

IRSA INVESTMENTS & REPRESENTATIONS INC

Form 20-F

December 30, 2010

Table of Contents

**United States**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 20-F**

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

**OR**

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended: June 30, 2010**

**OR**

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

**OR**

.. **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**Date of event requiring this shell company report \_\_\_\_\_**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number: 1-13542**

**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**

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(Jurisdiction of incorporation or organization)

**Bolívar 108**

**(C1066AAB) Buenos Aires, Argentina**

(Address of principal executive offices)

**Gabriel Blasi**

**Chief Financial Officer**

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

**Moreno 877 22<sup>nd</sup> Floor**

**(C1091AAQ) Buenos Aires, Argentina**

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

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

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
<b>Global Depositary Shares, each representing</b>	
<b>ten shares of Common Stock</b>	<b>New York Stock Exchange</b>
<b>Common Stock, par value one Peso per share</b>	<b>New York Stock Exchange*</b>

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

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

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

The number of outstanding shares of the issuer's common stock as of June 30, 2010 was 578,676,460.

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

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

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

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).  Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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

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

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

**Table of Contents****Table of Contents****IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA**

	<b>Page No.</b>
<u>Disclosure Regarding Forward-Looking Information</u>	5
<u>Certain Measurements and Terms</u>	5
<u>Presentation of Financial and Certain Other Information</u>	6
<u>Market Data</u>	7
<b>Part I</b>	
Item 1 <u>Identity of Directors, Senior Management and Advisers</u>	8
Item 2 <u>Offer Statistics and Expected Timetable</u>	8
Item 3 <u>Key Information</u>	8
<u>(a) Selected Financial Data</u>	8
<u>(b) Capitalization and Indebtedness</u>	12
<u>(c) Reasons for the Offer and Use of Proceeds</u>	12
<u>(d) Risk Factors</u>	12
Item 4 <u>Information on the Company</u>	44
<u>(a) History and Development of the Company</u>	44
<u>(b) Business Overview</u>	53
<u>(c) Organizational Structure</u>	105
<u>(d) Property, Plant and Equipment</u>	106
Item 4 A <u>Unresolved Staff Comments</u>	110
Item 5 <u>Operating and Financial Review and Prospects</u>	110
<u>(a) Operating Results</u>	110
<u>(b) Liquidity and Capital Resources</u>	172
<u>(c) Research and Development, Patents and Licenses, etc.</u>	180
<u>(d) Trend Information</u>	180
<u>(e) Off-Balance Sheet Arrangements</u>	182
<u>(f) Tabular Disclosure of Contractual Obligations</u>	182
<u>(g) Safe Harbor</u>	182
Item 6 <u>Directors, Senior Management and Employees</u>	182
<u>(a) Directors and Senior Management</u>	182
<u>(b) Compensation</u>	188
<u>(c) Board Practices</u>	189
<u>(d) Employees</u>	190

**Table of Contents**

	<u>(e) Share Ownership</u>	190
Item 7	<u>Major Shareholders and Related Party Transactions</u>	192
	<u>(a) Major Shareholders</u>	192
	<u>(b) Related Party Transactions</u>	194
	<u>(c) Interests of Experts and Counsel</u>	199
Item 8	<u>Financial Information</u>	199
	<u>(a) Consolidated Statements and Other Financial Information</u>	199
	<u>(b) Significant Changes</u>	204
Item 9	<u>The Offer and Listing</u>	210
	<u>(a) Offer and Listing Details</u>	210
	<u>(b) Plan of Distribution</u>	212
	<u>(c) Markets</u>	212
	<u>(d) Selling Shareholders</u>	215
	<u>(e) Dilution</u>	215
	<u>(f) Expenses of the Issue</u>	215
Item 10	<u>Additional Information</u>	215
	<u>(a) Share Capital</u>	215
	<u>(b) Memorandum and Articles of Association</u>	216
	<u>(c) Material Contracts</u>	224
	<u>(d) Exchange Controls</u>	224
	<u>(e) Taxation</u>	230
	<u>(f) Dividends and Paying Agents</u>	239
	<u>(g) Statement by Experts</u>	239
	<u>(h) Documents on Display</u>	239
	<u>(i) Subsidiary Information</u>	239
Item 11	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	239
Item 12	<u>Description of Securities Other than Equity Securities</u>	243
<b>Part II</b>		
Item 13	<u>Defaults, Dividend Arrearages and Delinquencies</u>	244
Item 14	<u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	244
Item 15	<u>Controls and Procedures</u>	247
	<u>A. Disclosure Controls and Procedures</u>	247
	<u>B Management's annual report on internal control over financial reporting</u>	247
	<u>C Attestation report of the registered public accounting firm</u>	247

**Table of Contents**

	<u>D Changes in internal control over financial reporting</u>	247
Item 16	<u>(a) Audit Committee Financial Expert</u>	247
	<u>(b) Code of Ethics</u>	248
	<u>(c) Principal Accountant Fees and Services</u>	248
	<u>(d) Exemptions from the Listing Standards for Audit Committees</u>	250
	<u>(e) Purchase of Equity Securities by the Issuer and Affiliated Purchasers</u>	250
	<u>(f) Change in Registrant's Certifying Accountant</u>	250
	<u>(g) Corporate Governance</u>	250

**Part III**

Item 17	<u>Financial Statements</u>	253
Item 18	<u>Financial Statements</u>	253
Item 19	<u>Exhibits</u>	254

**Table of Contents**

**DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION**

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements.

This annual report includes forward-looking statements, principally under the captions Summary, Risk Factors, Operating and Financial Review and Prospects and Business Overview. We have based these forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Many important factors, in addition to those discussed elsewhere in this annual report, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

changes in general economic, business, political or other conditions in Argentina or changes in general economic or business conditions in Latin America;

changes in capital markets in general that may affect policies or attitudes toward lending to or investing in Argentina or Argentine companies;

changes in exchange rates or regulations applicable to currency exchanges or transfer;

unexpected developments in pending litigation;

increased costs;

unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and

the risk factors discussed under Risk Factors .

The words believe, may, will, aim, estimate, continue, anticipate, intend, expect, forecast and similar words are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update publicly or to revise any forward-looking statements after we distribute this annual report because of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this annual report might not occur and are not guarantees of future performance.

**CERTAIN MEASUREMENTS AND TERMS**

As used throughout this annual report, the terms IRSA, the Company, we, us, and our refer to IRSA Inversiones y Representaciones Sociedad Anónima, together with our consolidated subsidiaries, except where we make clear that such terms refer only to the parent company.

In Argentina the standard measure of area in the real estate market is the square meter (m<sup>2</sup>), while in the United States and certain other jurisdictions, the standard measure of area is the square foot (sq. ft.). All units of area shown in this annual report (e.g., gross leasable area of buildings and size of undeveloped land) are expressed in terms of square meters. One square meter is equal to approximately 10.764 square feet. One hectare is equal to approximately 10,000 square meters and approximately 2.47 acres.





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**Table of Contents**

**PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION**

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

This annual report contains our Audited Consolidated Financial Statements as of June 30, 2010 and 2009 and for the fiscal years ended June 30, 2010, 2009 and 2008 (our Audited Consolidated Financial Statements), which have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm, whose report is included herein.

We prepare our audited consolidated financial statements in thousands of Pesos and in accordance with generally accepted accounting principles in Argentina, as set forth by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* ( *FACPCE* ) and as implemented, adapted, amended, revised and/or supplemented by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* ( *CPCECABA* ) (collectively, *Argentine GAAP* ) and the regulations of the *Comisión Nacional de Valores*, which differ in certain significant respects from accepted accounting principles in the United States of America ( *U.S. GAAP* ). Such differences involve methods of measuring the amounts shown in our consolidated financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the U.S. Securities and Exchange Commission ( *SEC* ). See Note 27 to our audited consolidated financial statements for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and reconciliation to U.S. GAAP of net income and shareholders equity.

In order to comply with the regulations of the *Comisión Nacional de Valores* ( *CNV* ), we discontinued inflation accounting as of February 28, 2003. Since Argentine GAAP required companies to discontinue inflation adjustments as from October 1, 2003, the application of the *CNV* resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March 1, to September 30, 2003, such a departure did not have a material effect on our Audited Consolidated Financial Statements.

Resolution CD 93/2005, issued by the *CPCECABA* provided for the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes when companies prepare price-level restated financial statements. This resolution mandated companies to treat these differences as temporary but allowed a one-time accommodation to continue treating these differences as permanent. As a result, we elected to continue treating differences as permanent.

On March 20, 2009, the *FACPCE* issued Technical Resolution No. 26 ( *RT No. 26* ) Adoption of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ( *IASB* ) which requires companies under the supervision of the *Comisión Nacional de Valores* to prepare their financial statements in accordance with IFRS as published by the *IASB* for fiscal periods beginning on or after January 1, 2011, including comparative information for earlier periods. There are *Consejos Profesionales* or standard setters in each provincial jurisdiction in Argentina, which have the power to adopt, reject or modify a resolution issued by the *FACPCE*. The jurisdiction where we are located is the Federal District. On April 25, 2009, the *CPCECABA* approved Resolution No. 26. The

**Table of Contents**

CNV issued Resolution No. 562/09, as amended by Resolution 576/10, formally adopting application of RT No. 26 to its regulated entities for fiscal years beginning on January 1, 2012. We will be required to prepare our financial statements in accordance with IFRS as issued by the IASB for our fiscal year ended June 30, 2013. Our transition date to IFRS will be July 1, 2011. On April 29, 2010, our Board of Directors approved a plan for implementing IFRS. We are in the early stages of completing a diagnosis of the principal differences between Argentine GAAP and IFRS. We have not quantified the effect any potential change in accounting principles would have on our financial condition or results of operations and therefore can give no assurance that such changes will not have an adverse effect on our financial condition or results of operations. You should rely on your own examination of our Company, the financial information contained in the Annual Report and any other information contained herein. You should consult your own professional advisors in understanding the potential differences between Argentine GAAP and IFRS, if any, and how those differences might impact our financial condition and results of operations.

In compliance with Rule 3-09 of Regulation S-X, this annual report includes the Consolidated Financial Statements of Banco Hipotecario S.A. ( Banco Hipotecario ) as of June 30, 2010 and 2009 and for the twelve months ended June 30, 2010, 2009 and 2008.

Also in compliance with Rule 3-09 of Regulation S-X, this annual report includes the Consolidated Financial Statements of Metropolitan 885 Third Avenue LLC. ( Metropolitan ) as of June 30, 2010 and 2009 and for the year then ended.

Certain amounts which appear in this annual report (including percentage amounts) may not sum due to rounding. Solely for the convenience of the reader, we have translated certain Peso amounts into U.S. dollars at the seller exchange rate quoted by the Banco de la Nación Argentina for June 30, 2010, which was Ps.3.931 = US\$ 1.00. We make no representation that the Peso or U.S. dollar amounts actually represent or could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all.

References to fiscal years 2006, 2007, 2008, 2009 and 2010 are to the fiscal years ended June 30 of each such year.

**MARKET DATA**

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

**Table of Contents**

**PART I**

**ITEM 1. Identity of Directors, Senior Management and Advisers**

This item is not applicable.

**ITEM 2. Offer Statistics and Expected Timetable**

This item is not applicable.

**ITEM 3. Key Information**

***A. Selected Financial Data***

The following selected consolidated financial data has been derived from our consolidated financial statements as of the dates and for each of the periods indicated below. This information should also be read in conjunction with and is qualified in its entirety by reference to our Audited Consolidated Financial Statements and the discussion in Operating and Financial Review and Prospects included elsewhere in this annual report. The selected consolidated statement of income data for the years ended June 30, 2010, 2009 and 2008 and the selected consolidated balance sheet data as of June 30, 2010 and 2009 have been derived from our Audited Consolidated Financial Statements included in this annual report which have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm.

The selected consolidated statement of income data for the years June 30, 2007 and 2006 and the selected consolidated balance sheet data as of June 30, 2008 and 2007 have been derived from our audited consolidated financial statements as of June 30, 2008 and 2007 and for the years ended June 30, 2008, 2007 and 2006, which are not included herein.

The selected consolidated balance sheet data as of June 30, 2006 have been derived from our audited consolidated financial Statements as of June 30, 2007 and 2006 and for the years ended June 30, 2007, 2006 and 2005, which are not included herein.

**Table of Contents****Summary Consolidated Financial and Other Information for IRSA**

	Fiscal Years Ended June 30,					
	(in thousands of US\$, except ratios, number of shares and Capital Stock) 2010 <sup>(2)</sup>	2010	2009	2008	2007	2006
	In thousands of Ps <sup>(1)</sup>					
<b>STATEMENT OF INCOME DATA</b>						
<i>Argentine GAAP</i>						
Revenues:						
Development and sale of properties	57,382	225,567	280,362	196,811	75,751	103,966
Office and other non-shopping center rental properties	39,218	154,164	147,749	102,159	57,093	30,565
Shopping centers	131,863	518,355	396,733	345,395	270,266	215,003
Consumer financing	67,501	265,346	236,827	291,030	212,965	122,969
Hotels	40,675	159,894	158,913	148,847	122,681	103,763
Financial operations and others						1,414
<b>Total revenues</b>	<b>336,639</b>	<b>1,323,326</b>	<b>1,220,584</b>	<b>1,084,242</b>	<b>738,756</b>	<b>577,680</b>
Costs	(120,909)	(475,295)	(508,506)	(464,223)	(295,108)	(233,928)
Gross profit :						
Development and sale of properties	36,230	142,422	132,044	45,917	17,928	49,766
Office and other non-shopping center rental properties	31,365	123,296	118,419	75,812	39,592	21,578
Shopping centers	91,437	359,440	287,458	246,220	179,154	137,621
Consumer financing	42,197	165,876	114,133	187,443	153,253	88,939
Hotels	14,500	56,997	60,024	64,627	53,721	45,792
Financial operations and others						56
<b>Total gross profit</b>	<b>215,729</b>	<b>848,031</b>	<b>712,078</b>	<b>620,019</b>	<b>443,648</b>	<b>343,752</b>
Selling expenses	(47,164)	(185,401)	(236,201)	(247,297)	(168,848)	(92,491)
Administrative expenses	(49,680)	(195,291)	(147,329)	(122,121)	(102,827)	(74,399)
Gain from recognition of inventories at net realizable value	8,606	33,831	12,056	2,832	20,737	9,063
Net income (loss) from retained interest in securitized receivables	9,532	37,470	(46,012)	(1,261)	3,254	2,625
Gain from operations and holdings of real estate assets, net	278	1,091	1,124	2,670	2,568	12,616
Operating income (loss):						
Development and sale of properties	35,491	139,516	121,169	19,270	6,177	44,277
Office and other non-shopping center rental properties	18,704	73,526	76,485	52,930	20,234	11,862
Shopping centers	68,169	267,971	214,903	182,261	124,832	105,583
Consumer financing	13,560	53,304	(125,431)	(17,659)	32,636	24,836
Hotels	1,377	5,414	8,590	18,040	14,653	14,552
Financial operations and others						56
<b>Total operating income</b>	<b>137,301</b>	<b>539,731</b>	<b>295,716</b>	<b>254,842</b>	<b>198,532</b>	<b>201,166</b>
Amortization of negative goodwill, net,	417	1,641	1,602	1,638	(1,472)	(1,080)
Financial results, net	(41,998)	(165,096)	(136,381)	(76,742)	4,099	(40,926)
Gain (loss) on equity investees	40,808	160,416	61,542	(13,209)	40,026	41,657
Other expenses, net	(2,623)	(10,311)	(8,855)	(5,642)	(14,100)	(18,263)
<b>Income before taxes and minority interest</b>	<b>133,905</b>	<b>526,381</b>	<b>213,624</b>	<b>160,887</b>	<b>227,085</b>	<b>182,554</b>
Income tax and MPIT	(37,758)	(148,427)	(80,334)	(78,112)	(87,539)	(58,791)
Minority interest	(11,054)	(43,453)	25,345	(27,900)	(32,449)	(27,190)
<b>Net income</b>	<b>85,093</b>	<b>334,501</b>	<b>158,635</b>	<b>54,875</b>	<b>107,097</b>	<b>96,573</b>

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Basic net income per share <sup>(3)</sup>	0.147	0.578	0.27	0.10	0.24	0.25
Basic net income per GDS <sup>(3)</sup>	1.470	5.780	2.74	1.00	2.41	2.54
Diluted net income per share <sup>(4)</sup>	0.147	0.578	0.27	0.10	0.20	0.23
Diluted net income per GDS <sup>(4)</sup>	1.470	5.780	2.74	1.00	2.03	2.28
Weighted average number of shares outstanding	578,676	578,676	578,676	549,277	444,904	379,506
Adjusted weighted - average number of shares <sup>(4)</sup>	578,676	578,676	578,676	549,277	558,594	522,636
Capital stock	578,676	578,676	578,676	578,676	464,969	435,448
<i>U.S. GAAP</i>						
Revenues	402,080	1,580,578	1,454,738	1,227,797	867,452	621,012
Costs	(174,678)	(686,660)	(702,246)	(583,137)	(397,417)	(311,885)
<b>Gross profit</b>	<b>227,402</b>	<b>893,918</b>	<b>752,492</b>	<b>644,660</b>	<b>470,035</b>	<b>309,127</b>
Selling expenses	(45,072)	(177,179)	(217,516)	(224,348)	(160,137)	(98,664)
Administrative expenses	(51,688)	(203,186)	(155,902)	(124,092)	(104,113)	(76,474)
Net (loss) income from retained interest in securitized receivables	14,784	58,115	(41,999)	(13,928)	(115)	(12,274)
Gain on bargain purchases	14,874	58,470				
<b>Operating income</b>	<b>160,300</b>	<b>630,138</b>	<b>337,075</b>	<b>279,223</b>	<b>205,669</b>	<b>121,716</b>
(Loss) gain on equity investees	34,100	134,047	(53,033)	(7,253)	42,957	64,697
Financial results, net	(41,051)	(161,371)	(212,428)	(14,644)	(43,705)	(50,854)
Other expenses, net	(2,574)	(10,117)	(5,706)	(6,167)	(13,433)	(7,338)
<b>Income before taxes and minority interest</b>	<b>150,775</b>	<b>592,697</b>	<b>65,908</b>	<b>246,911</b>	<b>191,488</b>	<b>128,221</b>
Income tax and MPIT	(32,190)	(126,540)	(107,259)	(78,336)	(39,176)	(18,678)
Net income under U.S. GAAP	118,585	466,157	(41,351)	168,575	152,312	109,543
Non-controlling interest	(21,192)	(83,304)	47,998	(46,459)	(49,090)	(19,597)
<b>Net income under U.S. (GAAAP) attributable to IRSA</b>	<b>97,393</b>	<b>382,853</b>	<b>6,647</b>	<b>122,116</b>	<b>103,222</b>	<b>89,946</b>
Basic net income per share <sup>(3)</sup>	0.17	0.66	0.01	0.22	0.23	0.24
Basic net income per GDS <sup>(3)</sup>	0.17	0.66	0.11	2.22	2.32	2.37
Basic net income before extraordinary items and accounting changes per share <sup>(3)</sup>	0.17	0.66	0.01	0.22	0.23	0.24
Diluted net income per share <sup>(4)</sup>	0.17	0.66	0.01	0.22	0.20	0.23
Diluted net income per GDS <sup>(4)</sup>	0.17	0.66	0.11	2.16	2.05	2.30
Diluted net income before extraordinary items and accounting changes per share <sup>(4)</sup>	0.17	0.66	0.11	0.22	0.20	0.23
Weighted - average number of shares outstanding	578,676	578,676	578,676	549,277	444,904	379,506
Adjusted weighted - average number of shares <sup>(4)</sup>	578,676	578,676	578,676	570,472	540,822	518,606

**Table of Contents****BALANCE SHEET DATA****Argentine GAAP**

Cash and banks and current investments	84,035	330,343	401,796	545,192	856,707	233,438
Inventories	80,045	314,657	189,832	182,780	256,203	162,110
Accounts receivable net	102,176	401,652	270,097	196,412	215,175	148,462
Non-current investments <sup>(5)</sup>	376,699	1,480,805	1,001,654	833,373	673,273	647,981
Fixed assets net	684,975	2,692,637	2,720,506	2,530,141	2,027,311	1,413,212
Total current assets	302,806	1,190,332	891,869	893,842	1,175,790	481,788
<b>Total assets</b>	<b>1,433,081</b>	<b>5,633,441</b>	<b>4,935,987</b>	<b>4,471,972</b>	<b>4,144,899</b>	<b>2,740,121</b>
Short-term debt <sup>(6)</sup>	154,971	609,190	351,173	190,153	214,193	142,140
<b>Total current liabilities</b>	<b>341,292</b>	<b>1,341,620</b>	<b>974,890</b>	<b>742,267</b>	<b>652,082</b>	<b>419,228</b>
Long-term debt <sup>(7)</sup>	262,409	1,031,528	1,044,725	1,121,264	1,222,423	295,282
<b>Total non-current liabilities</b>	<b>337,234</b>	<b>1,325,668</b>	<b>1,401,054</b>	<b>1,348,812</b>	<b>1,395,693</b>	<b>385,138</b>
Minority interest	143,248	563,107	464,381	456,715	450,410	449,989
Cumulative translation adjustment	4,441	17,459	12,849			
<b>Shareholders' equity</b>	<b>611,307</b>	<b>2,403,046</b>	<b>2,095,662</b>	<b>1,924,178</b>	<b>1,646,714</b>	<b>1,485,766</b>

