully paid, for the years indicated in the table below.

Dividends paid by our subsidiary Alto Palermo

Year declared	Cash dividends(1) (Ps.)	Stock dividends(1) (Ps.)	Total per share (Ps.)
2004	17,895,663	-	0.0229
2005	29,000,000	-	0.0371
2006	47,000,000	-	0.0601
2007	55,721,393	-	0.0712
2008	60,237,864	-	0.0770
2009	56,000,000	-	0.0716

2010	113,000,000	-	0.0897
2011	247,879,100	-	0.1968
2012	177,000,000	-	0.1405

Notes:
(1) Corresponds to payments per share.

87

19. PROSPECTS FOR THE NEXT FISCAL YEAR

In 2012, the Company achieved highly satisfactory results in all its segments and consolidated its lines of business even further. The combination of real estate assets in Argentina and offshore diversification through its investments in the United States place it in a favorable position to face next fiscal year 2013.

As concerns the Shopping Center segment, we expect to continue growing by rolling out new developments and redistributing leaseable areas in our current shopping centers. These improvements will allow us to take best advantage of their GLA potential and to furnish them with increased functionality and appeal for the benefit of consumers and retailers alike. In this respect, in the next fiscal year we expect to make further progress in the restyling works of Soleil Shopping Center and build 6 additional cinema screens, which will attract more public and sales, optimizing this shopping center's performance.

We plan to make progress in the development of our "Arcos" project located in the district of Palermo, City of Buenos Aires. This project, started to be built in December 2011, will follow a urban model, offering a variety of premium brands in an open-air environment. We expect to open it in September 2013, adding approximately 13,000 square meters of GLA and 70 stores to APSA's portfolio, and featuring its fourteenth shopping center. We hope that this new proposal, which also introduces a cultural space in the retail concept, will achieve the success of our latest developments.

On the other hand, we continue working on the first stage of development of a new shopping center in the City of Neuquén. We hope to have suitable business, financial and governmental conditions for speeding up progress in this development during the next fiscal year.

Regarding the Offices for Rental business, we will continue working towards consolidating the best premium portfolio in the City of Buenos Aires. Thus, we expect to continue our sales of non-strategic portfolio assets for attractive prices, and we are evaluating the development of a building in Catalinas on a plot of land that the Company acquired in December 2009. Moreover, we will strive to achieve maximum occupancy in our buildings and the best possible lease agreements, trying to attract new firms whishing to relocate in the spaces we offer.

We hope that in 2013 the Llao Llao hotel becomes again a premier tourist destination and recovers its usual income and occupancy levels. We trust that it will be so, as in January 2012 the City of Bariloche resumed airport activities and the winter season started with outstanding results.

Regarding the Development and sale of properties segment, we expect to continue selling non-strategic assets and small land reserves and make progress with the sales of the units received following barter agreements in the residential projects Caballito Nuevo, Torres Rosario and El Encuentro.

Finally, as concerns opportunities outside Argentina, we will continue our efforts towards optimizing the operation of the Lipstick Building and the building at 183 Madison Avenue. We expect these assets to continue improving their operating results during the next fiscal year. Also we aim to continue looking for selective investments that serve as hedge against future inflation and which involve high quality assets with attractive prices or capital structures with potential for improvement.

Given the quality of the real estate assets in our portfolio, the Company's financial position and low indebtedness level, its experience in taking advantage of market opportunities and its credentials in the capital markets, we believe that we are on the right way to continue increasing our property holdings and consolidating the best real estate portfolio of

Argentina.

Table of Contents

20. Corporate Governance Report

General Resolution CNV 606/2012 of the Argentine Securities Commission (CNV)

Following the guidelines set by Decree No. 677/01, which established the Regime of Transparency in Public Offerings, the Argentine Securities Commission (CNV) has issued General Resolution No. 606/2012 for enforcing good corporate governance practices and providing a legal framework rooted in its former General Resolution No. 516/07, which is amended and replaced by General Resolution No. 606/2012.

The purpose of General Resolution 606/2012 is to protect the interests of investors, creditors and the public in general and prevent the information available to investors from being inconsistent with the required transparency standards relating to internal and external corporate controls and in particular the disclosure of information that should be known by the market and its players.

In its capacity as control agency, the CNV believes, based on national and international evidence, that good corporate governance practices will mitigate the occurrence of conflicts of interest and will positively impact on the companies' performance and their valuation in the market.

Moreover, the CNV understands that having in place a Corporate Governance Code provides an instrument for review by potential investors and reduces such entities' financing costs. It is structured on the basis of principles and recommendations or minimum good practices, that provide general concepts which frame and incarnate every good corporate governance system, and the recommendations contained in Resolution 606/2012 offer an adequate framework for issuers to apply those principles within their companies, which should be enforced and updated on an annual and quarterly basis.

As concerns its initial effective date, its provisions should be observed on an annual basis by issuer companies with fiscal years starting as from January 1, 2012.

These companies are:

1) publicly traded companies;

2) companies that apply for authorization to offer their securities to the public.

a) On an annual basis, the companies shall:

Forward, in addition to the documents required under the applicable laws, together with the Annual Report on the company's performance for the fiscal year, and in compliance with the requirements set forth in Section 66 of Law No. 19,550, a separate exhibit containing a report on the degree of compliance with the Corporate Governance Code.

In such filing, the Board of Directors shall:

(i) report whether it observes all the principles and recommendations included in the Corporate Governance Code, and how it does so; or

(ii) explain the reasons why it observes only in part or fails to observe such principles and recommendations and report whether in the future the Issuer plans to include those aspects which are not currently adopted.

b) Every three months:

In addition to the requirements set forth in the applicable laws, Issuers shall submit their interim financial statements prepared in accordance with sections 62 to 65 of Law No. 19,550 and, as concerns their preparation, in compliance with the provisions contained in Exhibit I to Decree 606/12. If a company prepares its financial statements applying International Financial Reporting Standards, it may present its interim financial statements in condensed form, as set forth in International Accounting Standard No. 34.

In addition, it provides that the Supervisory and/or Surveillance Committee shall have responsibility for verifying the truthfulness of the information supplied as concerns the degree of compliance with the Corporate Governance Code, and it establishes that its assessment must be reflected in its fiscal year-end report.

At present, the Company is actively working on adapting its internal regulations to the contents included in CNV's Resolution 606/2012.

This notwithstanding, already on September 8, 2010, our Board of Directors approved the report prescribed by the Code, which constitutes an integral part of these financial statements and whose material contents are transcribed below:

SCOPE OF APPLICATION

1.) Relationship between the Issuer and the Conglomerate. The Board must thoroughly report any policies applicable to the relationship between the issuer and the conglomerate as such and its integral parts, if any.

In particular, the Board must report the transactions with affiliates and related companies and, in general, those that might be relevant to determine the degree of effectiveness and compliance with the loyalty, diligence and independence duties. Furthermore, the Board must report the transactions conducted with shareholders and management.

In connection with related companies, it is Company policy to enter into transactions in arm's length conditions.

The transactions with related parties are, as prescribed by the law, subject to the Audit Committee's opinion. The Audit Committee analyzes the reasonableness of transactions in the terms of Executive Decree No. 677/01 and issues reports in this respect.

In the event of the Company conducting transactions with its shareholders or management, it shall abide by and apply the provisions under Law No. 19,550, section 271.

2) Inclusion of Corporate Governance matters in the Company's By-laws. The Board must assess whether its Corporate Governance Code provisions are to be reflected, in whole or in part, in the Company's by-laws, including the Board's specific and general duties.

The Board must make sure that the Company's By-laws should lay down rules to compel directors to disclose any personal interests related to the decisions submitted to Board consideration in order to avoid conflicts of interest.