**U.S. GAAP**

Cash and banks and current investments	79,579	312,827	374,574	531,575	856,318	233,032
Inventories	4,097	16,107	31,002	38,905	160,961	61,720
Accounts receivable, net	94,995	373,427	262,128	195,269	208,377	146,225
Other receivables and prepaid expenses	98,058	385,466	413,554	249,153	238,546	130,995
Non-current investments <sup>(5)</sup>	403,786	1,587,282	740,407	748,550	590,646	599,679
Fixed assets, net	650,686	2,557,845	2,469,051	2,331,695	1,827,263	1,276,181
Intangible assets, net	3,029	11,907	8,051	16,789	22,226	468
Total current assets	228,382	897,769	870,065	912,354	1,183,147	471,053
<b>Total assets</b>	<b>1,353,311</b>	<b>5,319,867</b>	<b>4,411,670</b>	<b>4,219,383</b>	<b>3,997,217</b>	<b>2,503,812</b>
Trade accounts payable	63,159	248,278	328,890	314,948	293,522	136,362
Other liabilities	31,782	124,934	176,525	133,273	101,764	94,655
Short-term debt <sup>(6)</sup>	154,207	606,189	349,627	190,153	216,829	120,172
<b>Total current liabilities</b>	<b>298,130</b>	<b>1,171,949</b>	<b>996,787</b>	<b>749,505</b>	<b>669,983</b>	<b>431,422</b>
Long-term debt <sup>(7)</sup>	253,381	996,040	1,013,494	1,120,257	1,225,212	298,570
<b>Total non-current liabilities</b>	<b>363,780</b>	<b>1,430,020</b>	<b>1,469,341</b>	<b>1,447,833</b>	<b>1,603,747</b>	<b>558,951</b>

**Table of Contents**

Shareholders equity	691,401	2,717,898	1,958,586	2,026,823	2,725,120	1,523,749
Non-controlling interest	132,631	521,374	370,060	385,959	366,381	355,385
<b>Shareholders equity attributable to IRSA</b>	<b>558,770</b>	<b>2,196,524</b>	<b>1,588,126</b>	<b>1,640,864</b>	<b>1,358,739</b>	<b>1,158,364</b>

**CASH FLOW DATA****Argentine GAAP**

Net cash provided by operating activities	61,039	239,943	310,877	344,054	163,099	194,685
Net cash used in investing activities	(115,996)	(455,979)	(455,041)	(812,718)	(510,774)	(136,567)
Net cash provided by (used in) financing activities	46,158	181,448	(58,898)	149,145	892,258	(36,767)

**U.S. GAAP<sup>(8)</sup>**

Net cash provided by operating activities	74,806	294,062	348,841	351,020	226,518	190,623
Net cash used in investing activities	(133,988)	(526,705)	(466,771)	(401,678)	(1,179,069)	(126,830)
Net cash (used in) provided by financing activities	45,758	179,874	(58,898)	149,145	892,258	(36,767)
Effect of exchange rate changes on cash and cash equivalents	(595)	(2,340)	(20,677)	2,161	2,058	(5,784)

**OTHER FINANCIAL DATA****Argentine GAAP**

Capital expenditures <sup>(9)</sup>	42,854	168,460	323,123	768,699	419,377	116,201
Depreciation and amortization <sup>(10)</sup>	41,114	161,622	134,972	115,207	98,049	80,979
Working capital <sup>(11)</sup>	(38,486)	(151,288)	(83,021)	151,575	523,708	62,560
Ratio of current assets to current liabilities	0.887	0.887	0.915	1.204	1.803	1.149
Ratio of shareholders equity to total liabilities	0.901	0.901	0.882	0.920	0.804	1.847
Ratio of non-current assets to total assets	0.789	0.789	0.819	0.800	0.716	0.824

- (1) Except for ratios and share data.
- (2) Except for ratios and share data. Solely for the convenience of the reader, we have translated Peso amounts into U.S. Dollars at the exchange rate quoted by *Banco de la Nación Argentina* for June 30, 2010 which was Ps.3.931 per US \$1.00. We make no representation that the Argentine Peso or U.S. Dollar amounts actually represent, could have been or could be converted into Dollars at the rates indicated, at any particular rate or at all. See Exchange Rates .
- (3) We have calculated earnings per share data under Argentine GAAP and U.S. GAAP based on the weighted average number of common shares outstanding during the respective period. Each GDS represents ten common shares.
- (4) Under both Argentine and U.S. GAAP we have considered the diluted effects of our outstanding convertible notes and warrants. However, under U.S. GAAP, we have used the treasury-stock method in calculating the diluted effect of the outstanding warrants. Each GDS represents ten common shares.
- (5) Includes 28.03% (without considering treasury shares) investment in Banco Hipotecario , Hershah and Metropolitan and our investments in undeveloped parcels of land.
- (6) Includes short-term debt and current mortgages payable.
- (7) Includes long-term debt and non-current mortgages payable.
- (8) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of Codification ASC No. 230 under U.S. GAAP. See Note 27 to our audited consolidated financial statements included elsewhere herein for details of the differences in classifications affecting the categories of cash flows.
- (9) Includes the purchase of fixed assets (including facilities and equipment), undeveloped parcels of land and renovation and remodeling of hotels and shopping centers and the purchase of subsidiaries which are essentially real estate purchases. Also include escrow deposits held in favor of third parties related to the acquisition of certain fixed assets.
- (10) Corresponds to depreciation and amortization included in operating income.
- (11) Working capital is calculated by subtracting consolidated current liabilities from consolidated current assets.

**Change in accounting policy related to statement of cash flows**

The Company classified cash flows from purchases and sales of investments not considered to be cash equivalents as operating activities for the years ended June 30, 2009 and 2008. As part of the Company's IFRS implementation efforts, for the fiscal year ended June 30, 2010, the Company changed this accounting policy to treat these cash flows as investing activities as permitted also by Argentine GAAP. Therefore, the Company retroactively adjusted the prior years as follows:

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	As of June, 2009		As of June, 2008	
	As adjusted	As originally issued	As adjusted	As originally Issued
Net cash provided by operating activities	Ps. 310,877	Ps. 299,293	Ps. 344,054	Ps. 319,933
Net cash used in investing activities	(455,041)	(443,457)	(812,718)	(788,597)
Net cash (used in) provided by financing activities	(58,898)	(58,898)	149,145	149,145

*Exchange Rates*

In April 1991, Argentine law established a fixed exchange rate requiring the Central Bank to sell U.S. dollars to any individual at a fixed exchange rate of Ps.1.00 per US\$1.00. On January 7, 2002, the Argentine congress enacted the Public Emergency Law, abandoning over ten years of fixed Peso-U.S. dollar parity at Ps.1.00 to US\$1.00. After devaluing the Peso and setting the official exchange rate at Ps.1.40 per US\$1.00, on February 11, 2002, the government allowed the Peso to float. The shortage of U.S. dollars and their heightened demand that resulted caused the Peso to depreciate significantly in the first half of 2002. As of December 15, 2010 the exchange rate was Ps. 3,9540=US\$1.00 as quoted by *Banco de la Nación Argentina* at the U.S. dollar selling rate. During 2008 and 2009, the Central Bank indirectly intervened in the exchange rate market with the purpose of maintaining a stable parity notwithstanding international volatility.



**Table of Contents**

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

	Exchange Rate			Period Closing <sup>(4)</sup>
	High <sup>(1)</sup>	Low <sup>(2)</sup>	Average <sup>(3)</sup>	
Fiscal year ended June 30, 2005	3.0400	2.8460	2.9234	2.8670
Fiscal year ended June 30, 2006	3.0700	2.8390	2.9800	3.0660
Fiscal year ended June 30, 2007	3.0880	3.0280	3.0663	3.0730
Fiscal year ended June 30, 2008	3.1640	2.9960	3.1196	3.0050
Fiscal year ended June 30, 2009	3.7780	2.9940	3.3862	3.7770
Fiscal year ended June 30, 2010	3.9130	3.6360	3.8255	3.9110
July 2010	3.9200	3.9110	3.9145	3.9200
August 2010	3.9300	3.9120	3.9178	3.9300
September 2010	3.9530	3.9240	3.9323	3.9400
October 2010	3.9410	3.9280	3.9365	3.9370
November 2010	3.9680	3.9370	3.9486	3.9680
December 2010 (as of December 15, 2010)	3.9630	3.9530	3.9570	3.9540

Source: *Banco de la Nación Argentina*

- (1) The high exchange rate stated was the highest closing exchange rate of the month during the fiscal year, month or partial period described in the table above.
- (2) The low exchange rate stated was the lowest closing exchange rate of the month during the fiscal year, month or partial period described in the table above.
- (3) Closing average exchange rate for the fiscal month.
- (4) Average of the selling rate and buying rate.

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

***B. Capitalization and Indebtedness***

This item is not applicable.

***C. Reasons for the Offer and Use of Proceeds***

This item is not applicable.

***D. Risk Factors***

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

## **Table of Contents**

### *Risks Related to Argentina*

#### ***Argentina's recent growth may not be sustainable.***

The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high inflation and currency devaluation. During 2001 and 2002, Argentina experienced a period of severe political, economic and social crisis, which caused a significant economic contraction and led to radical changes in government policies. Although the economy has recovered significantly since then, uncertainty remains as to whether the recent growth is sustainable, since it has depended, to a significant extent, on favorable exchange rates, high commodity prices and excess capacity. The recovery, however, has resulted in inflation and has intensified the country's need for capital investment, with many sectors, in particular the energy sector, operating near full capacity. Additionally, the global financial crisis and economic downturn has had a significant adverse impact on the country's performance and could remain a factor in the foreseeable future. The Argentine economic growth rates for fiscal years 2008 and 2009 have slowed due to, among other reasons, the global financial crisis.

The Argentine GDP has maintained its upward trend in 2009, though at a slower pace than in previous years, with a 0.9% variation according to the *Instituto Nacional de Estadística y Censos* (National Institute of Statistics and Censuses) ( INDEC ).

As of June 30, 2010, the Monthly Economic Activity Estimator, as reported by INDEC and known as EMAE, increased 10.9% compared to the same month in the previous fiscal year. If this trend continues, the GDP is expected to grow 9% in 2010.

Moreover, the country's relative stability since 2002 has been affected recently by increased political tension and government intervention in the economy.

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

#### ***Continuing inflation may have an adverse effect on the economy.***

The devaluation of the Peso in January 2002 created pressures on the domestic price system that generated high inflation throughout 2002, before inflation substantially stabilized in 2003. However, inflationary pressures have since reemerged, with consumer prices increasing by 12.3% in fiscal year 2005. In fiscal years 2008, 2009 and 2010, inflation was 8.5%, 7.2% and 11.0%, respectively, in part due to actions implemented by the Argentine government to control inflation, which included limitations on exports and price arrangements agreed upon with private sector companies. However, in spite of this decline in inflation, uncertainty surrounding future inflation may impact the country's growth.

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

If inflation remains high or continues to rise, Argentina's economy may be negatively impacted and our business could be adversely affected.

## **Table of Contents**

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

In January 2007, the INDEC modified its methodology used to calculate the consumer price index, which is calculated as the monthly average of a weighted basket of consumer goods and services that reflects the pattern of consumption of Argentine households. Several economists, as well as the international and Argentine press, have suggested that this change in methodology was related to the Argentine government's policy aimed at curbing the increase of inflation and reducing payments on inflation-linked bonds outstanding. At the time that INDEC adopted this change in methodology, the Argentine government also replaced several key officers at INDEC, prompting complaints of governmental interference from the technical staff at INDEC. In addition, the International Monetary Fund, or IMF, has requested that the government clarify its inflation rates. In June 2008, INDEC published a new consumer price index that eliminated nearly half of the items included in previous surveys and introduced adjustable weightings for fruit, vegetables and clothing, which have seasonal cost variations. INDEC has indicated that it based its evaluation of spending habits on a national household consumption survey from 2004 to 2005 in addition to other sources; however, the new index has been criticized by economists and investors after its debut report found prices rising well below expectations. These events have negatively affected the credibility of the consumer price index published by INDEC, as well as other indexes published by INDEC which require the consumer price index for their own calculation, including the poverty index, the unemployment index and real gross domestic product. Argentina's inflation rate may be significantly higher than the rates indicated by official reports.

Recently some investigations have led to judicial proceedings to determine whether there was alteration of confidential statistical information related to the collection of data used to calculate the rates published by the INDEC. If these investigations determine that the methodology was manipulated, or if it is determined that it is necessary to correct the consumer price index and the other INDEC indexes derived from the consumer price index, there could be a significant decrease in confidence in the Argentine economy, which could, in turn, have a materially adverse effect on our ability to access international credit markets at market rates to finance our operations.

Moreover, on November, 2010 the Argentine government requested the IMF to provide technical assistance in the revision of the consumer price index.

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

During the first half of 2005, Argentina restructured part of its sovereign debt that had been in default since the end of 2001. The government announced that, as a result of the restructuring, the country's total outstanding indebtedness amounted approximately to US\$62 billion, excluding approximately US\$20 billion of defaulted bonds held by holdouts (i.e. creditors that did not participate in the restructuring).

In 2006, Argentina paid US\$9.8 billion of indebtedness owed to the IMF using Central Bank reserves. In addition, the government announced its decision to (i) pay US\$6.7 billion of indebtedness owed to the Paris Club (a group composed of 19 countries, including the United States of America and other members of the G8 industrially developed group of nations) using Central Bank reserves and (ii) make an offer to the existing holdouts of the 2005 restructuring. As of the date hereof, the Ministry of Economy has not disbursed the funds necessary to pay such indebtedness. Additionally, in June 2010, Argentina completed the renegotiation of approximately 66% of the defaulted bonds that were not swapped in 2005.

With respect to the Paris Club indebtedness, on September 2, 2008, pursuant to Decree No. 1,394/2008, Argentina officially announced its decision to pay its debt owed to its creditor nations who are members of the Paris Club. Pursuant to a communication issued on September 18, 2008, the Paris Club announced that it accepted Argentina's decision. As of the date hereof, the amount of the debt to be paid and the terms of payment have not been defined. Recent discussions have been held with individual members of Paris Club. Reaching an agreement with the Paris Club is critical since, without private international funds, Argentina will not be able to repay its obligations and funding from multilateral financial institutions may become limited or unavailable. This may adversely affect the economic growth of Argentina and its public finances, which in turn could also adversely affect our operations, financial condition or results.

## **Table of Contents**

With respect to holdouts of the 2005 restructuring, some bondholders in the United States, Italy and Germany have filed legal actions against Argentina, including claims in the International Center for the Settlement of Investment Disputes ( ICSID ). Other holdouts may initiate new suits in the future. In an effort to reach a resolution with the holdouts of the 2005 restructuring, the government has received a proposal from Citibank S.A., Barclays Bank and Deutsche Bank, proposing (i) an exchange offer to these holdouts and (ii) the restructuring of certain of the country's liabilities which were to become due between 2009 and 2012 (the Secured Loans ). In a press conference held on October 16, 2008, the Jefe de Gabinete (Head of the Cabinet of Ministers) announced the execution of a letter of understanding between the government and the above-mentioned banks in order to implement the restructuring of the Secured Loans. On February 2, 2009, pursuant to Joint Resolutions No. 8/2009 and 5/2009 of the Secretariat of Economy and the Secretariat of Finance of the Ministry of Finance, an exchange offer relating to the domestic tranche of the Secured Loans was launched. Subsequently, the government announced that approximately 97% creditors had accepted the terms of the exchange offer, representing Ps.15.08 billion of the Ps.15.60 outstanding aggregate amount of domestic Secured Loans due in 2009, 2010 and 2011. The new bonds issued pursuant to the exchange offer mature on January 2014. The government has filed a registration statement on Form S-B with the SEC on December 16, 2009, setting forth the terms and conditions of the expected exchange offer with the holdouts of the 2005 restructuring.

Through Decree No. 2010/2009 (the Decree 2010 ) the executive branch of the federal government created the Fondo de Bicentenario para el Desendeudamiento y la Estabilidad (the Bicentenary Fund ) in order to (i) guarantee debt obligations due in 2010; (ii) increase the development of the local economy; and (iii) obtain financing with lower rates than the current ones, not only for the public sector but also for the private. The Decree 2010 set forth that the Bicentenary Fund would be funded with US\$6.569 billion of the Central Bank's international reserves in exchange for a non transferable ten-year Argentine treasury bond. Pursuant to this Decree, the president of the Central Bank, Mr. Martin Redrado, requested in-house and outside legal opinions to confirm the legality of the transfer of international reserves to the Bicentenary Fund. Since both in-house and outside legal opinions concluded that the Central Bank was not allowed to transfer the above-mentioned funds, the president of the Central Bank did not proceed with the funding of the Bicentenary Fund and the President of Argentina requested his resignation. When the president of the Central Bank did not resign, the President of Argentina dismissed him by Decreto de Necesidad y Urgencia (an emergency decree). Since the president of the Central Bank considered that this decree did not fulfill the requirements set forth by the Carta Orgánica del Banco Central (the Central Bank's bylaws), he filed a preliminary injunction to (i) request the declaration of the emergency decree as unconstitutional; and (ii) request the reinstatement of his position in the Central Bank. The judge granted the preliminary injunction and ordered his reinstatement and set forth that the Central Bank's international reserves could not be transferred to the Bicentenary Fund without the intervention and approval of the federal legislative branch. The executive branch subsequently appealed the decision. The Cámara en lo Contencioso Administrativo Federal (The Administrative Court of Appeals) confirmed the judge's resolution with respect to the Bicentenary Fund. The Administrative Court of Appeals stated that the status of the president of the Central Bank would be determined by the Comisión Bicameral Permanente (Permanent Bi-Chambered Commission) of the federal congress which was to issue a non binding opinion to the federal executive branch recommending whether to dismiss or keep Mr. Redrado as president of the Central Bank. However, the president of the Central Bank resigned prior to the Permanent Bi-Chambered Commission issuing the non binding opinion requesting Mr. Redrado's dismissal. Consequently, the federal executive branch did not accept his resignation. Once the Permanent Bi-Chambered Commission issued its opinion, the federal executive branch ratified his dismissal and appointed Mercedes Marco del Pont as the new president of the Central Bank. The final implementation of the Bicentenary Fund is to be discussed and decided by the federal congress. Therefore, we cannot assure the outcome of the process or the impact that its implementation or non-implementation could have on the national economy and local financial markets.

Additionally, foreign shareholders of certain Argentine companies have filed claims in excess of US\$17 billion in the ICSID, alleging that certain Argentine government measures are inconsistent with the fair and equitable treatment standards set forth in various bilateral treaties to which Argentina is a party. To date, the ICSID has rendered decisions adverse to Argentina in several cases. Additionally, it should be noted that on October 7, 2008, an ICSID tribunal, in a case in which it had already awarded compensation to the claimants,

## **Table of Contents**

issued a decision ordering Argentina to pay the compensation previously awarded to the claimants within 60 days. In its decision, the ICSID tribunal stated that, based on the interpretation of the Bilateral Treaty on Protection and Reciprocal Promotion of Investments (the IBT), executed between the United States and Argentina, (i) to the extent the compensation orders are not revoked, the compensation payments ordered to be made by the ICSID should be made immediately and claimants do not need to file subsequent actions or execution proceedings seeking payment of the awarded compensation and (ii) Argentina's position of waiting for the claimants to file execution proceedings to seek collection of already awarded amounts is in flagrant breach of the international law obligations undertaken by Argentina under the IBT.

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

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

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

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

### ***Significant appreciation of the Peso against the U.S. Dollar may adversely affect the Argentine economy.***

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

### ***Government measures to preempt or respond to social unrest may adversely affect the Argentine economy and our business.***

The Argentine government has historically exercised significant influence over the country's economy. Additionally, the country's legal and regulatory frameworks have at times suffered radical changes, due to political influence and significant political uncertainties.

Moreover, during its crisis in 2001 and 2002, Argentina experienced significant social and political turmoil, including civil unrest, riots, looting, nationwide protests, strikes and street demonstrations. Despite Argentina's economic recovery and relative stabilization, social and political tension and high levels of poverty

## **Table of Contents**

and unemployment continue. In 2008, Argentina faced nationwide strikes and protests from farmers due to increased export taxes on agricultural products, which disrupted economic activity and heightened political tension. Future government policies to preempt, or in response to, social unrest may include expropriation, nationalization, forced renegotiation or modification of existing contracts, suspension of the enforcement of creditors' rights, new taxation policies, including royalty and tax increases and retroactive tax claims, and changes in laws and policies affecting foreign trade and investment. Such policies could destabilize the country and adversely and materially affect the economy, and thereby our business.

### ***The nationalization of Argentina's pension funds has materially and adversely affected local capital markets and may continue to do so.***

Under Law No. 26,425, which was published in the Official Gazette in December 2008, the Argentine government transferred approximately Ps.94.4 billion (US\$29.3 billion) in assets held by the country's private Administradoras de Fondos de Jubilaciones y Pensiones (pension fund management companies, or AFJPs) to the government-run social security agency (ANSES).

Law No. 26,425 was supplemented, among others, by Decree No. 2103/2008 which describes the composition of the fund (Fondo de Garantía de Sustentabilidad) to be managed by ANSES and the directions for the management thereof; in turn, Decree No. 2104/08 regulates the matters concerning the transfer to the Argentine government of the contributions and all the documentation of the members of the capitalization regime retroactive as of December 1, 2008.

AFJPs were the largest participants in the country's local capital markets, leading the group of institutional investors. With the nationalization of their assets, the dynamics of the local capital markets changed due to the decrease in size, becoming substantially concentrated. In addition, the government became a significant shareholder in many of the country's publicly-held companies, a circumstance that may bring about consequences to Argentina's capital markets and companies that are difficult to measure as of the date of this annual report.

As a result, access to liquidity may be further limited, funding costs may rise and the government may have greater influence over the operations of such companies of which it became shareholder. The nationalization of the AFJPs has adversely affected investor confidence in Argentina.

In addition, we cannot assure you that the government will not take similar measures in the future that interfere with private sector businesses and adversely affect the economy in general, and/or our business in particular.

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

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

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

## **Table of Contents**

In December, 2008 Law No. 26,476 introduced certain changes in the Argentine labor and tax regime. As part of these changes, a broad tax moratorium was declared and natural and legal persons falling under its scope were given the option to disclose their holdings in national and foreign currency and other assets, both in Argentina and abroad, for purposes of their entry to the country, subject to the payment of a tax as established in the law. Those falling under the scope of this law were not obliged to disclose to the Argentine Tax Authority ( AFIP ) the date of purchase of their holdings or the source of the funds with which they had made such purchase, and were released from civil or criminal liability relating to those holdings. The period to disclose the holdings was effective from March 1, 2009 until August 31, 2009. Although the International Financial Action Group ( GAFI ) has not rendered an opinion in this regard, these actions could encourage the entry of money of doubtful origin, breaching the international regulations and commitments undertaken by Argentina, which would in turn generate even more distrust in the local financial system.

Finally, under Resolution No. 82/2009, the Ministry of Economy and Public Finance suspended the mandatory deposit set forth by Decree 616/2005 during the term of the mentioned tax moratorium and until September 2009, to the extent that the incoming funds were used for any of the purposes described in Section 27 (b), (c) and (d) of Law No. 26,476. Therefore, no deposit would be required when bringing capital into Argentina, pursuant to the terms of the tax moratorium, for the following purposes: (i) assets based in the country and holdings of local and foreign currency in Argentina; (ii) foreign currency held abroad and/or foreign deposits, and local currency and/or foreign currency held in Argentina, allocated to the subscription of government securities issued by the Argentine government; (iii) foreign currency held abroad and/or foreign deposits, and local currency and/or foreign currency held in Argentina by individuals, allocated to the purchase in Argentina of newly built properties or properties that have obtained the relevant work completion certificate; and (iv) foreign currency held abroad and/or foreign deposits, and local currency and/or foreign currency held in Argentina, allocated to the building of new properties, completion of works in progress, funding of infrastructure works, real estate, agricultural, industrial, tourism and services investments in Argentina.

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

Beginning in February 2002, the payment of dividends, irrespective of amount, outside Argentina required prior authorization from the Central Bank. On January 7, 2003, the Central Bank issued communication A 3859, which is still in force and pursuant to which there are no limitations on companies' ability to purchase foreign currency and transfer it outside Argentina to pay dividends, provided that those dividends arise from approved and audited financial statements. However similar restrictions may be enacted by the Argentine government or the Central Bank again and, if this were to occur, it could have an adverse effect on the value of our common shares and the GDSs. Moreover, in such event, restrictions on the transfers of funds abroad may impede your ability to receive dividend payments as a holder of GDSs.

### ***The stability of the Argentine banking system is uncertain.***

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

To prevent a run on the U.S. Dollar reserves of local banks, the government restricted the amount of money that account holders could withdraw from banks and introduced exchange controls restricting capital outflows.

While the condition of the financial system has improved, adverse economic developments, even if not related to or attributable to the financial system, could result in deposits flowing out of the banks and into the foreign exchange market, as depositors seek to shield their financial assets from a new crisis. Any run on deposits could create liquidity or even solvency problems for financial institutions, resulting in a contraction of available credit.

## **Table of Contents**

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

*The Argentine economy could be adversely affected by economic developments in other global markets, in particular if the global financial and economic recovery is interrupted.*

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors' perception of the events occurring in one country may substantially affect capital flows into other countries, including Argentina and the availability of funds for issuers in such countries. Lower capital inflows and declining securities prices negatively affect the real economy of a country through higher interest rates or currency volatility. The Argentine economy was adversely impacted by the political and economic events that occurred in several emerging economies in the 1990s, including those in Mexico in 1994, the collapse of several Asian economies between 1997 and 1998, the economic crisis in Russia in 1998 and the Brazilian devaluation in January 1999.

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

In particular, the adverse effect of the sub-prime crisis in the United States in mid-2007, principally caused by the collapse of high risk mortgage market, resulted in a financial crisis that affected the U.S. financial system and quickly expanded to the international financial system. As a consequence of this global crisis, several U.S. and European financial institutions were declared insolvent and the main global stock markets, including the Argentine stock exchange, crashed. In order to curtail the effects of the global economic crisis, the governments of developed countries implemented bailout measures to help the affected financial institutions and provide liquidity to the markets.

Notwithstanding these measures, no assurance can be given with regard to the effects of the insolvency of such financial institutions on the international financial system. Moreover, the financial crisis is taking place within an environment of a world economic recession, which has led to volatile oil and commodity prices and a significant reduction in the availability of international credit. Although these recessionary conditions are easing, the world's largest economies could once again shrink or weakness in global financial institutions could lead to an even worse tightening of international credit markets, further increasing the slowdown of the world's principal economies. The current global economic crisis may have significant long-term effects in Latin America. In particular, Argentina may be adversely affected as a result of the lack of international credit, a reduction in demand for Argentine exports, a significant reduction of direct foreign investment and higher inflation rates throughout the world. The occurrence of any or all such events, as well as any event affecting Argentina's main regional partners (including the Mercosur member countries) may have a significant adverse effect on the Argentine economy and, consequently, on our operations, businesses and results.



## **Table of Contents**

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

Argentina's economy has historically relied on the export of commodities, the prices of which have been volatile in the past and largely outside its control. Argentina's recovery from the financial crisis in 2001 and 2002 has depended to a significant extent on the rise in commodity prices, particularly prices of its main commodity exports, such as soybeans. High commodity prices have contributed significantly to government revenues from taxes on exports. If commodity prices decline, the growth of the Argentine economy could be affected. Such occurrence would have a negative impact on the levels of government revenues, the government's ability to service its debt and on our business.

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

As a result of several years of recession, and the forced conversion into Pesos and subsequent freeze of gas and electricity tariffs, there has been a lack of investment in gas and electricity supply and transport capacity in Argentina in recent years. At the same time, demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and price constraints.

The federal government has been taking a number of measures to alleviate the short-term impact of energy shortages on residential and industrial users. If these measures prove to be insufficient, or if the investment that is required to increase natural gas production and transportation capacity and energy generation and transportation capacity over the medium- and long-term fails to materialize on a timely basis, economic activity in Argentina could be curtailed.

*Risks Related to our Business*

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

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

downturns in the national, regional and local economic climate;

volatility and decline in discretionary spending;

competition from other shopping centers and office, industrial and commercial buildings;

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

decreases in consumption levels;

changes in interest rates and availability of financing;

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

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

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

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

**Table of Contents**

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

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

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

changes in law or governmental regulations (such as those governing usage, zoning and real property taxes) or government action such as expropriation or confiscation.

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

***Our investment in property development, redevelopment and construction may be less profitable than we anticipate.***

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

abandonment of development opportunities and renovation proposals;

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

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

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

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

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

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

impossibility to obtain, or delays in obtaining necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, or building moratoria and anti-growth legislation;

significant time lags between the commencement and completion of projects subjects us to greater risks due to fluctuation in the general economy;

construction may not be completed on schedule because of a number of factors, including weather, labor disruptions, construction delays or delays in receipt of zoning or other regulatory approvals, or man-made or natural disasters (such as fires, hurricanes, earthquakes or floods), resulting in increased debt service expense and construction costs;

## **Table of Contents**

general changes in our tenants' demand for rental properties outside of the city of Buenos Aires; and

we may incur capital expenditures that could result in considerable time consuming efforts and which may never be completed due to government restrictions.

In addition, we may face contractors' claims for the enforcement of labor laws in Argentina (sections 30, 31, 32 under Law No. 20,744), which provide for joint and several liability. Many companies in Argentina hire personnel from third-party companies that provide outsourced services, and sign indemnity agreements in the event of labor claims from employees of such third company that may affect the liability of such hiring company. However, in recent years several courts have denied the existence of independence in those labor relationships and declared joint and several liabilities for both companies.

While our policies with respect to expansion, renovation and development activities are intended to limit some of the risks otherwise associated with such activities, we are nevertheless subject to risks associated with the construction of properties, such as cost overruns, design changes and timing delays arising from a lack of availability of materials and labor, weather conditions and other factors outside of our control, as well as financing costs, may exceed original estimates, possibly making the associated investment unprofitable. Any substantial unanticipated delays or expenses could adversely affect the investment returns from these redevelopment projects and harm our operating results.

### ***The real estate industry in Argentina is increasingly competitive.***

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

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

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

### ***We face risks associated with property acquisitions.***

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

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

**Table of Contents**

acquired properties may fail to perform as expected;

the actual costs of repositioning or redeveloping acquired properties may be higher than our estimates;

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

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

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

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

***Acquired properties may subject us to unknown liabilities.***

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

liabilities for clean-up of undisclosed environmental contamination;

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

liabilities incurred in the ordinary course of business.

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

We currently carry insurance policies that cover potential risks such as civil liability, fire, loss of profit, floods, including extended coverage and losses from leases on all of our properties. Although we believe the policy specifications and insured limits of these policies are generally customary, there are certain types of losses, such as lease and other contract claims, terrorism and acts of war that generally are not insured. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we

## **Table of Contents**

might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We cannot assure you that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Moreover, we do not purchase life or disability insurance for any of our key employees. If any of our key employees were to die or become incapacitated, we would experience losses caused by a disruption in our operations which will not be covered by insurance, and this could have a material adverse effect on our financial condition and results of operations.

In addition, we cannot assure you that we will be able to renew our insurance coverage in an adequate amount or at reasonable prices. Insurance companies may no longer offer coverage against certain types of losses, such as losses due to terrorist acts and mold, or, if offered, these types of insurance may be prohibitively expensive.

### ***Our dependence on rental income may adversely affect our ability to meet our debt obligations.***

A substantial part of our income is derived from rental income from real property. As a result, our performance depends on our ability to collect rent from tenants. Our income and funds for distribution would be negatively affected if a significant number of our tenants, or any of our major tenants (as discussed in more detail below):

delay lease commencements;

decline to extend or renew leases upon expiration;

fail to make rental payments when due; or

close stores or declare bankruptcy.

Any of these actions could result in the termination of the tenant's leases and the loss of rental income attributable to the terminated leases. In addition, we cannot assure you that any tenant whose lease expires will renew that lease or that we will be able to re-lease space on economically advantageous terms. The loss of rental revenues from a number of our tenants and our inability to replace such tenants may adversely affect our profitability and our ability to meet debt and other financial obligations.

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

We have focused on development projects intended to cater to affluent individuals and have entered into property swap agreements pursuant to which we contribute our undeveloped properties to ventures with developers who will deliver to us units in premium locations. At the time the developers return these properties to us, demand for premium residential units could be significantly lower. In such case, we would be unable to sell these residential units at the prices or in the time frame we estimated, which could have a material adverse effect on our financial condition and results of operations.

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

Real estate investments are relatively illiquid and this tends to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. In addition, significant expenditures associated with each equity investment, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a decrease in income from a certain investment. If income from a property declines while the related expenses do not decline, our business would be adversely affected. Some of our properties are mortgaged to secure payment of our indebtedness, and if we are unable to meet our mortgage payments, we could lose money as a result of foreclosure on such mortgages and even lose such property. In addition, if it becomes necessary or desirable for us to dispose of one or more of the mortgaged

## **Table of Contents**

properties, we might not be able to obtain a release of the lien on the mortgaged property without payment of the associated debt. The foreclosure of a mortgage on a property or inability to sell a property could adversely affect our business. In transactions of this kind, we may also agree, subject to certain exceptions, not to sell the acquired properties for significant periods of time.

***An adverse economic environment for real estate companies and the credit crisis may adversely impact our results of operations and business prospects significantly.***

The success of our business and profitability of our operations are dependent on continued investment in the real estate markets and access to capital and debt financing. A long term crisis of confidence in real estate investments and lack of available credit for acquisitions would be likely to constrain our business growth. As part of our business goals, we intend to increase our properties portfolio with strategic acquisitions of core properties at advantageous prices, and core plus and value added properties where we believe we can bring necessary expertise to enhance property values. In order to pursue acquisitions, we may need access to equity capital and/or debt financing. Recent disruptions in the financial markets, including the bankruptcy and restructuring of major financial institutions, may adversely impact our ability to refinance existing debt and the availability and cost of credit in the near future. Any consideration of sales of existing properties or portfolio interests may be tempered by decreasing property values. Our ability to make scheduled payments or to refinance our obligations with respect to indebtedness depends on our operating and financial performance, which in turn is subject to prevailing economic conditions. If a recurrence of the disruptions in financial markets presents itself in the future, there can be no assurances that government responses to the disruptions in the financial markets will restore investor confidence, stabilize the markets or increase liquidity and the availability of credit.

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

We had, and expect to continue to have, substantial liquidity and capital resource requirements to finance our business. As of June 30, 2010, our consolidated financial debt was Ps.1,641 million (including short-term and long-term debt, accrued interest and deferred financing costs). Please see *Liquidity and Capital Resources* .

Although we are generating sufficient funds from operating cash flows to satisfy our debt service requirements and our capacity to obtain new financing is adequate given the current availability of credit lines with the banks, we cannot assure you that we will maintain such cash flow and adequate financial capacity in the future.

The fact that we are leveraged may affect our ability to refinance existing debt or borrow additional funds to finance working capital, acquisitions and capital expenditures. In addition, the recent disruptions in the global financial markets, including the bankruptcy and restructuring of major financial institutions, may adversely impact our ability to refinance existing debt and the availability and cost of credit in the future. In such conditions, access to equity and debt financing options may be restricted and it may be uncertain how long these circumstances may last.

This would require us to allocate a substantial portion of cash flow to repay principal and interest, thereby reducing the amount of money available to invest in operations, including acquisitions and capital expenditures. Our leverage could also affect our competitiveness and limit our ability to react to changes in market conditions, changes in the real estate industry and economic downturns.

We may not be able to generate sufficient cash flows from operations to satisfy our debt service requirements or to obtain future financing. If we cannot satisfy our debt service requirements or if we default on any financial or other covenants in our debt arrangements, the lenders and/or holders of our debt will be able to accelerate the maturity of such debt or cause defaults under the other debt arrangements. Our ability to service debt obligations or to refinance them will depend upon our future financial and operating performance, which will, in part, be subject to factors beyond our control such as macroeconomic conditions (including the



## **Table of Contents**

recent international credit crisis) and regulatory changes in Argentina. If we cannot obtain future financing, we may have to delay or abandon some or all of our planned capital expenditures, which could adversely affect our ability to generate cash flows and repay our obligations.

*We may be negatively affected by a financial crisis in the U.S., the European Union and global capital markets.*

We must maintain liquidity to fund our working capital, service our outstanding indebtedness and finance investment opportunities. Without sufficient liquidity, we could be forced to curtail our operations or we may not be able to pursue new business opportunities.

The capital and credit markets have been experiencing extreme volatility and disruption during the last credit crisis. If our current resources do not satisfy our liquidity requirements, we may have to seek additional financing. The availability of financing will depend on a variety of factors, such as economic and market conditions, the availability of credit and our credit ratings, as well as the possibility that lenders could develop a negative perception of the prospects of our company or the industry generally. We may not be able to successfully obtain any necessary additional financing on favorable terms, or at all.

*The recurrence of a credit crisis could have a negative impact on our major customers, which in turn could materially adversely affect our results of operations and liquidity.*

The recent credit crisis had a significant negative impact on businesses around the world. The impact of a crisis on our major tenants cannot be predicted and may be quite severe. A disruption in the ability of our significant tenants to access liquidity could cause serious disruptions or an overall deterioration of their businesses which could lead to a significant reduction in their future orders of their products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our results of operations and liquidity.

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

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

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

the intrinsic attractiveness of the shopping center;

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

increasing competition from internet sales;

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

changes in consumer demand and availability of consumer credit, both of which are highly sensitive to general macroeconomic conditions; and

the fluctuations in occupancy levels in the shopping centers.

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



## **Table of Contents**

Argentina, lowering tenants' sales and forcing some tenants to leave our shopping centers. If the international financial crisis has a substantial impact on economic activity in Argentina, it will likely have a material adverse effect on the revenues from the shopping center activity.

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

If certain of our most important tenants were to experience financial difficulties, including bankruptcy, insolvency or a general downturn of business, or if we simply failed to retain their patronage, our business could be adversely affected. Our shopping centers and, to a lesser extent, our office buildings are typically anchored by significant tenants, such as well known department stores who generate shopping traffic at the mall. A decision by such significant tenants to cease operations at our shopping centers or office buildings could have a material adverse effect on the revenues and profitability of the affected segment and, by extension, on our financial condition and results of operations. The closing of one or more significant tenants may induce other major tenants at an affected property to terminate their leases, to seek rent relief and/or cease operating their stores or otherwise adversely affect occupancy at the property. In addition, key tenants at one or more properties might terminate their leases as a result of mergers, acquisitions, consolidations, dispositions or bankruptcies in the retail industry. The bankruptcy and/or closure of one or more significant tenants, if we are not able to successfully re-lease the affected space, could have a material adverse effect on both the operating revenues and underlying value of the properties involved.

***Our future acquisitions may be unprofitable.***

We intend to acquire additional shopping center properties to the extent that they will be acquired on advantageous terms and meet our investment criteria. Acquisitions of commercial properties entail general investment risks associated with any real estate investment, including:

our estimates of the cost of improvements needed to bring the property up to established standards for the market may prove to be inaccurate;

properties we acquire may fail to achieve within the time frames we project the occupancy or rental rates we project at the time we make the decision to acquire, which may result in the properties' failure to achieve the returns we projected;

our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs, which could significantly increase our total acquisition costs; and

our investigation of a property or building prior to its acquisition, and any representations we may receive from the seller of such building or property, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase our acquisition cost.

If we acquire a business, we will be required to integrate the operations, personnel and accounting and information systems of the acquired business. In addition, acquisitions of or investments in companies may cause disruptions in our operations and divert management's attention away from day-to-day operations, which could impair our relationships with our current tenants and employees.

***Our ability to grow will be limited if we cannot obtain additional capital.***

Our growth strategy is focused on the redevelopment of properties we already own and the acquisition and development of additional properties. As a result, we are likely to depend to an important degree on the availability of debt or equity capital, which may or may not be available on favorable terms or at all. We cannot guarantee that additional financing, refinancing or other capital will be available in the amounts we desire or on favorable terms. Our access to debt or equity capital markets depends on a number of factors,

## **Table of Contents**

including the market's perception of our growth potential, our ability to pay dividends, our financial condition, our credit rating and our current and potential future earnings. Depending on the outcome of these factors, we could experience delay or difficulty in implementing our growth strategy on satisfactory terms, or be unable to implement this strategy.