The Board of Directors considers that some of the provisions referred to in the Corporate Governance Code (hereinafter, the "Code") are already included in the Company's by-laws and in other cases they are already within the scope of Argentina's currently applicable corporate law legislation.

However, the Board understands that other Code provisions should not be included in the current wording of the By-laws because if they were changed and/or fine-tuned in the future, the need would arise for amending the By-laws accordingly and this would be burdensome and costly. It is thus the Board's understanding that the configuration of the new Code as a body separate from the By-laws would help to its enforcement and contribute to a more agile review and adaptation of provisions, as necessary, based on whether the law mandates such inclusion or whether conduct of business calls for it.

As regards the Directors' duty to avoid conflicts of interest, the Board has considered that its actions are aligned to the Argentine Companies Law, Sections 272 and 273, and specifically to the provisions concerning this matter and that the Company's Code of Ethics (hereinafter "Ethics") deals specifically with this matter. Additionally, the Company's transactions are underpinned by counterparty analyses, including suppliers, in order to identify potential related parties and thus prevent conflicting interests.

ABOUT THE BOARD IN GENERAL

3) The Board is responsible for the Company's Strategy. The Board of Directors is in charge of managing the Company and approving the general policies and strategies appropriate to the different phases in the Company's life cycles and in particular:

a) The strategic and/or business plan, as well as management objectives and annual budgets;
b) Investment and funding policies;
c) Corporate Governance policies;
d) Enterprise Social Responsibility policies;
e) Risk control and management policies as well as any other policy aimed at a regular follow-up on the Company's internal reporting and control systems; and
f) The implementation of continuous education programs targeted at directors and management executives.

Being an essential part, and the raison d'être, of its management actions, the strategic and business plan for the Company is laid down by the Board. The Board also lays down and sets, together with the appropriate departments, management objectives and the annual budget.

In harmony with the preceding sub-paragraph, the Board considers, on an annual basis, the Company's planned investments and the appropriate financing requirements.

The Company has in place Corporate Governance policies (in accordance with the Argentine Executive Decree No. 677/01 and/or the Sarbanes-Oxley Act) and the Board has approved the report on the Corporate Governance Code.

The Company has in place policies in this respect, such as those implemented through donation to non-profits as would be the case of the donations channeled through the IRSA foundation. The Company also has in place policies to recycle paper and other reusable materials such as plastics and disposable packaging.

The Company enforces the US Sarbanes-Oxley Act as concerns business controls, corporate level controls and general controls through information technology. In this respect, the Board is permanently updated of the company's management control policies. The same holds true in connection with internal reporting and control systems, which are deployed by the IT, Organization and Methods and Internal Audit departments, responsible in turn for keeping the Board abreast of new developments.

There are continuous education programs for management executives, as discussed in further detail in paragraph 11).-

4) Management Control. The Board is duty-bound to verify that the above-mentioned strategies and policies are implemented, that the budget and the operations plan are met and to control management performance, i.e., to make sure that management meets the objectives laid down, including expected profits, in furtherance of the Company's corporate interest.

The Company has in place a management control system pursuant to which each department is responsible for administering its budget and for seeing to it that it is duly executed; mandatory signature authority levels are assigned based on transaction amounts, etc. This control system is permanently monitored by the Internal Audit Department.

On a quarterly basis, the Board assesses the degree of compliance with the annual budget, analyzes the potential causes of any deviations from budget and recommends to management any necessary corrective measures in furtherance of the Company's corporate interest in order to align them with each matter's best practices.

5) Reporting and Internal Control. Risk Management. The Board must report on whether it relies on risk control and management policies, stating also whether these are permanently updated in line with the applicable best practices and also on whether it relies on other policies which, in the same nature, are aimed at a periodical follow-up on the Company's internal information and control systems.