***Serious illnesses and pandemics, such as the 2009 outbreak of Influenza A H1N1 virus, also known as the swine flu, have in the past adversely affected consumer and tourist activity, may do so in the future and may adversely affect our results of operations.***

As a result of the outbreak of Influenza A H1N1 during the winter of 2009, consumers and tourists dramatically changed their spending and travel habits to avoid contact with crowds. Further, several governments enacted regulations limiting the operation of schools, cinemas and shopping centers. Even though the Argentine government only issued public service recommendations to the population regarding the risks involved in visiting crowded places, such as shopping centers, and did not issue specific regulations limiting access to public places, a significant number of consumers nonetheless changed their habits vis-a-vis shopping centers and malls. Additionally, the outbreak of Influenza A H1N1 contributed significantly to a decrease in the number of tourists visiting Argentina in 2009.

Although there was not an outbreak of A H1N1 influenza in the winter of 2010, we cannot assure you that a new outbreak or health hazard will not occur in the future, or that such an outbreak or hazard would not significantly negatively affect consumer and/or tourist activity, and that such scenario would not adversely affect our businesses.

***We are subject to risks inherent to the operation of office buildings that may affect our profitability.***

Office buildings are subject to various factors that affect their development, administration and profitability. The profitability of our office buildings may be affected by:

a decrease in demand for office space;

a deterioration in the financial condition of our tenants, which may result in defaults under leases due to bankruptcy, lack of liquidity or for other reasons;

difficulties or delays renewing leases or re-leasing space;

decreases in rents as a result of oversupply, particularly of newer buildings;

competition from developers, owners and operators of office properties and other commercial real estate, including sublease space available from our tenants; and

maintenance, repair and renovation costs incurred to maintain the competitiveness of our office buildings.

***We are subject to risks affecting the hotel industry.***

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

In addition, the profitability of our hotels depends on:

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

**Table of Contents**

changes in tourism and travel patterns, including seasonal changes and changes due to pandemic outbreaks, such as the H1N1 virus;

affluence of tourists, which can be affected by a slowdown in global economy; and

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

***An uninsured loss or a loss that exceeds the policies on our properties could subject us to lost capital or revenue on those properties.***

Under the terms and conditions of the leases currently in force on our properties, tenants are required to indemnify and hold us harmless from liabilities resulting from injury to persons, or property, on or off the premises, due to activities conducted on the properties, except for claims arising from our negligence or intentional misconduct or that of our agents.

Tenants are generally required, at the tenant's expense, to obtain and keep in full force during the term of the lease, liability and property damage insurance policies. In addition, we cannot assure the holders that the tenants will properly maintain their insurance policies or have the ability to pay the deductibles.

Should a loss occur that is uninsured or in an amount exceeding the combined aggregate limits for the policies noted above, or in the event of a loss that is subject to a substantial deductible under an insurance policy, we could lose all or part of our capital invested in, and anticipated revenue from, one or more of the properties, which could have a material adverse effect on our operating results and financial condition.

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

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

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

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

## **Table of Contents**

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

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

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

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

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

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

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

### ***Eviction proceedings in Argentina are difficult and time consuming.***

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

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

### ***We are subject to great competitive pressure.***

All of our properties are located in Argentina. There are other shopping centers and numerous smaller retail stores and residential properties within the market area of each of our properties. The number of competing properties in a particular area could have a material adverse effect on our ability to lease retail space in our shopping centers or sell units in our residential complexes and on the amount of rent or the sale price that we are able to charge. To date, there have been relatively few companies competing with us for shopping center properties. However, if additional companies become active in the Argentine shopping center market in the future, such competition could have a material adverse effect on our results of operations.

### ***Our assets are concentrated in the Buenos Aires area.***

Our principal properties are located in the City of Buenos Aires and the Province of Buenos Aires and a substantial portion of our revenues are derived from such properties. For both our fiscal years ended June 30, 2009 and 2010, approximately 88% of our consolidated revenues were derived from properties in the Buenos Aires metropolitan area including the City of Buenos Aires. Although we own properties and may acquire or





## **Table of Contents**

develop additional properties outside Buenos Aires, we expect to continue to depend to a large extent on economic conditions affecting those areas, and therefore, an economic downturn in those areas could have a material adverse effect on our financial condition and results of operations.

### ***We face risks associated with the expansion to other Latin American markets.***

From 1994 to 2002, we had substantial investments outside of Argentina, including Brazil Realty, which was sold in 2002, and Fondo de Valores Inmobiliarios in Venezuela, which was sold in 2001.

We continue to believe that Brazil, Uruguay and other Latin American countries offer attractive opportunities for growth in the real estate sector. We will continue to consider investment opportunities outside of Argentina as they arise.

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

Recently, the Company has acquired a property in Partido de la Costa, Department of Canelones, Uruguay, near Montevideo, where it plans to develop a real estate housing units and commercial premises. See other investments in Argentina and abroad.

### ***We face risks associated with our expansion in the United States.***

On July 2, 2008, we acquired a 30% interest in Metropolitan, a limited liability company organized under the laws of Delaware, United States of America. Metropolitan's main asset is the Lipstick Building, a 34-story building located on Third Avenue between 53rd and 54th streets in Manhattan, New York City. Metropolitan has incurred mortgage debt in connection with the Lipstick Building. For more information about Metropolitan, please see *Results of operations for the fiscal year ended June 30, 2009 and 2010* and *Gain/(Loss) on equity investee*.

During the fiscal year 2010, we acquired in the aggregate a 10.9% equity interest in Hersha Hospitality Trust (Hersha), a Real Estate Investment Trust (REIT) which owns controlling interests in 77 hotels most of which are located on the east coast of the United States. Also during the first quarter of fiscal year 2011, we entered into a conditional purchase and sale agreement to acquire a 19-story building that spans 22,893 square meters of net leasable area, located at 183 Madison Avenue, New York, NY.

For more information about Hersha and our international investments, please see *Recent Developments*, and *Significant Changes*.

The U.S. markets have recently experienced extreme dislocations and a severe contraction in available liquidity globally as important segments of the credit markets were frozen. Global financial markets have been disrupted by, among other things, volatility in securities prices, rating downgrades and declining valuations, and this disruption has been acute in real estate and related markets. This disruption has led to a decline in business and consumer confidence and increased unemployment and has precipitated an economic recession around the globe. As a consequence, owners and operators of commercial real estate, including hotels and resorts, and commercial real estate properties such as offices, have experienced dramatic declines in property values and may continue to experience declines in business and real estate values in the U.S. or elsewhere. We are unable to predict the likely duration or severity of the effects of the disruption in financial markets and adverse economic conditions and the effects they may have on our business, financial condition and results of operations.

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**Table of Contents**

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

On November 18, 1997, in connection with the acquisition of our subsidiary Inversora Bolívar S.A. ( Inversora Bolívar ), we indirectly acquired 35.2% of the capital stock of Puerto Retiro. Inversora Bolívar had purchased such shares of Puerto Retiro from Redona Investments Ltd. N.V. in 1996. In 1999, we, through Inversora Bolívar, increased our interest in Puerto Retiro to 50.0% of its capital stock. On April 18, 2000, Puerto Retiro received notice of a complaint filed by the Argentine government, through the Ministry of Defense, seeking to extend the bankruptcy of Inversora Dársena Norte S.A. ( Indarsa ). Upon filing of the complaint, the bankruptcy court issued an order restraining the ability of Puerto Retiro to dispose of, in any manner, the real property it had purchased in 1993 from Tandanor S.A. ( Tandanor ). Puerto Retiro appealed the restraining order which was confirmed by the court on December 14, 2000.

In 1991, Indarsa purchased 90% of Tandanor, a formerly government-owned company, which owned a large piece of land near Puerto Madero of approximately 8 hectares, divided into two spaces: Planta 1 and 2. After the purchase of Tandanor by Indarsa, in June 1993 Tandanor sold Planta 1 to Puerto Retiro, for a sum of US\$18 million pursuant to a valuation performed by J.L. Ramos, a well-known real estate brokerage firm in Argentina. Indarsa failed to pay to the Argentine government the outstanding price for its purchase of the stock of Tandanor. As a result, the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa was its holding in Tandanor, the Argentine government is seeking to extend Indarsa's bankruptcy to the companies or individuals which, according to its view, acted as a single economic group. In particular, the Argentine government has requested the extension of the bankruptcy to Puerto Retiro, which acquired Planta 1 from Tandanor.

The time for producing evidence in relation to these legal proceeding has expired. The parties have submitted their closing arguments and are awaiting a final judgment. However, the judge has delayed his decision until a final judgment in the criminal proceedings against the former Defense Minister and former directors of Indarsa has been delivered. We cannot give you any assurance that we will prevail in this proceeding, and if the plaintiff's claim is upheld by the courts, all of the assets of Puerto Retiro would likely be used to pay Indarsa's debts and our investment in Puerto Retiro, valued at Ps.54.6 million as of June 30, 2010, would be lost. As of June 30, 2010, we had not established any reserve in respect of this contingency.

***Property ownership through joint ventures or minority participation may limit our ability to act exclusively in our interest.***

We develop and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. For example, in our Shopping Center segment, as of June 30, 2010, we owned approximately 63,35% of Alto Palermo, while Parque Arauco S.A. owns another 29.6%. However, On October 15, 2010, the Company executed the option to purchase all of Parque Arauco's interest in Alto Palermo. See *Recent Developments* and *Significant Changes* .

Through our subsidiary Alto Palermo, we own 80% of Panamerican Mall S.A., while another 20% is owned by Centro Comercial Panamericano S.A. In our Development and Sale of Properties segment, we have ownership of 50% in Puerto Retiro and CYRSA. In addition we have a 90% stake in Solares de Santa María S.A. while Unicity S.A. owns the remaining 10%. . In our Hotel segment, we own 50% of the Llao Llao Hotel, while the other 50% is owned by the Sutton Group. We own 80% of the Hotel Libertador, Hoteles Sheraton de Argentina S.A. owns 20%. We own 76.34% of Hotel Intercontinental. In the Financial Operations and others segment, we currently own approximately 29.78% of Banco Hipotecario, while the Argentine government has a controlling interest in it. Finally, we own a 30% interest in Metropolitan. For more information , please see *Recent Developments* and *Significant Changes* .

We could become engaged in a dispute with one or more of our joint venture partners that might affect our ability to operate a jointly-owned property. Moreover, our joint venture partners may, at any time, have business, economic or other objectives that are inconsistent with our objectives, including objectives that relate

## **Table of Contents**

to the timing and terms of any sale or refinancing of a property. For example, the approval of certain of the other investors is required with respect to operating budgets and refinancing, encumbering, expanding or selling any of these properties. In some instances, our joint venture partners may have competing interests in our markets that could create conflicts of interest. If the objectives of our joint venture partners are inconsistent with our own objectives, we will not be able to act exclusively in our interests.

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

### ***Dividend restrictions in our subsidiaries debt agreements may adversely affect us.***

We have subsidiaries and an important source of funds for us are cash dividends and other permitted payments from our subsidiaries. The debt agreements of our subsidiaries may contain covenants restricting their ability to pay dividends or make other distributions. If our subsidiaries are unable to make payments to our Company, or are able to pay only limited amounts, we may be unable to pay dividends or make payments on our indebtedness.

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

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

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

Our largest beneficial owner is Mr. Eduardo S. Elsztain, through his indirect shareholding through Cresud S.A.C.I.F.y A. ( Cresud ). As of November 30, 2010, such beneficial ownership consisted of: (i) 292,811,013 shares held by Cresud, (ii) 39,855,739 shares held by Agrology, S.A. ( Agrology ), a 99.9% subsidiary controlled by Cresud, (iii) 628,070 shares held by Consultores Assets Management S.A., and (iv) 1,850 shares held directly by Mr. Elsztain.

Conflicts of interest between Cresud's management, our, and our affiliates may arise in the performance of our business activities. As of November 30, 2010, Mr. Elsztain also beneficially owned (i) approximately 38.48% of Cresud's common shares (on a fully diluted basis) and (ii) approximately 97.50% (on a fully diluted basis) of the common shares of our subsidiary Alto Palermo. We cannot assure you that our principal shareholders and their affiliates will not limit or cause us to forego business opportunities that our affiliates may pursue or that the pursuit of other opportunities will be in our interest.

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

As of June 30, 2010, the majority of our liabilities, such as IRSA's 8.5% notes due 2017, Alto Palermo's Series I Notes and Alto Palermo's convertible notes are denominated in U.S. Dollars, while a significant portion of our revenues and assets as of June 30, 2010, are denominated in Pesos. This currency gap exposes us to a risk of exchange rate volatility, which would negatively affect our financial results if the Dollar were to appreciate against the Peso. Any further depreciation of the Peso against the U.S. Dollar will correspondingly increase the amount of our debt in Pesos, with further adverse effects on our results of operation and financial condition and may increase the collection risk of our leases and other receivables from our tenants and mortgage debtors, most of whom have Peso-denominated revenues.

## **Table of Contents**

On July 20, 2010, we issued US\$ 150 million of 11.5% non-convertibles notes due 2020 ( Series II Notes ) under our global note program for the issuance of notes in one or more series up to an aggregate principal amount of US\$ 400 million (the Global Note Program ). The issue price was 97.838% of the nominal value. Interest on the Series II Notes is payable semi-annually, on January and June 20, each year, commencing on January 20, 2011. For more information about our Series II Notes, please see *Recent Developments* and *Significant Changes* .

### ***The shift of consumers to purchasing goods over the Internet may negatively affect sales in our shopping centers.***

During the last years, retail sales by means of the Internet have grown significantly in Argentina, even though the market share of Internet sales related to retail sales is still not significant. The Internet enables manufacturers and retailers to sell directly to consumers, diminishing the importance of traditional distribution channels such as retail stores and shopping centers. We believe that our target consumers are increasingly using the Internet, from home, work or elsewhere, to shop electronically for retail goods, and this trend is likely to continue. If e-commerce and retail sales through the Internet continue to grow, consumers' reliance on traditional distribution channels such as our shopping centers could be materially diminished, having a material adverse effect on our financial condition, results of operations and business prospects.

### ***Risks Related to our Investment in Banco Hipotecario***

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

As of June 30, 2010, we owned approximately 28.03% of the outstanding capital stock of Banco Hipotecario (without considering treasury shares) which represented 14.4% of our consolidated assets as of such date. Substantially all of Banco Hipotecario's operations, properties and customers are located in Argentina. Accordingly, the quality of Banco Hipotecario's loan portfolio, financial condition and results of operations depend to a significant extent on economic and political conditions prevailing in Argentina. The political and economic crisis in Argentina during 2002 and 2003 and the Argentine government's actions to address it have had and may continue to have a material adverse effect on Banco Hipotecario's business, financial condition and results of operations.

Financial institutions are subject to significant regulation relating to functions that historically have been mandated by the Central Bank and other regulatory authorities. Measures adopted by the Central Bank have had, and future regulations may have, a material adverse effect on Banco Hipotecario's financial condition and results of operations.

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

During previous years, the financial markets in the most important countries in the world were affected by volatility, lack of liquidity and credit, which entailed a significant drop in international stock indexes, and an economic slow-down started to become evident worldwide. During 2009 and as of the date of this annual report, this situation is gradually reverting to normal. Our management is closely monitoring the effects in order to implement the necessary measures to minimize the impact of the financial crisis on our operations.

**Table of Contents**

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

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

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

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

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

In accordance with Emergency Decree No. 214/02 and its implementing regulations, pesified assets and liabilities were adjusted for inflation as of February 3, 2002 by application of the *Coefficiente de Estabilización de Referencia* ( CER ) a consumer price inflation coefficient. On May 6, 2002, the Executive Branch issued a decree providing that mortgages originally denominated in U.S. Dollars and converted into Pesos pursuant to Decree No. 214/2002 and mortgages on property constituting a borrower's sole family residence may be adjusted for inflation only pursuant to a coefficient based on salary variation, the CVS, which during 2002 was significantly less than inflation as measured by the wholesale price index, or WPI. Through December 31, 2002, the WPI and the CVS posted cumulative increases of 118.2% and 0.2%, respectively, and the CER increased 41.4%. During 2003, inflation increased 4.3% as measured by the WPI, 3.7% as measured by the CER and 15.8% as measured by the CVS. As a result, only 10% of Banco Hipotecario's mortgages loans are adjusted for inflation in accordance with the CER, 30% are adjusted in accordance with the CVS and 60% remain entirely unindexed. Additionally, pursuant to Law No. 25,796, Section 1, repealed effective April 1, 2004, the CVS as an indexation mechanism applied to the relevant portion of Banco Hipotecario's mortgages loans. The CVS increased until it was repealed by 5.3%, whereas the increase in CER was 5.5% as of December 31, 2004 and the WPI increased 7.9%. During 2005, the CER increased to 11.75% and the WPI 10.7%, while in 2006 the CER and WPI increased 10.3% and 7.1%, respectively. In 2008, 2009 and during the first six month of 2010, CER increased 8%, 7% and 6,1%, respectively, and WPI increased 9%, 1.2% and 7,71% respectively.

Argentina's history prior to the adoption of the Convertibility Law, which set the exchange rate of the Argentine Peso to the U.S. Dollar at Ps.1.00 = US\$1.00, raises serious doubts as to the ability of the Argentine government to maintain a strict monetary policy and control inflation. As a result of the high inflation in Argentina from 2002 onwards, Banco Hipotecario's mortgage loan portfolio experienced a significant decrease in value and if inflation continues increasing, it might continue to undergo a major decrease in value. Accordingly, an increase in Banco Hipotecario's funding and other costs due to inflation might not be offset by indexation, which could adversely affect its liquidity and results of operations.

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**Table of Contents**

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

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

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

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

On November 29, 2006, Law No. 26,177 created the Unidad de Reestructuración, a government agency responsible for the revision of each of the mortgage loans granted by the state-owned Banco Hipotecario Nacional, the predecessor of Banco Hipotecario, before the enactment of the Convertibility Law in 1991. The Unidad de Reestructuración was authorized to make non-binding recommendations to facilitate the restructuring of such mortgage loans. The Unidad de Reestructuración submitted a proposal to the National Congress recommending forgiveness or other write-off of such loans, extensions of their scheduled maturities or other subsidies that were capable of adversely affecting Banco Hipotecario's ability to foreclose on such mortgage loans. On November 21, 2007, the National Congress enacted Law No. 26,313, establishing a procedure for the restructuring of certain mortgage loans made by its predecessor, the former Banco Hipotecario Nacional. Law No. 26,313 restructures the affected loans by recalculating and reducing their unpaid balance (which had been previously restructured pursuant to a prior law). In December 2008, the applicability of Law No. 26,313 was limited to certain of Banco Hipotecario's mortgage loans made prior to April 1, 1991 to finance the construction of residential complexes which as of December 31, 2008, had been delinquent since November 2007 or earlier. As a result of the recalculation of loans, Banco Hipotecario has forgiven its right to enforce 6,627 mortgage loans representing approximately Ps.100 million in the aggregate. As of June 30, 2010, Banco Hipotecario had constituted allowance for loan losses in connection with the results of this recalculation.

## **Table of Contents**

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

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

As a result of Banco Hipotecario's strategy to diversify its banking operations and develop retail and other non-mortgage banking activities, in recent years its portfolio of non-mortgage loans has grown rapidly. During the period between December 31, 2009 and June 30, 2010, Banco Hipotecario's portfolio of non-mortgage loans increased 16.5% from Ps.2,525.7 million to Ps.2,942.0, million. A substantial portion of its portfolio of non-mortgage loans consists of loans to low- and middle-income individuals and, to a lesser extent, middle-market companies. These individuals and companies are likely to be more seriously affected by adverse developments in the Argentine economy than high income individuals and large corporations. Consequently, in the future Banco Hipotecario may experience higher levels of past due non-mortgage loans that would likely result in increased provisions for loan losses. In addition, large-scale lending to low- and middle-income individuals and middle-market companies is a new business activity for Banco Hipotecario, and as a result its experience and loan-loss data for such loans are necessarily limited. Therefore, we cannot assure you that the levels of past due non-mortgage loans and resulting charge-offs will not increase materially in the future.

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

Banco Hipotecario prepares its financial statements in accordance with Central Bank GAAP which differ in certain material respects from Argentine GAAP. During 2002, Central Bank GAAP was modified in several respects that materially increased certain discrepancies between Central Bank GAAP and Argentine GAAP. In accordance with Central Bank GAAP, Banco Hipotecario's consolidated balance sheet as of June 30, 2010 includes US\$425.0 million of BODEN issued by the Argentine government as compensation for pesification. Banco Hipotecario's consolidated balance sheet as of June 30, 2010 also includes Ps.17.1 million representing Central Bank borrowings which Banco Hipotecario incurred to finance its acquisition of the additional BODEN. In accordance with Central Bank GAAP, the BODEN reflected on Banco Hipotecario's consolidated balance sheet as of June 30, 2010 have been recorded at their technical residual value plus accrued interest.

Because of its large holdings of BODEN and other government securities, Banco Hipotecario has significant exposure to the Argentine public sector. On December 23, 2001, the Argentine government declared the suspension of payments on most of its sovereign debt, which as of December 31, 2001, totaled approximately US\$144.5 billion, a substantial portion of which was restructured by the issuance of new bonds in the middle of 2005.

Banco Hipotecario's exposure to the public sector as of June 30, 2010 amounted US\$5.86.0 million consisting mainly by BODEN 2012. Government securities represent approximately 20.2% of Banco Hipotecario's total assets as of June 30, 2010. Considering Banco Hipotecario's BODEN holdings, it has a significant exposure to the Government's solvency. Furthermore, defaults by the Argentine government on its debt obligations, including Boden and other government securities held by Banco Hipotecario, would materially and adversely affect its financial condition which would in turn affect our investment.

## **Table of Contents**

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

As of June 30, 2010, Banco Hipotecario's foreign currency-denominated assets exceeded its foreign-currency-denominated liabilities by approximately US\$55.5 million. Substantially all of Banco Hipotecario's foreign currency assets consist of Dollar-denominated BODEN, but Banco Hipotecario's liabilities in foreign currencies are denominated in both U.S. Dollars and Euros. This currency gap exposes Banco Hipotecario to risk of exchange rate volatility which would negatively affect Banco Hipotecario's financial results if the U.S. Dollar were to depreciate against the Peso and/or the Euro. We cannot assure you that the U.S. Dollar will not appreciate against the Peso, or that we will not be adversely affected by Banco Hipotecario's exposure to risks of exchange rate fluctuations.

Banco Hipotecario has acquired and will continue to acquire on a regular basis Dollar futures and other derivatives in order to hedge its exposure to foreign currency and interest rate mismatches of its assets and liabilities.

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

Financial institutions are subject to significant regulation relating to functions that historically have been mandated by the Central Bank and other regulatory authorities. Measures adopted by the Central Bank have had, and future regulations may have, a material adverse effect on Banco Hipotecario's financial condition and results of operations. For example, on July 25, 2003, the Central Bank announced its intention to adopt new capital adjustment requirements which will be gradually implemented until 2009. Furthermore, the IMF and other multilateral agencies encouraged the Government to impose minimum capital adjustment, solvency and liquidity requirements, in accordance with the international guidelines, which may produce significant operating restrictions on Banco Hipotecario.

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

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

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

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



## **Table of Contents**

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

a fundamental change in Banco Hipotecario's corporate purpose;

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

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

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

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

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

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

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

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

From time to time in recent years, Banco Hipotecario has considered certain possible acquisitions or business combinations, and Banco Hipotecario expects to continue considering acquisitions that it believes offer attractive opportunities and are consistent with its business strategy. We cannot assure you, however, that Banco Hipotecario will be able to identify suitable acquisition candidates or that Banco Hipotecario will be able to acquire promising target financial institutions on favorable terms. Additionally, its ability to obtain the desired effects of past and future acquisitions will depend in part on its ability to successfully complete the integration of those businesses. The integration of acquired businesses entails significant risks, including:

unforeseen difficulties in integrating operations and systems;

problems assimilating or retaining the employees of acquired businesses;

challenges retaining customers of acquired businesses;

unexpected liabilities or contingencies relating to the acquired businesses; and

**Table of Contents**

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

*Risks related to our investment in Tarshop S.A.*

***We are subject to payment default risks due to our investments in credit card activities and personal loans through our subsidiary Tarshop S.A.***

As of June 30, 2010, we owned a 100% interest in Tarshop S.A. ( Tarshop ), a company dedicated to the Consumer financing business that originates credit cards accounts and personal loans to promote sales from our tenants and other selected retailers. On December 29, 2009, we entered into an agreement with Banco Hipotecario to sell an 80 % interest in Tarshop for US\$ 26.8 million. On May 21, 2010, and as part of the above mentioned agreement, we and Tarshop entered into an agreement pursuant to which Tarshop sold us 50% of Metroshop s capital stock. The transaction was subject to the approval of the Banco Central de la Republica Argentina and certain other customary closing conditions which were obtained on August 30, 2010. As a result, on September 13, 2010 APSA transferred 107,037,152 common shares of Tarshop to Banco Hipotecario. Immediately after the sale, APSA s interest in Tarshop was 20 % of its capital stock. In addition, Alto Palermo owns 50% of Metroshop S.A. s ( Metroshop ) capital stock . For the fiscal year ended June 30, 2010, Tarshop had net revenues of Ps. 251.7 million, representing 19.0% of our consolidated revenues for such period and had a net gain of Ps 27.1 million.

The consumer financing businesses such as Tarshop, are adversely affected by defaults on credit card accounts and personal loans, defaults by card holders, difficulties enforcing collection of payments , fraudulent accounts and the writing off of past due receivables. Tarshop provides an allowance for uncollectible accounts based on impaired accounts, historical charge-off patterns and management judgment.

The present rates of delinquency, collection proceedings and loss of receivables may vary and be affected by numerous factors beyond our control, which, among others, include:

adverse changes in the Argentine economy;

adverse changes in the regional economies;

political instability;

changes in regulations;

increases in unemployment; and

erosion of real and/or nominal salaries.

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

Tarshop s accounts receivables, which consist of cash flows from consumer financing and personal loans, are placed into a number of trust accounts that securitize those receivables. Tarshop sells beneficial interests in these trust accounts through the sale of debt certificates, but remains a beneficiary of these trust accounts by holding Ps.127.4 million in equity certificates as of June 30, 2010.

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The securitization market is still open and Tarshop completed securitization programs during the recent months with no disruptions. As of June 30, 2010, Tarshop credit risk exposure is contractually limited to the subordinated retained interests representing Ps.127.4 million and Ps.4.7 million escrow reserves for losses. As of June 30, 2010 Tarshop records a level of allowance for doubtful accounts of Ps.38 million.

## **Table of Contents**

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

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

Through our subsidiary Tarshop, we participate in the consumer financing business. Tarshop operates in the issuance, processing and marketing of our own non-banking credit card called *Tarjeta Shopping* and grants personal loans. Tarshop's accounts receivables which consist of cash flows from consumer financing and personal loans are placed into a number of financial trusts that securitize those receivables. These financial trusts issue trust debt securities which are placed through public offering, while Tarshop keeps a subordinated interest by holding participation certificates. Such participation certificates amounted to Ps.127.4 million as of June 30, 2010. The trust debt securities accrue variable interest rates, subject to floors and caps. As a result, the value of subordinated interests in Tarshop Financial Trust and Metroshop could be adversely affected by an increase in interest rates.

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

### ***Risks Related to the Global Depositary Shares and the Shares***

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

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

The GDSs are freely transferable under US securities laws, including shares sold to our affiliates. Cresud, which as of November 30, 2010, owned approximately 57.6 % of our common shares (or approximately 292,811,013 common shares which may be exchanged for an aggregate of 29,281,101 GDSs), is free to dispose of any or all of its common shares or GDSs at any time in its discretion. Sales of a large number of our common shares and/or GDSs would likely have an adverse effect on the market price of our common shares and the GDS.

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

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

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

## **Table of Contents**

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

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

***If we are considered to be a passive foreign investment company for United States federal income tax purposes, U.S. Holders of our common shares or GDSs would suffer negative consequences.***

Based on the current and projected composition of our income and the valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company ( PFIC ) for United States federal income tax purposes for the taxable year ending June 30, 2010, and we do not currently expect to become a PFIC, although there can be no assurance in this regard. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition or if our projections are not accurate. The volatility and instability of Argentina's economic and financial system may substantially affect the composition of our income and assets and the accuracy of our projections. In addition, this determination is based on the interpretation of certain U.S. Treasury regulations relating to rental income, which regulations are potentially subject to differing interpretation. If we become a PFIC, U.S. Holders (as defined in Taxation United States Taxation ) of our common shares or GDSs will be subject to certain United States federal income tax rules that have negative consequences for U.S. Holders such as additional tax and an interest charge upon certain distributions by us or upon a sale or other disposition of our common shares or GDSs at a gain, as well as additional reporting requirements. See Taxation United States Taxation Passive Foreign Investment Company for a more detailed discussion of the consequences if we are deemed a PFIC. You should consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

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

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

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

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

**Table of Contents**

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

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

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

In accordance with Argentine corporate law, we may pay dividends in Pesos only out of retained earnings, if any, to the extent set forth in our audited financial statements prepared in accordance with Argentine GAAP. In addition, our ability to pay dividends on our common shares is limited by certain restrictive covenants in our debt instruments.

On February 2, 2007, we issued our 8.5% notes due 2017 in an aggregate principal amount of US\$150.0 million`.

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

50% of our cumulative consolidated net income; or

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

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

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

On July 20, 2010, we issued our Series II 11.5% notes due in 2020 in an aggregate principal amount of US\$ 150.0 million. These notes are subject to the same covenants as described above for our 8.5% notes due 2017.

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

**Table of Contents**

**ITEM 4. Information on the Company**

***A. History and Development of the Company***

*General Information*

Our legal and commercial name is IRSA Inversiones y Representaciones Sociedad Anónima. We were incorporated and organized on April 30, 1943 under Argentine law as a stock corporation (sociedad anónima), and we were registered with the Public Registry of Commerce of the City of Buenos Aires (*Inspección General de Justicia* or IGJ ) on June 23, 1943 under number 284, on page 291, book 46 of volume A. Pursuant to our bylaws, our term of duration expires on April 5, 2043. Our shares are listed and traded on the Bolsa de Comercio de Buenos Aires and Global Depository Shares representing our shares are listed on the New York Stock Exchange. Our principal executive offices are located at Bolívar 108 1<sup>st</sup> floor, Buenos Aires (C1066AAD), Argentina. Our headquarters are located at Moreno 877, (C1091AAQ), Buenos Aires, Argentina. Our telephone is +54 (11) 4323-7400, and our website is www.irsa.com.ar. Information contained in or accessible through our website is not a part of this annual report. All references in this annual report to this or other internet sites are inactive textual references to these URLs, or uniform resource locators and are for your information reference only. We assume no responsibility for the information contained on these sites. Our Depositary Agent for the Global Depository Shares in the United States is The Bank of New York whose address is P.O. Box 358516 Pittsburgh, PA 15252-8516, and whose telephones are + 1-888-BNY-ADR for U. S. calls and + 1 - 201-680-6825 for calls outside U.S.

*History*

Since 1991, when our current management and certain international investors acquired substantially all of our capital stock, we have been actively engaged in diverse real estate activities in Argentina. Following our global public offering in December 1994, we developed our real estate activities in the office rental market by acquiring three office towers located in prime office zones of Buenos Aires: Libertador 498, Maipú 1300 and Madero 1020.

Since 1996, we have been, through our subsidiary Alto Palermo, expanding our real estate activities into the shopping center segment by acquiring controlling interests in eleven shopping centers: Paseo Alcorta, Alto Palermo Shopping, Buenos Aires Design, Alto Avellaneda, Alto Noa, Abasto Shopping, Patio Bullrich, Mendoza Plaza Shopping, Alto Rosario, Córdoba Shopping Villa Cabrera and Dot Baires. Since 1996, we have also been expanding into the residential real estate market through the development and construction of multi-tower apartment complexes in the City of Buenos Aires and through the development of private residential communities in greater Buenos Aires area.

In 1997, we entered the hotel market through the acquisition of a 50% interest in the Llao Llao Hotel near Bariloche and the InterContinental Hotel in the City of Buenos Aires. In 1998, we also acquired the Libertador Hotel in the City of Buenos Aires and subsequently sold a 20% interest to an affiliate of Sheraton Hotels.

In 2002, we issued US\$100.0 million of convertible notes due November 2007, accruing a 8% per annum interest rate, payable on a semi-annual basis. A warrant is attached to each convertible note and grants its holder an option to acquire additional shares. As of today, there are no outstanding convertible notes and warrants. As a result of the conversions and exercises our outstanding capital stock increased to 578,676,460.

During the 2004 fiscal year we increased our ownership interest in Banco Hipotecario, reflecting our intention to maintain the participation in Banco Hipotecario as a long-term investment. In recent years, we acquired additional shares increasing own equity interest Banco Hipotecario to 28,03%, as of June 30, 2010 (without considering treasury shares).



## **Table of Contents**

During the 2005 fiscal year we increased our ownership interest in Mendoza Plaza Shopping S.A. from 68.8% to 85.4% through our subsidiary APSA. We also opened Alto Rosario Shopping.

The excellent prospects of the offices business had pushed us to make an important investment in this segment by acquiring Bouchard 710 building in fiscal year 2005, covering 15,014 square meters of rentable premium space.

During the 2007 fiscal year, we consolidated our cash generating rental businesses, consummating various significant acquisitions in the shopping center and office building business segments. We purchased Edificio Bouchard Plaza, also known as Edificio La Nación, a 23-floor AAA office building with a total leaseable area of 33,324 sqm., located in downtown Buenos Aires. Later, we sold 9,946 sqm ending with a total leaseable area of 23,378 sqm. We also purchased Edificio Dock del Plata which has a gross leaseable area of 7,921 sqm located in the exclusive area of Puerto Madero, afterwards we sold 3,937 sqm keeping, as of June 30, 2009, 3,985 sqm. With these new purchases, we increased our premium office leaseable area by 70%, our share in this market segment raised close to 20%. We also launched the development of an office building at Dock IV of Puerto Madero, implying an additional leaseable area of approximately 11,000 sqm, which was opened in May 2009.

In November 2006, Panamerican Mall S.A. ( PAMSA ) was organized between APSA and Centro Comercial Panamericano S.A. ( CCP ), with 80% and 20% interests, respectively. PAMSA has developed a commercial venture comprising a shopping center ( Dot Baires ), a hypermarket and an office building in the Saavedra neighborhood in Buenos Aires City. During May 2009, Dot Baires and the hypermarket were opened while multiplex cinema was opened in early July. The office building is at the completion stage. Construction is being carried out by Constructora San José Argentina S.A., a company related to CCP.

Dot Baires has 4 levels and 3 basements, a covered area of 173,000 square meters, out of which 49,731 are square meters of gross leaseable area. Dot Baires includes 153 stores, a hypermarket, a 10 theater multiplex cinema and parking space for 2,200 automobiles. It is the shopping mall with the largest amount of square meters in Buenos Aires City.

In December 2006, we started to operate Córdoba Shopping. Located in the neighborhood of Villa Cabrera in the city of Cordoba, Cordoba Shopping has a 35,000 sqm total area with 106 stores, 12 cinema screens and a parking lot for 1,500 vehicles. In order to finance the investments and developments detailed above, in February 2007 we issued 8.5% US\$150 million ten-year notes. Bids were received for up to 350% of the offer price, showing the investor community's strong support for our business plan. In addition, in May 2007 APSA issued 7.875% US\$120 million ten year notes and 11% Ps.154 million five year notes.

In August 2007, we paid US\$ 0.6 million for an option to purchase an 80% interest in Arcos del Gourmet S.A. ( Arcos ), a company holder of a concession to exploit the old warehouses and adjacent spaces located at Palermo neighbourhood in Buenos Aires and owned by the Organismo Nacional Administrador de Bienes del Estado (ONABE), a public entity created to administer certain public assets, mainly former national railway assets.

Also during the fiscal year 2007, we acquired a 50% ownership interest in an office building including in place leases of 31,670 square meters of gross leaseable area, known as the BankBoston Tower for the total consideration of US\$54 million including in place leases. This modern property is located at 265 Carlos María Della Paolera in the City of Buenos Aires, and was designed by the recognized Architect Cesar Pelli.

Our subsidiary, APSA entered into an agreement with INCSA, an unrelated party, for the acquisition of the Soleil Factory shopping center business, for US\$ 20.7 million, of which US\$ 8.1 million were paid and recorded as supplier advances. The transaction was subject to certain conditions. Upon fulfillment of the conditions and transfer of the business, the remaining balance of the purchase price amounting to US\$ 12.6 million will begin to accrue fixed interest at 5% per year. This balance will be paid in seven annual installments starting one year after the signing of the contract. As part of the same agreement, APSA entered

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**Table of Contents**

into an offer to acquire, construct and operate a shopping center on land belonging to INCSA located in San Miguel de Tucuman, Province of Tucuman, in the northwest of Argentina. This transaction is also subject to the completion of the Soleil Factory transaction, among other suspensive conditions. The parties determined the value of this transaction to be US\$ 1.3 million. See *Recent Developments* and *Significant Changes* .

In March 2008 we launched a residential project through a partnership with Cyrela Brazil Realty to develop a new homebuilding concept in Argentina accompanied by an innovating sales and financing policy. The launch of the first project of this partnership in the Vicente López neighborhood has proven to be successful by signing preliminary sales agreements for 100% of the units to be marketed as of the end of fiscal year 2010. See *Development and Sale of Properties* and *Projects Under Development* .

In April 2008, we acquired a building known as República Building , a property located in the City of Buenos Aires. This property, 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 19,533 gross leaseable square meters to our portfolio. We paid US\$ 70.2 million partially financed by a mortgage loan from Banco Macro for an amount of US\$ 33.6 million accruing interest at a fixed rate 12% per annum and payable in five equal, annual and consecutive installments as from April 2009. In June 2008, our subsidiary 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 Shopping Alto Palermo . The transaction was executed for a total price of US\$17.8 million. See *Recent Developments* and *Significant Changes* .

In July 2008, we acquired a 30% interest in Metropolitan, a limited liability company organized under the laws of Delaware, United States of America. The main asset of Metropolitan is a 34 story building known as the Lipstick Building located at Third Avenue between 53rd and 54th streets in Manhattan, New York City. In addition to this asset, the acquired company also includes the debt related to this building. The purchase price paid was US\$ 22.6 million. The property has approximately 59,000 square meters of leasable space. Also, we acquired the right ( put right ) to sell back the 50% of the interest acquired in a period starting 6 months after this transaction until the third year anniversary of this transaction at a price equal to 50% of the price paid for the total investment plus interest at 4.5% per annum. Additionally, we acquired the right of first offering for 60% of the 5% interest currently held by one of the shareholders of Metropolitan. For more information about Metropolitan. Please see *Recent Developments* and *Significant Changes* .

On July 21, 2008, through our subsidiary Alto Palermo we entered into a barter agreement with Cyrsa S.A. ( Cyrsa ) pursuant to which we, subject to certain closing conditions, would surrender to Cyrsa our right to construct a building over a preexisting structure (owned by a third party) in exchange for de minimis cash and 25% of the housing units in the future building. The total fair value of the transaction is US\$ 5.9 million. On December 17, 2010, Alto Palermo and CYRSA signed an instrument which rescinds the abovementioned agreement.

During fiscal year 2009, to provide our consumer financing business with a suitable capital base taking into account the prevailing adverse market conditions, our subsidiary APSA took part in a capital increase for up to Ps.60 million, increasing its stake from 80% to 93.4%. Besides, several commercial and operative decisions were implemented in order to improve the business. During the period, APSA provided additional financial support to Tarshop for Ps. 105.0 million. These loans were capitalized on October 2009, after which APSA increased its equity stake in Tarshop to 98.6%. On December 29, 2009, we entered into an agreement with Banco Hipotecario to sell an 80 % interest in Tarshop for US\$ 26.8 million. On May 21, 2010, and as part of the above mentioned agreement, we and Tarshop entered into an agreement pursuant to which Tarshop sold us 50% of Metroshop s capital stock. The transaction was subject to the approval of the Banco Central de la Republica Argentina and certain other customary closing conditions which were obtained on August 30, 2010. As a result, on September 13, 2010 APSA transferred 107,037,152 common shares of Tarshop to Banco Hipotecario. Immediately after the sale, APSA s interest in Tarshop was 20 % of its capital stock.