The Company enforces these policies.
In this respect, there are internal committees, such as IT Security and Risks, that are permanently updating their activities in line with the best practices criteria.

6) Audit Committee. The Board of Directors must state whether the Audit Committee members are nominated by any of its members or only by its Chairman.

The Company has had an Audit Committee in place which has had an active role since the year that audit committees became a legal requirement. At present, the Company's Audit Committee is made up by three independent members as prescribed by the applicable legal provisions.
The members of the Audit Committee are nominated by the Board in its entirety, in line with the provisions under Executive Decree No. 677/01 and they are chosen by a unanimous vote.

7) Number of Board Members. The Board of Directors is made up by the directors appointed by the Shareholders' Meeting, or, if applicable, by the Supervisory Committee, in accordance with the requirements laid down in the Company's By-laws.
The Board of Directors must determine, on a case-by-case basis, in harmony with the size of the issuer and abiding by the decision-making procedure, if its numerical composition is adequate so that, should the need arise, a well-grounded proposal should be submitted to the Shareholders' Meeting to request a change in the Board's numerical composition.
The numerical composition of the Board must include a sufficient number of independent directors. The Board must create a sufficient number of committees to carry out its mission effectively and efficiently.

As provided by the Argentine Companies Law, the Board of Directors is appointed by the Shareholders' Meeting.
As a matter of principle, the Board is made up by reliable prominent individuals of integrity, reputation and demonstrated ethics. Besides, they must be free from conflicts of interest and have enough time available to discharge their functions, which must be performed in full observance of the Company's values; they should have demonstrated skills in the matters concerning their missions, master the best practices in corporate governance, be seasoned in legal entities management and possess a full understanding of the role to be played by a publicly traded company.
It is the Board's understanding that in the light of the current circumstances and the size of the issuer, the number of directors laid down in the Company's by-laws is fit and sufficient for the Company to conduct business guided by its management objectives for the fiscal year.
Besides, the Company has established several committees to focus closely on various aspects which require specific attention in light of corporate management.

8) Board Membership. The Board of Directors must determine whether the enforcement of a policy geared towards the involvement of former executives in management is in the Company's best interest and make any relevant recommendations.

The Board understands that for the time being there is no need to establish an express policy to permit former executives to participate in management. However, it does not rule it out either in so far as these executives' knowledge of the Company and their experience add a plus to their qualifications as directors, which are estimated to contribute to more efficient management.

9) Multiple Directorships. The Board must examine the advisability of directors and/or statutory auditors serving as such on a limited number of entities or the relevance of this aspect and make any recommendations it may see fit.

The Board finds it advisable for its members and statutory auditors to serve on the board of other companies making up the same conglomerate/group of companies as it helps to add synergies, reduce operating costs and ensure harmonious operation in the various companies, on top of the advantages this lends to management activities themselves.

10) Board Performance Assessment. The Board of Directors must, before holding the Ordinary Shareholders' Meeting called to consider and adopt resolutions concerning the matters detailed in the Argentine Companies Law section 234, sub-sections 1 and 2, evaluate its own performance. To that end, the Board must prepare, in writing, a guide for assessing and laying down the criteria necessary to measure its performance.

As mandated by the Argentine Companies Law, the Board submits its own actions to the consideration by the Shareholders' Meeting. The Company drafts an annual report that is made available to the shareholders, corporate governance bodies and regulators, in advance as prescribed by the applicable statutory terms and along the lines established by current rules and regulations, prior to the date set for the shareholders' meeting.
The Board of Directors considers that such time is sufficient for those concerned to duly weigh the information.

11) Director Training and Development. The Board must establish a continuous education program for its members and management executives in order to maintain and refresh their knowledge and skills and to boost Board efficacy overall.

The Company encourages its Board and senior management to take part in training and professional update activities. In the Board's opinion, it is vital to improved business management that the Company's officers should be permanently trained and take part in local and international congresses and events in their re