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## **Table of Contents**

On August 4, 2009, through Real Estate Investment Group L.P. ( REIG ), we acquired 5.7 million shares representing approximately 10.4% of Hersha's common stock and a call option that matures on August 4, 2014 to purchase an additional 5.7 million shares at US\$ 3.00 per share. Under the agreement, if starting on August 4, 2011 the quoted market price of Hersha's share were to exceed US\$ 5.00 per share during 20 consecutive trading sessions, Hersha may settle the call option by issuing and delivering a variable amount of shares to be determined in accordance with certain market values. The total purchase price paid was US\$ 14.3 million. As part of the agreement, our Chairman and CEO, Mr. Eduardo S. Elsztain, has been appointed to Hersha's Board of Trustees. In January 2010 and March 2010, REIG purchased 4,789,917 and 3,864,000 additional shares of Hersha's common stock, respectively, for an aggregate purchase price of US\$ 30.8 million. As of June 30, 2010 our interest in Hersha amounted to 10.9%. Assuming the call option is exercised and the Company's interest is not diluted due to newly issued shares, our interest in Hersha would be 14.4%. We account the investment in Hersha at cost while the call option has been accounted for at its fair value.

Hersha is a REIT listed in the New York Stock Exchange (NYSE) under the HT symbol that holds majority interests in 77 hotels throughout the United States of America totaling approximately 9,951 rooms. These hotels are rated as select service and upscale hotels and they are mainly located in the Northeast coast of the US, including New York, New Jersey, Boston, Washington D.C. and Philadelphia, whilst a few are located in northern California and some others in Arizona. These properties are operated under franchises that are leaders and enjoy widespread recognition in their markets, such as Marriot International, Intercontinental Hotel Group, Starwood Hotels, Hilton Hotels Corporation, Global Hyatt Corporation and Choice Hotels International.

On February 17, 2010, the shareholders of Arcos approved a capital increase of US\$ 2.7 million, equivalent to Ps. 10.4 million, of which the Company contributed Ps. 8.3 million.

On June 25, 2010, we and certain of the minority shareholders entered into an option agreement to acquire the 17.54% minority interest in Arcos for an aggregate price of US\$1.4 million, of which US\$ 0.4 million was paid as of the date of this annual report. The option expires on April 30, 2011 and is subject to certain conditions including but not limited to that ONABE launches a bidding process for the sale of the concessioned assets over which the Company has a preemptive right.

On July 20, 2010, we issued US\$ 150.0 million of our Series II 11.5% non-convertibles notes due 2020 under our global note program for the issuance of notes in one or more series for up to an aggregate principal amount of US\$ 400 million. The issue price was 97.838% of the nominal value. For more information about our Series II Notes. Please see *Recent Developments* and *Significant Changes*.

On October 15, 2010, IRSA executed its option to acquire Parque Arauco S.A.'s direct and indirect stake in the Company. The purchase price was US\$ 126 million. As a consequence of this transaction, we increased our equity interest in Alto Palermo from 63.35% to 94.9% of its capital stock. See *Recent Developments* and *Significant Changes*.

### ***Capital Expenditures***

*Fiscal Year 2010.* During the fiscal year ended June 30, 2010 we invested Ps.168.5 million, of which (i) Ps.156.5 million was related to acquisitions and improvements of fixed assets, mainly in connection with the acquisition of the Catalinas Norte plot of land (Ps.100.8 million), improvements in our shopping centers (Ps.32.5 million), completion of the Dot Baires Shopping and the construction of the adjacent office building (Ps.7.4 million), and improvements in our Sheraton Libertador, Llao Llao and Intercontinental hotels (Ps.1.8 million, Ps.1.2 million and Ps.0.8 million, respectively), and (ii) Ps.11.9 million were invested in the acquisition of undeveloped parcels of land, mainly the Zetol and Vista al Muelle plots of land.

*Fiscal Year 2009.* During the fiscal year ended June 30, 2009 we invested Ps.323.1 million, of which (i) Ps.313.3 million were related to acquisitions and improvements in fixed assets, mainly in the construction of Dot Baires shopping (Ps.246.9 million) and the construction of Dique IV, and (ii) Ps.9.8 million were invested in the acquisition of undeveloped parcels of land.

## **Table of Contents**

*Fiscal Year 2008.* During the fiscal year ended June 30, 2008, we invested Ps.768.7 million of which Ps.419.0 million were related to the acquisition of businesses and assets, mainly the purchase of two buildings (including their in place leases) known as Edificio República and Torre Bank Boston for Ps.228.3 million and Ps.173.9 million, respectively. We also made investments in fixed assets of Ps.332.5 million of which Ps.257.7 million were invested through Alto Palermo primarily in the partial construction of the Dot Baires shopping for Ps.114.4 million, in improvements of shopping centers for Ps.50.0 million, in the initial payment for the transfer of Soleil Factory shopping center for Ps.25.6 million, and Ps.40.0 million in our Hotel segment of which Ps.30.7 million were invested in Hotel Liao Liao. We also invested Ps.23.1 million relating to Patio Olmos Building and Ps.16.9 million were related to advance payment for a plot of land located at Beruti 3571. We also invested Ps.17.2 million in undeveloped parcels of land.

### ***Recent Developments***

#### ***Building located at 183 Madison Avenue, New York, NY.***

On August 26, 2010, IRSA and other U.S. partners entered into a conditional purchase agreement to acquire a 18-story building located at 183 Madison Avenue, New York, NY, in one of Manhattan's most prominent neighborhoods known as Midtown South. The building has approximately 22,893 square meters of leasable area and, as of September 30, 2010, its occupancy rate was approximately 72%.

On August 30, 2010, we transferred US\$7.3 million to the seller as deposit for the execution of the purchase agreement.

On December 15, 2010 we reported that the acquisition transaction was closed through our subsidiary Rigby 183 LLC ( Rigby 183 ), in which we have an 8% indirect interest through Real Estate Strategies ( RES ) and a 49% indirect interest through IMadison LLC. The purchase price paid by Rigby 183 was US\$85.1 million, of which US\$45.1 million was paid in cash and the balance of US\$40.0 million was financed through seller's financing. Rigby 183 has obtained an additional financing of US\$10.0 million from a third party, which has not been disbursed yet, in order to perform refurbishments and improvements on the building.

On December 17, 2010, we informed that we were negotiating the sale of the 8% interest in Rigby 183 held by RES.

#### ***Investment in Lipstick Building, New York, United States***

On August 4, 2010, we transferred US\$15.0 million into an escrow account in order to facilitate negotiations with our creditors. As a result of such negotiations, the parties involved reached an agreement in order to restructure our debt as follows: (i) mortgage debt would be reduced from US\$210 million to US\$130 million at a rate of Libor + 400 basis points, with a maximum rate of 6.25% and a maturity term of 7 years; (ii) junior debt of US\$45.0 million (not including accrued interest) would be canceled by the payment of approximately US\$ 2.25 million in cash, and (iii) we will keep two ground leases, on the same terms and conditions they were originally granted, for a remaining term of 66 years. This restructuring has been approved by both creditors and the court.

### ***Payment of Cash Dividend***

On November 19, 2010, we paid to our shareholders a cash dividend for the fiscal year ended June 30, 2010 of the sum of Ps.120 million equivalent to 20,796976237% of our outstanding capital.

## **Table of Contents**

### ***Sale of Alto Palermo s Notes***

On October 12, 2010, we reported that we had sold in the secondary market, treasury held Class I Notes of Alto Palermo, due 2017, for a nominal value of US\$ 39.6 million.- As a result of such sale, we received a total income of US\$ 38.07 million.

### ***Solares de Santa María, Ciudad de Buenos Aires, (formerly Santa María del Plata)***

In early September 2010, we acquired (through E-Commerce Latina S.A.) 100% of the capital stock of Unicity S.A. for the sum of US\$ 2.5 million. Unicity s main asset is a 10% interest in the capital stock of Solares de Santa María S.A. , which acquisition was partially financed with funds we lend to Unicity S.A. On September 28, 2010 such debt s outstanding balance of US\$ 9.1 million was capitalized and we received 36,036,000 shares representing 88.61% of Unicity S.A. s capital stock, being held by E-Commerce the remaining 11.39%.

### ***Exercise of purchase option for acquiring Parque Arauco S.A. s direct and indirect interest in Alto Palermo***

On October 15, 2010, we executed our option to acquire Parque Arauco S.A. s direct and indirect stake in Alto Palermo S.A. The purchase price was US\$ 126.0 million, of which US\$ 6 million was paid by the Company at the time the option was granted. According to the terms of the option granted on January 13, 2010, the dividends corresponding to the fiscal year ended on June 30, 2010 were deducted from the purchase price. As a consequence of this transaction, we increased our equity interest in Alto Palermo from 63.35% to 94.9% of its capital stock.

### ***Investment in Hersha Hospitality Trust***

On October 22, 2010, through REIG, a company indirectly controlled and managed by us, we acquired 2,952,625 ordinary shares of Hersha at a price of US\$ 5.80 per share, totaling US\$ 17.1 million. Following this acquisition, our interest in Hersha increased to 10.72% of Hersha s outstanding capital.

### ***Issue of Notes***

On July 20, 2010, we issued US\$ 150 million of our 11.5 % non-convertibles notes due 2020 under our Global Note Program for the issuance of notes in one or more series up to an aggregate principal amount of US\$ 400 million . The issue price was 97.838% of the nominal value.

### ***Sofora Offer***

During 2010 fiscal year, we participated, together with other bidders, in a tender process for acquiring the 50% interest held by Telecom Italia SpA. and Telecom Italia International N.V. ( Telecom Italia Group ) in Sofora Telecomunicaciones S.A. ( Sofora ) and a call option in respect of the remaining 50% in Sofora, the company that indirectly owns the majority common stock capital of Telecom Argentina. To such end, on June 4, 2010, we submitted a binding offer and a letter of credit for US\$ 50.0 million to the Telecom Italia Group. As security for the reimbursement obligations under the referred letter of credit, a pledge was set up over approximately 11% of Hersha s shares and approximately US\$ 43.5 million of Alto Palermo s Notes purchased by us.

In late July, 2010, Telecom Italia resolved not to continue with the sale of Telecom Argentina, and concluded the process. Therefore, the pledges set up as security for the above mentioned letter of credit were released.

## **Table of Contents**

### ***Acquisition of TGLT Shares***

On November 4, 2010, our subsidiary Alto Palermo acquired 5,214,662 registered non-endorsable common shares, of TGLT S.A. ( TGLT ) for a total consideration of Ps.47.1 million.

### ***Sale of Beruti Plot to TGLT***

On October 13, 2010, our subsidiary Alto Palermo entered into a sale and purchase agreement with TGLT in order to transfer a property located at 3351/3359 Beruti street, between Bulnes street and Coronel Diaz avenue in the City of Buenos Aires . In the aforementioned property, TGLT intends to build an apartment building with both residential and commercial parking spaces. The agreed price for this transaction was US\$ 18.8 million. As consideration for the transfer of the Property, TGLT has agreed to transfer Alto Palermo: (i) a number of residential units to be determined, representing 17.33% of the total square meters of residential units to be constructed in the building; (ii) a number of residential parking spaces to be determined, representing 15.82% of the total square meters of residential parking spaces to be constructed in the building; (iii) all of the commercial parking spaces to be constructed in the building; and (iv) the amount of US\$ 10.7 million to be paid simultaneously with the signing of the deed of the property in favor of TGLT.

On October 29, 2010, TGLT S.A. completed the initial public offering of its shares on the Buenos Aires Stock Exchange, thus complying with the condition to which the operation was subject.

On November 5, 2010, TGLT advanced payment of US\$ 10.7 million. On December 16, 2010, the title deed to the Beruti plot of land was executed.

### ***Alto Palermo s early dividend***

On October 7, 2010, Alto Palermo s board of directors approved the payment of an early dividend in cash for an amount of Ps. 113 million or Ps. 0,08971042033 per share (Ps. 3,588416813 per ADR) and was paid in Argentina on October 15, 2010.

### ***Conversion of Alto Palermo s Convertible Notes***

On October 7, 2010, Alto Palermo reported that two holders of the Alto Palermo s Convertible Notes exercised their conversion rights. Hence, Alto Palermo issued 477,544,197 common shares, with nominal value of Ps. 0.1 each, and cancel Convertible Notes for an amount of US\$ 15,472,432.

As a result of the conversion, Alto Palermo s capital stock increased from Ps.78,206,421.4 to Ps. 125,960,841.1 and the amount of outstanding shares of Alto Palermo increased from Ps. 782,064,214 to Ps.1,259,608,411. On the other hand, the amount of Convertible Notes outstanding is US\$ 31,755,502.

### ***Sale of Tarshop***

On August 30, 2010, the Argentine Central Bank approved Alto Palermo s sale of 80% of Tarshop s capital stock to Banco Hipotecario As a result, on September 13, 2010, Alto Palermo transferred 107,037,152 common shares of Tarshop to Banco Hipotecario. The total purchase price was US\$ 26.8 million. Immediately after the sale, Alto Palermo s interest in Tarshop was 20 % of its capital stock.

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**Table of Contents**

***Paraná Plot***

On August 12, 2010 we executed the preliminary purchase agreement to acquire a plot of land in Paraná, Entre Ríos, through our subsidiary Alto Palermo. The purchase price was US\$ 0.5 million, payable as follows: i) US\$ 0.05 million was paid as advance payment on July 14, 2009; ii) US\$ 0.1 million was paid upon execution of the preliminary agreement; and iii) US\$ 0.35 million will be paid upon execution of the title deed of conveyance of property.

***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. We, through our subsidiary Alto Palermo and Coto Centro Integral de Comercialización S.A. (Coto) executed and delivered a deed dated September 24, 1997 whereby we 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. In the course of fiscal 2009, a conditional barter agreement was executed, pursuant to which Alto Palermo would transfer to Cyrsa S.A. (Cyrsa) 112 parking units and the rights to erect on top of the hypermarket two building towers in so far as a number of conditions are met. In exchange, Cyrsa would deliver to Alto Palermo an as of yet undefined number of units in the building to be erected equivalent to 25% of the square meters that as a whole do not total less than four thousand and fifty-three square meters, with fifty square centimeters of own square meters to be built on the whole. Additionally, in the event there were any, Cyrsa would deliver to Alto Palermo a number of storage spaces equivalent to 25% of the storage spaces in the building to be erected. In addition, in the event of meeting the conditions precedent applicable to the transaction, Cyrsa would pay to Alto Palermo US\$ 88,815 and would proceed with the works in the parking lots that we would receive from Coto. This payment would be made within 30 running days as from the execution of the barter deed. For this barter to be consummated, the conditions precedent require Coto, the current owner of the real estate mentioned above that currently hosts a hypermarket, retail stores and parking spaces, to provide certain essential services. Possession over the real estate shall be conveyed upon executing the title deed, scheduled to take place within 30 days counted as from the date on which Alto Palermo notifies Cyrsa of compliance with the conditions precedent. The transaction between Cyrsa and Alto Palermo totals US\$ 5.9 million.

On December 17, 2010, Alto Palermo and CYRSA signed an instrument which rescinds the abovementioned agreement.

***San Miguel de Tucumán Plot***

On March 15, 2010 we executed, through our subsidiary Alto Palermo, an offer to purchase, build and operate a shopping center in a plot of land owned by INCSA, located in the City of San Miguel de Tucumán, Province of Tucumán. The transaction was subject to certain conditions precedent that were fulfilled on July 1, 2010 as a result of the execution of the final instrument for the partial transfer of business with INCSA.

***Shopping Neuquén Project.***

Alto Palermo's subsidiary, Shopping Neuquén S.A. s ( Shopping Neuquén ) sole asset is a 50,000 square meter undeveloped parcel of land located in Neuquén, Argentina, where we intend to develop a commercial project including the construction of a shopping center, a hypermarket and other developments.

On December 13, 2006, Shopping Neuquén entered into an agreement with the Municipality of Neuquén and with the Province of Neuquén by which, , the terms to carry out the commercial and residential venture were rescheduled and authorized Shopping Neuquén to transfer to third parties the title to the plots of land into which the property is divided, provided that it is not the plot of land on which the shopping center will be built. Such Agreement was subject to two conditions; both already complied with, (i) the ratification of the agreement by means of an ordinance of the legislative body of the Municipality of Neuquén, and (ii) the approval by the Municipality of Neuquén of the new project and the extension of the environmental impact study.

## **Table of Contents**

On June 12, 2009, Shopping Neuquén and the Municipality of Neuquén agreed on a revised project to consider certain road access plans and modify general terms as necessary (the New Agreement). The revised plan was to be submitted within 90 days from the signing date of the New Agreement. Upon submission, the Municipality would have 30 days for comment. On January 18, 2010, the Municipality of Neuquén requested changes to the plans filed, granting a 30-day term to be filed. Finally, Shopping Neuquén S.A. was notified about the registration of the architectural project, so on April 8, 2010 the term of 90 running days to commence the committed works has started. Works would have to commence within 90 days as from the registration date of the new plan.

The construction of the shopping center and the hypermarket will have to be completed within 22 months as from commencement of the works. The Municipality has the right to revoke the New Agreement and initiate actions in case of breach of contract by Shopping Neuquén.

Shopping Neuquén filed the work plans for the first stage of the project (which includes the construction of the shopping center and hypermarket), obtained the consents required for commencing works, and on July 5, 2010, it started the works committed.

The first stage of the project must be completed within 22 months as from the date of commencement of works. In case of default of the conditions set forth in the agreement, the Municipality of Neuquén is entitled to terminate the agreement and take such actions as deemed necessary in such regard, including, inter alia, request reimbursement of the parcels of Shopping Neuquén S.A. sold by the Municipality of Neuquén.

On November 8, 2010, Shopping Neuquén was served notice of a resolution issued from the trial styled Shopping Neuquén S.A. vs. Municipalidad de Neuquén in re: Administrative Procedural Action lodged at the High Court of Justice of Neuquén, by which certain pending fees to be borne by Shopping Neuquén were established. Such resolution is not firm and Shopping Neuquén is currently evaluating the procedural recourse to be filed.

### ***Acquisition of Soleil Factory Shopping Center s.***

On July 1, 2010, APSA and INC S.A. ( INCSA ), an unrelated party, executed the final instrument for the partial transfer of business whereby INCSA transferred the business of the commercial center known as Soleil Factory, becoming operational on such date. The business mainly includes a building, other fixed assets, lease agreements, titles to the brand names and rights to build certain number of square meters.

The transaction was filed with the Argentine Antitrust Authority, which has not rendered a decision yet.

### ***Torres Rosario Project, City of Rosario, Province of Santa Fe.***

Alto Palermo owns a block of land of approximately 50,000 square meters divided into 8 smaller plots in the City of Rosario, near the Alto Rosario Shopping Center. At June 30, 2010, two of the plots had been bartered (plots 2-G and 2-H). During the Fiscal year 2010 Alto Palermo sold the lots designated as 2 A and 2 E.

As consideration for the barter of parcel 2-G (totaling a surface of 10,128 sqm for sale), Condominios de Alto S.A. will transfer 15 apartments, with a total constructed area of 1,504 sqm (which represent 14.85% of the total building to be constructed in this parcel) and 15 parking spaces (which represent 15% of the total parking surface to be constructed in this property). As of the end of fiscal 2010, Alto Palermo executed with Condominios del Alto S.A. a supplementary deed that specifically determines the units involved in the barter that should be transferred to us and the deed of possession of the 15 functional units corresponding to parking spaces. These units are already for sale since May, 2010. The degree of completion in parcel 2-G is 100% and the execution of its deeds of sale is imminent.



## **Table of Contents**

As consideration for the barter of parcel 2-H (totaling a surface area of 14,500 sqm for sale), Condominios de Alto S.A. will transfer 42 apartments, with a total constructed surface of 3,188 sqm (which represent 22% of the total building to be constructed in this parcel) and 47 parking spaces (which represent 22% of the total parking surface to be constructed in this property). The degree of completion of parcel 2-H is 45% and the works are expected to conclude during the first half of 2011.

During fiscal year 2010 Alto Palermo sold the lots designated as 2-A and 2-E. For more information, please see *Significant acquisitions, dispositions and development of businesses* .

### **B. Business Overview**

#### *Operations and principal activities*

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, including:

the acquisition, development and operation of shopping centers, including consumer financing 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 and sale, and

selected real estate investments outside Argentina.

As of June 30, 2009 and 2010, we had total assets of Ps. 4,936.0 million and Ps. 5,633.4 million, respectively and shareholders' equity of Ps. 2,095.7 million and Ps. 2,403.0 million, respectively. Our net income for the fiscal years ended June 30, 2008, 2009, and 2010 was Ps.54.9 million, Ps. 158.6 million and Ps. 334.5 million, respectively. We are the only Argentine real estate company whose shares are listed on the Buenos Aires Stock Exchange and whose GDSs are listed on the New York Stock Exchange.

We currently own 29.78% of Banco Hipotecario S.A. ( Banco Hipotecario ) (without considering treasury shares), one of the leading financial institutions in Argentina.

**Table of Contents****Consolidated Revenues by Business Segment and Geographic Area**

	Revenues for fiscal years ended June 30,		
	2010	2009	2008
	(in thousands of Pesos)		
<b>Offices and other non-shopping center leased properties:</b>			
City of Buenos Aires	153,989	147,142	101,554
Buenos Aires Province	175	607	605
Subtotal Office and other non-shopping center leased properties	154,164	147,749	102,159
<b>Shopping Centers and Consumer Financing Operations:</b>			
City of Buenos Aires	638,694	514,353	532,020
Buenos Aires Province	59,833	47,488	39,958
Salta Province	13,701	10,838	9,598
Santa Fe Province	30,821	24,141	20,040
Mendoza Province	27,206	25,478	24,232
Córdoba Province	13,446	11,262	10,577
Subtotal Shopping Centers and Credit Card Operations	783,701	633,560	636,425
<b>Sales and Developments:</b>			
City of Buenos Aires	214,913	262,646	189,296
Buenos Aires Province	9,461	10,043	4,030
Córdoba Province	21	29	57
Santa Fe Province		7,644	3,428
Mendoza Province	1,172		
Subtotal Sales and Developments	225,567	280,362	196,811
<b>Hotels:</b>			
City of Buenos Aires	101,088	98,427	92,043
Rio Negro Province	58,806	60,486	56,804
Subtotal Hotels	159,894	158,913	148,847
Total The City of Buenos Aires	1,108,684	1,022,568	914,913
Total Buenos Aires Province	69,469	58,138	44,593
Total Rio Negro Province	58,806	60,486	56,804
Total Santa Fe Province	30,821	31,785	23,468
Total Salta Province	13,701	10,838	9,598
Total Córdoba Province	13,467	11,291	10,634
Total Mendoza Province	28,378	25,478	24,232
<b>Total</b>	<b>1,323,326</b>	<b>1,220,584</b>	<b>1,084,242</b>

*Shopping centers.* We are engaged in purchasing, developing and managing shopping centers through our subsidiary, Alto Palermo. Alto Palermo operates and owns majority interests in eleven shopping centers in Argentina, six of which are located in the Buenos Aires metropolitan area, one located in greater Buenos Aires area, and the other four are located in the Provinces of Mendoza, Santa Fé, Córdoba and Salta. Our Shopping center segment had assets of Ps. 2,020.7 million as of June 30, 2009 and Ps. 1,934.3 million as of June 30, 2010, representing 40.9% and 34.3%, respectively, of our consolidated assets at such dates, and generated operating income of Ps. 182.3 million, Ps. 214.9 million and Ps. 268.0 million during our 2008, 2009 and 2010 fiscal years respectively, representing 72.7% and 49.6%, respectively, of our consolidated operating income for such years.

**Table of Contents**

*Consumer Financing.* We have developed a consumer financing business through Alto Palermo's subsidiaries as of fiscal year end, Tarshop and Metroshop S.A. Tarshop and Metroshop's credit card operations consist primarily of lending and servicing activities relating to the credit card products we offer to consumers at shopping centers, hypermarkets and street stores. We finance a substantial part of our credit card advances through securitization of the receivables underlying the accounts we originate. Our revenues from credit card operations are derived from interest income generated by financing and lending activities, merchants' fees, insurance charges for life and disability insurance, and fees for data processing and other services. The Consumer Financing segment had assets of Ps. 174.9 million as of June 30, 2009, and Ps. 327.3 million as of June 30, 2010, which represented 3.5% and 5.8%, respectively, of our consolidated assets at such dates, and generated an operating loss of Ps. 17.7 million and Ps. 125.4 million and an operating income of Ps. 53.3 million for our 2008, 2009 and 2010 fiscal years, respectively, representing 6.9%, 42.4% and 9.9%, respectively, of our consolidated operating income/(loss) for such years. On August 30, 2010, the Central Bank approved the sale of 80% of APSA's interest in Tarshop to Banco Hipotecario. Immediately after the sale, APSA's and Banco Hipotecario's equity interests in Tarshop were 20% and 80% respectively. For more information please see *Recent Developments*.

*Development and sale of properties.* 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. 507.8 million as of June 30, 2009 and Ps. 657.6 million as of June 30, 2010, representing 10.3% and 11.7%, respectively, of our consolidated assets at such dates, and generated operating income of Ps. 19.3, Ps. 121.2 million and Ps. 139.5 million during our 2008, 2009 and 2010 fiscal years, respectively, representing 7.6%, 41.0% and 25.8%, respectively, of our consolidated operating income/(loss) for such years.

*Office and Other Non-Shopping Center Rental Properties.* As of June 30, 2010, we directly and indirectly owned a majority interest in 14 office buildings and Other Non-Shopping Center Rental Properties in Argentina that in the aggregate represented 237,188 square meters of gross leaseable area. Our Offices and Other Non-Shopping Center Rental Properties segment had assets of Ps. 1,014.9 million as of June 30, 2009 and Ps. 1,088.8 million as of June 30, 2010, representing 20.6% and 19.3%, respectively, of our consolidated assets at such dates, and generated operating income of Ps. 52.9, Ps. 76.5 million and Ps. 73.5 million during our 2008, 2009 and 2010 fiscal years, respectively, representing 20.8%, 25.9% and 13.6%, 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, and a 76.34% in the Hotel Intercontinental in the City of Buenos Aires and an 80% equity interest in Hotel Sheraton Libertador in Buenos Aires. Our Hotels segment (which consists of our investments in these three hotels), had assets of Ps. 246.4 million as of June 30, 2009 and Ps. 248.3 millions of June 30, 2010, representing 5.0% and 4.4%, respectively, of our consolidated assets at such dates, and generated income of Ps. 18.0 million, Ps. 8.6 million and Ps. 5.4 million during our 2008, 2009 and 2010 fiscal years, representing 7.1%, 2.9% and 1.0%, respectively, of our consolidated operating income for such years.

*Banco Hipotecario.* During fiscal year 2010, we continued to increase our interest in Banco Hipotecario by acquiring 100,417,816 shares for Ps. 118.7 million, up to a 28.03% investment, 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 43.75% of the total votes that can be cast at Banco Hipotecario's shareholders' meetings. As of June 30, 2010, our investment in Banco Hipotecario represented 14.4% of our consolidated assets, and during our fiscal years ended June 30, 2008, 2009 and 2010, this investment generated losses for Ps. 12.4 million, income for Ps. 142.1 million and income for Ps. 151.6 million, respectively.

## **Table of Contents**

*International.* During fiscal year 2009 we have recently acquired a 30% interest in a company incorporated in Delaware (United States), whose main asset is the so-called Lipstick office building located in the City of New York, and more recently, we acquired a 10.9% interest, jointly with subsidiaries, in a REIT, called Hersha (NYSE: HT), which holds a controlling interest in 77 hotels in the United States, totaling around 9,951 rooms as of June 30, 2010.

In addition, on August 2010, we, among other partners, entered into a conditional agreement for the purchase of a property located at 183 Madison Avenue, New York, NY. For more information please see *Recent Developments* and *Significant Changes*.

### *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 the organization of partnerships with other developers.

*Shopping centers.* We believe that the Argentine shopping center sector offers attractive prospects for long-term growth due to, among other factors, a continuing evolution of consumer preferences in favor of shopping malls (away from small neighborhood shops) and a level of shopping center penetration that we consider low compared to many developed countries. Our main objectives are to generate a sustained growth in the cash flow from our shopping centers and increase their value in the long-term, maintaining a leading position in Argentina's shopping center industry.

*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. In addition, we seek to develop residential properties for other segments of the residential market in Argentina and during the first quarter of the fiscal year ended June 30, 2008, we entered into a partnership with Cyrela Empreendimentos e Participações, a leading Brazilian residential real estate developer, to penetrate in new market segments.

*Office and Other Non-Shopping Center Rental Properties.* 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 business 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. We also seek to continue to invest in improvements for our hotels, to maintain a high level of service in the hotel competitive sector.

## **Table of Contents**

*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.* In the past, we have made significant real estate investments outside of Argentina, including investments in Brazil Realty S.A. in Brazil and Fondo de Valores Inmobiliarios in Venezuela which we disposed of in 2002 and 2001, respectively. During fiscal year 2009, we acquired a 30% interest in a company incorporated in Delaware (United States), whose main asset is the so-called Lipstick office building located in the City of New York, and during fiscal year 2010, we acquired a 10.9% interest, jointly with subsidiaries, in a REIT, called Hersha (NYSE: HT), which holds a controlling interest in 77 hotels in the United States, totaling around 9,951 rooms as of June 30, 2010 and more recently, we signed a conditional agreement for the purchase of a property located at 183 Madison Avenue, New York, NY, through an investment in a limited liability company, Rigby 183 LLC. We seek to continue to evaluate on a selective basis real estate investment opportunities outside Argentina as long as they offer investment and development attractive opportunities. For more information please see *Recent Developments* and *Significant Changes* .

### *Shopping Centers*

#### ***Overview***

We are engaged in purchasing, developing and managing shopping centers through our subsidiary, Alto Palermo. As of June 30, 2010, Alto Palermo operated and owned majority interests in eleven 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), one of which is located in the greater Buenos Aires (Alto Avellaneda) metropolitan area and the other four of which 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 and Córdoba Shopping Villa Cabrera in the City of Córdoba.

As of June 30, 2010, we owned 63.35% of Alto Palermo and Parque Arauco S.A. owned 29.55%. 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, 2010, 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. For more information please see *Recent Developments* and *Significant Changes* .

On January 14, 2010, we announced that Parque Arauco S.A. granted to us an option to purchase its 29.55% interest in Alto Palermo (including its direct and indirect interest in Convertible Notes for a principal amount of US\$ 15.5 million issued by Alto Palermo), for a total amount of US\$126 million. The option grants us the right to exercise it until August 31, 2010, extendable to November 30 of this year, under certain conditions.

On October 15, 2010, we completed the acquisition of Parque Arauco S.A. s direct and indirect stake in Alto Palermo for an aggregate amount of US\$ 126 million. See *Recent Developments* and *Significant Changes* .

As of June 30, 2010, Alto Palermo s shopping centers comprised a total of 286,286 square meters of gross leaseable area (excluding certain space occupied by hypermarkets which are not Alto Palermo s tenants). For fiscal period 2010, the average occupancy rate of Alto Palermo s shopping center portfolio was approximately 97.5%.

**Table of Contents**

As a result of our acquisition of several shopping centers, 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.

**Table of Contents**

The following table shows certain information concerning our Alto Palermo subsidiary's shopping centers as of June 30, 2010:

**Shopping Centers**

	Date of Acquisition	Leaseable Area sqm (1)	APSA's Effective Interest (3)	Occupancy rate (2)	Accumulated Annual Rental Income for the fiscal year (in Ps./000) (4)			Book Value (Ps./000) (5)
					2010	2009	2008	
<b>Shopping Centers (6)</b>								
Alto Palermo	11/97	18,629	100.0%	100.0%	98,020	82,450	69,847	134,984
Abasto Shopping (7)	07/94	37,603	100.0%	99.6%	91,304	77,773	69,639	163,556
Alto Avellaneda	11/97	36,579	100.0%	96.0%	59,833	47,488	39,958	73,454
Paseo Alcorta	06/97	14,390	100.0%	97.5%	42,714	39,067	37,293	70,663
Patio Bullrich	10/98	11,736	100.0%	99.7%	37,254	31,537	28,864	89,638
Alto Noa Shopping	03/95	18,869	100.0%	99.9%	13,701	10,838	9,598	21,570
Buenos Aires Design	11/97	13,786	53.7%	98.4%	14,613	12,965	12,020	8,811
Alto Rosario Shopping (7)	11/04	28,650	100.0%	93.7%	30,821	24,141	20,040	77,401
Mendoza Plaza Shopping	12/94	40,651	100.0%	93.1%	27,206	25,478	24,232	80,552
Fibesa and others (8)		N/A	99.99%	N/A	24,928	25,235	23,327	
Neuquén (9)	07/99	N/A	98.1%	N/A				12,389
Panamerican Mall S.A. (10)	12/06	49,750	80.0%	100.0%	64,515	8,499		583,355
Córdoba Shopping Villa Cabrera	12/06	15,643	100.0%	98.8%	13,446	11,262	10,577	68,958
<b>TOTAL SHOPPING CENTERS</b>		<b>286,286</b>	<b>94.8%</b>	<b>98.0%</b>	<b>518,355</b>	<b>396,733</b>	<b>345,395</b>	<b>1,385,331</b>
Consumer Financing revenues		N/A	100.0%	N/A	265,346	236,827	291,030	
<b>GENERAL TOTAL (11)</b>		<b>286,286</b>	<b>N/A%</b>	<b>97.5%</b>	<b>783,701</b>	<b>633,560</b>	<b>636,425</b>	<b>1,385,331</b>

**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. We have a 63.35% interest in APSA.-
- (4) Corresponds to total leases, consolidated as per the RT21 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.-
- (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. Still pending is the completion of an office building.
- (11) Corresponds to the shopping center business unit mentioned in Note 6 to the Consolidated Financial Statements; includes revenues from Credit Cards (Tarshop and Metroshop).-

**Tenant Retail Sales**

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

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	Fiscal year ended June 30, (1)		
	2010	(in Ps./000) 2009	2008
Abasto	926,373	774,496	720,398
Alto Palermo	879,728	745,008	631,821
Alto Avellaneda	885,195	696,502	560,693
Paseo Alcorta	414,652	374,756	385,515
Patio Bullrich	344,789	274,923	271,411
Alto Noa	280,241	211,353	173,998
Buenos Aires Design	140,974	129,075	132,958
Mendoza Plaza	559,359	436,599	433,394
Alto Rosario	419,143	318,443	271,331
Cordoba Shopping-Villa Cabrera	164,257	133,526	120,827
Dot Baires Shopping	763,528	99,478	
<b>Total retail sales (2)</b>	<b>5,778,238</b>	<b>4,194,159</b>	<b>3,702,346</b>

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.



**Table of Contents**

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

*Lease Expirations*

The following table shows a schedule of estimated lease expirations for our shopping center for leases in effect as of June 30, 2010, assuming that none of the tenants exercise renewal options or terminate their lease early.

Lease Expirations as of	Number of Leases Expiring(1)	Percentage of Total Square Meters Subject to		Annual Base Rent Under Expiring Leases (Ps.)	Percentage of
		Expiring Leases (sqm)	Expiration (%)		Total Base Rent Under Expiring Leases (%)
June 30,					
2011	573	94,456	33%	91,438,628	35%
2012	331	44,031	15%	65,011,180	25%
2013	333	43,359	15%	60,966,057	23%
2014 and subsequent	123	104,441	37%	43,606,081	17%
<b>Total (2)</b>	<b>1,360</b>	<b>286,287</b>	<b>100%</b>	<b>261,021,946</b>	<b>100%</b>

(1) Includes vacant stores as of June 30, 2010. 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.

*Occupancy Rate*

The following table sets forth the occupancy rate of expressed as a percentage of gross leasable area as of dates stated below:

	Fiscal year ended June 30, (in Ps./000)		
	2010	2009	2008
Abasto	99.6	99.8	99.6
Alto Palermo	100.0	100.0	100.0
Alto Avellaneda	96.0	100.0	99.8
Paseo Alcorta	97.5	97.9	99.5
Patio Bullrich	99.7	99.6	100.0
Alto Noa	99.9	99.9	100.0
Buenos Aires Design	98.4	98.8	100.0
Mendoza Plaza	93.1	96.8	97.7
Alto Rosario	93.7	95.0	99.2
Córdoba Shopping Villa Cabrera	98.8	96.4	97.2
Dot Baires Shopping	100	99.9	
<b>Weighted Average</b>	<b>97.5</b>	<b>98.6</b>	<b>99.3</b>

**Table of Contents****Rental Price**

The following table shows the average rental price per square meter per year/period for the fiscal years ended June 30, 2010, 2009 and 2008:

	Fiscal year ended June 30, (1)		
	(in Ps./000)		
	2010	2009	2008
Abasto	1,986.8	1,710.8	1,436.8
Alto Palermo	4,033.8	3,580.8	3,058.5
Alto Avellaneda	1,469.2	1,156.0	972.4
Buenos Aires Design	810.2	731.1	672.8
Paseo Alcorta	2,498.9	2,408.7	2,313.8
Patio Bullrich	2,673.9	2,254.6	2,095.6
Alto Noa	658.6	502.6	461.2
Alto Rosario	948.4	746.5	608.6
Mendoza Plaza	598.8	546.8	537.0
Córdoba Shopping- Villa Cabrera (2)	731.6	590.7	557.8
Dot Baires Shopping	1,081.9	1,162.4	

(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.

(2) The values for 2008 were modified on the basis of the movie theaters' surface areas.

The annual rental price per square meter of gross leasable area reflects the sum of the base rent, supplementary rent and income from admission rights divided by the gross leasable area's square meters.

**Depreciation**

The net book value of the properties has been determined using the straight-line method of depreciation calculated over the useful life of the property. For more information, see APSA's Audited Consolidated Financial Statements, as filed with Argentine Securities Commission (CNV).

**Principal Terms of Alto Palermo's 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. APSA's lease agreements are generally denominated in Pesos.

Decree No. 214/2002 and Decree No. 762/2002, which modify Public Emergency Law No. 25,561, determine that duties to turn over sums of money which are denominated in U.S. dollars and which are not related to the financial system as of January 7, 2002 are subject to the following:

obligations will have to be paid in Pesos at a rate of Ps.1.00 = US\$1.00. Additionally, these obligations are subject to inflation adjustment through the CER index;

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if, as a consequence of this adjustment, the agreement is unfair to any of the parties, as long as the party that has the obligation to pay is not overdue and the adjustment is applicable, either may ask the other for a fairness adjustment. If they do not reach an agreement, a court will make the decision in order to preserve the continuity of the contract relation in a fair way; and

new lease agreements may be freely entered into between parties, even U.S. dollar denominated lease agreements.

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**Table of Contents**

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 we use 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 (Fixed Monthly Minimum Rent) and (ii) a specified percentage of the tenant's monthly gross sales in the store (the Variable Rent Dependent on Sales) (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 (13<sup>th</sup>) 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. See Risk Factors for a detailed analysis.

In addition to rent, Alto Palermo charges most of its tenants an admission right, 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 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 different 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 attendance 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 (Fixed Monthly Minimum Rent or Variable Rent Dependent on Sales, 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. Alto Palermo 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****Sources of Shopping Center Revenues**

Set forth below is a breakdown of the sources of shopping center revenues for the fiscal years ended June 30, 2008, 2009 and 2010:

	2010	Fiscal Year ended June 30, 2009	2008
	(in million of Ps.)	(in million of Ps.)	(in million of Ps.)
Fixed monthly minimum rent	259.7	196.0	159.1
Variable rent dependent on prices	95.4	70.9	73.3
Booth and kiosk rentals	39.4	31.8	27.1
Admission rights	62.7	47.7	40.3
Miscellaneous	36.3	33.3	32.0
Parking	24.9	17.1	13.6
Total rentals and services	518.4	397.0	345.4

**Detailed Information About Each of APSA's Shopping Centers**

Set forth below is a brief description of APSA's shopping center portfolio

**Alto Palermo Shopping, City of Buenos Aires.** Alto Palermo Shopping is a 145-store shopping center that opened in 1990 and is located in the densely populated 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. Alto Palermo Shopping has a total constructed area of 65,029 square meters that consists of 18,629 square meters 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. In the fiscal year ended on June 30, 2010, the public visiting the shopping center generated nominal retail sales totaling approximately Ps. 879.7 million, which represents annual sales for approximately Ps. 47,223.3 per square meter. Principal tenants currently include Zara, Garbarino, Sony Style, Frávega and Just For Sport. Alto Palermo Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 15.1% of its gross leaseable area at June 30, 2010 and approximately 8.8% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

**Alto Avellaneda, Avellaneda, Greater Buenos Aires.** Alto Avellaneda is a 142-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. Alto Avellaneda has a total constructed area of 108,598.8 square meters that includes 36,579 square meters of gross leaseable area. Alto Avellaneda has a six-screen multiplex movie theatre, a Wal-Mart megastore, an entertainment center, an 18-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, 2010, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 885.2 million, which represents annual revenues for approximately Ps. 24,199.5 per square meter. Principal tenants currently include Falabella, Garbarino, Frávega, Compumundo and Musimundo. Alto Avellaneda's five largest tenants (in terms of sales in this shopping center) accounted for approximately 36.8% of its gross leaseable area at June 30, 2010 and approximately 22.3% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

**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 that consists of 14,390 square meters of gross leaseable area. The three-level shopping center includes a four-screen multiplex movie theatre, a 17-restaurant food court, a Carrefour hypermarket, and a parking lot with approximately 1,300 spaces. Carrefour purchased the space it now occupies but it pays a share of the expenses of the shopping center's parking lot. In the fiscal year ended

**Table of Contents**

June 30, 2010, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 414.7 million, which represents annual sales for approximately Ps. 28,814.7 per square meter. Principal tenants currently include Zara, Frávega, Rapsodia, Kartun and Jazmín Chebar. Paseo Alcorta's five largest tenants (in terms of sales in this shopping center) accounted for approximately 13.3% of Paseo Alcorta's gross leaseable area at June 30, 2010 and approximately 9.7% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

**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 subway, railway and highway. Abasto Shopping opened in November 1998. 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, with approximately 37,603 square meters of gross leaseable area (41,335sqm including Museo de los Niños). The shopping center includes a food court with 27 stores covering an area of 8,021 square meters, a 12-screen multiplex movie theatre, entertainment facilities and the Museo de los Niños Abasto, a museum for children. Abasto Shopping is spread out over five levels and has a 1,200-car parking lot. In the fiscal year ended June 30, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 926.4 million, which represents annual sales for approximately Ps. 24,635.5. Principal tenants currently include Hoyts General Cinema, Garbarino, Zara, Frávega and Compumundo. Abasto Shopping Center's five largest tenants (in terms of sales in this shopping center) accounted for approximately 30.8% of its gross leaseable area and approximately 10.7% of the Fixed Monthly Minimum Rent for the fiscal year ended on June 30, 2010.

**Patio Bullrich, City of Buenos Aires.** Patio Bullrich is an 85-store shopping center located in Recoleta, a popular tourist zone in City of Buenos Aires a short distance from the Caesar Park, Four Seasons and Hyatt hotels. Patio Bullrich has a total constructed area of 29,982 square meters that consists of 11,736 square meters of gross leaseable area. The four-story shopping center includes a 13-store food court, an entertainment area, a four-screen multiplex movie theatre and a parking lot with 215 spaces. In the fiscal year ended June 30, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 344.8 million, which represents sales for approximately Ps. 29,378.7 per square meter. Principal tenants currently include Zara, Etiqueta Negra, Rouge International, Cacharel and Rapsodia. Patio Bullrich's five largest tenants (in terms of sales in the shopping center) accounted for approximately 20.6% of Patio Bullrich's gross leaseable area at June 30, 2010, and approximately 15.3% of its Fixed Monthly Minimum Rent for the fiscal year ended on June 30, 2010.

**Alto Noa, City of Salta.** Alto Noa is an 90-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 18,869 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, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 280.2 million, which represents annual sales for approximately Ps. 14,852.1 per square meter. Principal tenants currently include Supermercado Norte, Garbarino, Boulevard Casino, Y.P.F., and Frávega. Alto Noa's five largest tenants (in terms of sales in this shopping center) represented approximately 32.4% of Alto Noa's gross leaseable area as of June 30, 2010 and approximately 15.3% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

**Buenos Aires Design, City of Buenos Aires.** Buenos Aires Design is a 63-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 13,786 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, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 140.9 million, which represents annual sales for approximately Ps. 10,225.7 per square meter. Principal tenants currently include Morph, Hard Rock Café, Barugel Azulay, Bazar

**Table of Contents**

Geo and Kalpakian. Buenos Aires Design's five largest tenants (in terms of sales in this shopping center) accounted for approximately 21.6% of Buenos Aires Design's gross leaseable area as of June 30, 2009 and 19.6% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

**Alto Rosario, City of Rosario.** Alto Rosario is a shopping center of 144 stores, located in City of Rosario, Province of Santa Fe. It was inaugurated in November 2004 and has 100,750 square meters of fully covered surface, and 28,650 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, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 491.1 million, which represents annual sales for approximately Ps. 14,629.6 per square meter. Principal tenants are Frávega, Showcase, Sport 78, Red Megatone and Compumundo. Alto Rosario's five largest tenants (in terms of sales in this shopping center) accounted for approximately 37.0% of Alto Rosario's gross leaseable area as of June 30, 2010 and 10.8% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

**Mendoza Plaza, City of Mendoza.** Mendoza Plaza Shopping is a 151-store shopping center located in the City Mendoza in the Province of Mendoza. It consists of 40,651 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, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 559.4 million, which represents annual sales for approximately Ps. 13,760.1 per square meter. Principal tenants currently include Falabella, Super Plaza Veá, Garbarino, Frávega and Village Cines. Mendoza Plaza Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 44.3% of Mendoza Plaza Shopping's gross leaseable area at June 30, 2010, and approximately 23.2% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

**Córdoba Shopping, Villa Cabrera, Córdoba.** Córdoba Shopping is a 104-store commercial center located in Villa Cabrera, Province of Córdoba. It covers 15,643 square meters of gross leaseable area (GLA). Córdoba Shopping has a 12-screen movie theatre complex, a food court an entertainment area and a parking lot for 1,500 vehicles. In the fiscal year ended June 30, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 164.3 million, which represents annual sales for approximately Ps. 10,500.2 per square meter. Principal tenants are Showcase, Mc Donald's, New Sport, Nike and Rapsodia. Córdoba Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 41.4% of Córdoba Shopping's gross leaseable area and approximately 11.2% of its Fixed Monthly Minimum Rent for the fiscal year ended on June 30, 2010.

**Dot Baires Shopping, City of 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, of which 49,750 constitute Gross Leasable Area, 153 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. For the fiscal year ended on June 30, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 763.5 million, which represents annualized sales for approximately Ps. 15,347.4 per square meter. The main tenants include Falabella, Wal-Mart, Zara, Garbarino and Frávega. Dot Baires Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 46.3% of Dot Baires Shopping's gross leaseable area and approximately 23.3% of its Fixed Monthly Minimum Rent for the fiscal year ended on June 30, 2010.

**Acquisition of Soleil Factory, San Isidro, Province of Buenos Aires.** On December 28, 2007, Alto Palermo entered into a preliminary agreement with INC S.A. concerning a partial conveyance of goodwill whereby Alto Palermo agreed to buy a shopping center located in San Isidro, in northern Greater Buenos Aires, called Soleil Factory. The closing of this transaction is subject to certain conditions precedent. The total price was US\$ 20.7 million, of which Alto Palermo paid US\$ 8.1 million as down payment. The balance of US\$ 12.6 million is payable in 2014. At that time, Alto Palermo signed a letter of offer for the acquisition, construction and operation of a Shopping Center in the premises owned by INC S.A. in the City of San Miguel

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**Table of Contents**

de Tucumán, Province of Tucumán. This transaction is subordinated to certain conditions precedent, including, but not limited to, the partial acquisition from INC S.A. of the going concern formed by the Shopping Center operating in Soleil Factory. On July 1, 2010, the final deed of conveyance of title of the ongoing concern was executed and possession of the property where the shopping center is operating was delivered.

***Control Systems***

APSA has computer systems to monitor tenants' sales in all of its shopping centers. APSA also conducts regular manual audits of its tenants' accounting sales records in all of our shopping centers. Almost every store in those shopping centers has a computerized cash register that is linked to a main computer server in the administrative office of such shopping center. APSA uses the information generated from the computer monitoring system for auditing the Percentage Rent to be charged to each tenant and use the statistics regarding total sales, average sales, peak sale hours, etc., for marketing purposes. The lease contracts for tenants in Alto Avellaneda, Alto Palermo, Paseo Alcorta, Patio Bullrich, Buenos Aires Design (only with respect to agreements signed after its acquisition), Abasto, Alto Rosario Shopping, Alto Noa, Dot Baires Shopping, Villa Cabrera Córdoba and Mendoza Plaza Shopping contain a clause requiring tenants to be linked to the computer monitoring system, there being certain exemptions to this requirement.

***Related Business***

***Consumer financing segment***

We participate in the consumer financing business through our subsidiaries Tarshop and Metroshop, in which as of June 30, 2010 we held a 100% and a 50% interest, respectively. During year 2010, Alto Palermo entered into an agreement for the sale of 80% of its shareholding in Tarshop to Banco Hipotecario. On May 21, 2010 and as part of the above mentioned agreement, Alto Palermo and Tarshop entered into an agreement that perfected the transfer of shares, pursuant to which Tarshop sold to Alto Palermo 18,400,000 registered, non-endorsable common shares issued by Metroshop, representing 50% of Metroshop S.A.'s capital stock. On August 30, 2010, the Central Bank notified Banco Hipotecario of the approval of the transaction. Consequently, on September 13, 2010, the transaction was closed.

The Argentine consumer financing market revolves basically around two main instruments: credit cards and unsecured loans, both in cash and through consumption financing at retail stores. These two modalities entail the involvement of two types of entities: those regulated by the Law of Financial Institutions (Law No. 21,526) that include banks and financial institutions and unregulated institutions, such as Tarshop.

In turn, Tarshop's business structure includes (i) Credit Cards, (ii) Unsecured Loans, (iii) Consumer Financing at Retail Stores and (iv) Peripherals. As regards the Credit Card segment that does business as Tarjeta Shopping, Tarshop is responsible for issuance, processing and sales which in turn affords the company the advantage of being flexible in the design of plans that meet the needs of both target customers and the retail stores that operate with the company.

As of June 30, 2010, Tarshop had 872,000 customer accounts, 347,000 of which posted balances, with an average outstanding amount of Ps. 1,727 per account. The total portfolio amounted to Ps. 884.3 million, with 42.4% being securitized through the Tarjeta Shopping Financial Trust Program.

As of June 30, 2010, Tarshop's loan portfolio, net of write-offs and including securitized coupons was Ps. 608.0 million, 2.9% lower than the Ps. 627.0 million loan portfolio held as of June 30, 2009.

Tarshop's current business network is made up by 23 points of sale scattered throughout the City of Buenos Aires, Greater Buenos Aires, Córdoba, Tucumán, Salta and Jujuy. As of June 30, 2010, the retail stores that accepted payments through the Tarshop credit card were more than 50,000, 30.2% of which post transactions on a regular basis. On the whole, more than 6.2 million transactions have been posted during the year mentioned.



**Table of Contents**

As regards collections, loans overdue for periods ranging from 90 to 180 days as of June 30, 2010 stood at 3.1% (over the portfolio net of write-offs).

On October 30, 2009, the Tarshop's shareholders resolved upon a capital increase, through the capitalization of irrevocable capital contributions on account of future capital increases, for the amount of Ps. 105.0 million. This amount was provided as financial aid to Tarshop during the second quarter of 2009, which was subsequently accepted as irrevocable capital contributions. The adoption of this measure sought strengthening Tarshop's balance sheet and reinforcing its financial position, considering the delicate situation prevailing in the financial trust market in which a part of Tarshop's businesses are conducted and Tarshop's very low capitalization compared to its competitors.

During fiscal year 2010, Tarshop had total net income of Ps. 27,12 which compares favourably to the net loss of Ps. 94,074 for fiscal year 2009, that can be explained by the decisions implemented and the improvement in capitalization combined with a relative stabilization in local financial markets, a drop in uncollectibility charges and a decrease in operating expenses. It should be highlighted that, during the last months of fiscal year 2009, a drop in losses was observed compared to previous quarters.

The table below contains information about our consumer financing business for the relevant fiscal years:

	Year ended June 30,		
	2008	2009	2010
	(in million Pesos - constant currency)		
Revenues from sales:			
Revenues from services (1)	160.1	117.7	116.4
Interest	52.0	56.1	70.9
Commissions to retail stores	31.4	25.2	26.6
Revenues from services rendered to Metroshop	5.6	5.9	4.3
Other revenues from services rendered	6.4	6.4	7.1
Income on portfolio securitization	13.4	11.5	26.4
<b>Total revenues from sales</b>	<b>268.9</b>	<b>222.8</b>	<b>251.7</b>

(1) These are revenues from: fees on the grant of loans, account maintenance and management, collections procedures, selling expenses and purchases in installments.

**Purchase and credit card**

Tarshop operates in this business as an issuing and financing company, as a processor of its own card trademark, and as payer to the network of stores accepting the product.

Tarjeta Shopping is accepted in over 50,000 affiliated stores, including the main supermarket, household appliances chains, and shopping centers.

Through its product Tarjeta Shopping, Tarshop provides a wide variety of benefits, such as exclusive discounts and promotions, financing plans in installments, cash advances in the ATM networks all over the country, balance financing through minimum payments, and it also facilitates balance payments at several collection entities, automatic teller machine networks, internet, direct debits through customers' debit cards and certainly at Tarshop's own branch network.

A differentiating element of Tarshop's competitive strategy is its ability to establish the eligibility of customers, and grant them their credit card immediately embossing plastics on the spot, at the branch, which allows the customers to have immediate use of the product.

The main channels for attracting customers are our branch offices, reinforced by booths and points of sale in our shopping centers and retail stores.



## **Table of Contents**

### ***Cash loans and consumer financing at stores***

Tarshop's loans business operates through two distinct modalities:

Personal loans granting cash amounts without a fixed use, called Préstamos Tarshop.

Consumer financing at stores, granting loans to individuals intending to purchase a specific good, for a fixed amount in a store, called Créditos Tarshop.

Cash loans are granted in fixed installments in pesos and the terms offered vary according to market conditions.

Ease of access also applies to payments of installments as they can be channeled through different means, such as collections entities, networks of automatic teller machines, over the Internet, through direct debits from customers' bank accounts and through Tarshop's own branch of networks.

Créditos Tarshop are loans granted immediately, upon the customer's submittal of the relevant documents. The store submits this documentation to our processing center where, after the relevant analysis of the documents, we decide whether the credit is granted.

Créditos Tarshop constitutes a product with major potential: they turn each affiliated store into a small branch, with no need for the infrastructure of a store. This modality applies mainly to stores that sell durable and semi-durable products.

### ***Distribution Network***

At present, Tarshop has 23 points of sale, including our shopping centers Alto Avellaneda, Alto Palermo and Abasto and Dot Baires, as well as storefronts in major commercial centers located in the District of Avellaneda, downtown Buenos Aires and in the cities of Lomas de Zamora, Morón, Quilmes, Liniers, Florencio Varela, San Justo, Moreno and Merlo, among others. It also has branches in the Provinces of Córdoba, Tucumán, Salta and San Salvador de Jujuy.

We have promotion booths and account representatives at Supermercados Coto in the cities of Lanús and Temperley and Supermercado Hiper Libertad located in the city of Salta. We have strategic alliances with certain major household appliances and motorcycle stores, where purchases can be made through the Créditos Tarshop system: credit can be granted on the spot with no need for a card for making the first purchase.

Each branch is organized as an independent business unit as regards commercial matters: they handle the resources required for attaining their commercial objectives concerning invoicing and account opening. Besides, Tarshop has its own structure of cashiers at branches for collection of account statement balances and for the automatic grant of cash loans to customers with facilities and procedures for fund management and transportation similar to those used in banks.

### ***Loan Origination Process***

The loan origination process is based on the enforcement of credit policies laid down by the Risk Committee with parameters set up in the system, by means of a Scoring Model.

Credit assessment is a three-step process: verification and control of documents submitted and data provided by the customer, analysis of credit history in the financial market and credit limit allocation. Such information is validated by various credit bureaus.

As a part of the credit assessment process, there is the involvement of the Fraud Department in the validation of data through the enforcement of prevention policies, by means of automatic identity validation tools.

**Table of Contents**

The allocation of a credit limit consists in the assessment of the amount to be granted according to the level of indebtedness, income and risk score within certain parameters. The calculation of income may take into account the income of one or more members of the applicant's family group, who are required to submit evidence of the documents as a guarantee.

For existing customers, Tarshop defines limit share reclassification policies, either individual or collective, processed by the Credit Department.

***Portfolio Analysis and Maintenance***

Resorting to statistical techniques and massive information handling tools geared towards mitigating credit risk, Tarshop supervises and monitors the behavior of its customer portfolio and the various economic conditions in the market that may have an adverse bearing customers repayment duties.

Besides, Tarshop deploys strategies consisting in acquisitions, cross-selling and maintenance of its portfolio in connection with its various target segments.

***Collection Process***

Tarshop's collection process is carried out according to the strategy defined by its Risk Management group.

It is divided into different tranches of default and it starts with preventive actions taken through a system of automatic calls to accounts deemed by Tarshop as prospectively risky.

The internal management process starts through a telephone call by the Collection Group Call Center and relies on telephone management supported by a predictive dialing device. It is simultaneously supplemented by letters and automatic messages.

This process intensifies as account default moves forward. When internal management is unsuccessful, collection management is referred in a pre-litigation instance to external law firms hired for that purpose.

Upon expiration of the term for external pre-litigation we perform a portfolio analysis and the accounts that may be subject to judicial proceedings are grouped together. Any accounts not fulfilling the requirements to bring legal action are referred to Collection Agents who visit the defaulting customers personally at their home address.

Throughout the process the use of mitigation tools is assessed, ranging from refinancing to payment reduction settlements.

The policies for allowances for bad debts are similar to those established by the Central Bank<sup>1</sup>.

The following table describes the allowance percentages calculated by Tarshop based on the regulations of the Central Bank.

<b>Condition</b>	<b>Arrears (days)</b>	<b>%</b>
Regular Compliance	0 to 31	1
Inadequate Compliance	32 to 90	5
Deficient Compliance	91 to 180	25
Difficult Recovery	181 to 365	50

<sup>1</sup> The allowance for bad debts was estimated based on credit classification performed according to criteria related to debtors' obligation default levels, and according to this classification the minimum allowance criteria arising from Communication A 2729 and amendments of the Central Bank have been applied. In addition, the Company verifies whether the allowance raised as explained in the paragraph above is sufficient by assessing the portfolio that exhibits uncollectibility risk and based on its performance.

**Table of Contents**

The table below provides information about our loan portfolio (including the securitized fraction):

Portfolio Condition	2008		As of June 30 2009		2010	
	(1)		(1)		(1)	
Regular Compliance (2)	779.3	83.36%	455.2	74.32%	530.5	88.38%
Matured:						
31-89 days	33.2	3.55%	26.4	4.31%	18.0	3.00%
90-180 days	55.5	5.94%	41.9	6.84%	20.6	3.43%
181-365 days	66.9	7.16%	89.0	14.53%	31.1	5.19%
Total	934.9	100.00%	612.5	100.00%	600.2	100.00%
Over 365 days and under legal proceedings (3)	109.7		206.5		284.1	
Allowance for bad debts over the regular compliance portfolio as % of delinquent portfolio		46.3%		64.4%		64.48%
Allowance for bad debts over the regular compliance portfolio as % of regular compliance portfolio		7.7%		16.5%		7.49%

- (1) In million Pesos.  
(2) Regular compliance loans, with delinquencies not in excess of 30 days.  
(3) Loans covered by a bad debt allowance at 100%.

**Funding**

In the course of this fiscal year, Tarshop's financial and liquidity was reinforced as a result of new bank loans, the issuance of short-term debt securities and the improvement of company's results. Tarshop shareholders' equity grew from Ps. 100.2 million as of June 30, 2009 to Ps. 127.3 million as of June 30, 2010.

As of June 30, 2010, Tarshop's own portfolio stood for 57.6% of its total portfolio whereas as of June 30, 2009 it had stood for 40.7%.

Tarshop has maintained its policy of issuance of financial trusts, through its own Trust Securitization Program under which 60 series have been issued. During this fiscal year, 9 series were subscribed for an amount of Ps. 420 million.

During this fiscal year, Tarshop has successfully placed in the market the first issuance of its own short-term debt securities global program (VCP) for Ps. 22.7 million.

In addition, in the course of this fiscal year, Tarshop entered into new banking funding agreements for a total of Ps. 44.0 million, extending the term of its financings and diversifying its sources of funding.

**Technology**

Tarshop relies on technological applications to internally support all business processes, from origination to account opening, issue of cards, transaction validation, loan management, customer management, generation and printing of bills, payments to affiliated stores, collections on a daily basis, delinquency account management and financial trust management.

For the past years, Tarshop has been implementing world-class applications that have proven to be successful all over the world, as is the case of SAP for ERP and of Avaya for comprehensive customer relationship management.

As regards the business core applications, which are maintained in-house, Tarshop deploys a strategy consisting in continuously improving its core applications based on careful supervision of the business key indicators in order to make improvements in those spots where the business needs them most. Examples of this strategy were the integration between Tarshop's core application and the collection procedure application and



## **Table of Contents**

the telephone communications scheme which resulted in streamlined collections and better customer service. Besides, Tarshop's web and mobile services platform was renewed, which in turn led to automating contacts with customers and affiliated stores as well as improved loan sales at retail stores.

As concerns the technological platform, an ambitious updating and estandarization plan was completed, which embraced most of the serves that support the business, including virtualization concepts, use of blade technologies, consolidated storage and virtual backup, which led to improving availability and performance of all the business processes, achieving an annual availability average of 99.9% for the main processes.

During fiscal year 2010, Tarshop implemented a contingency plan that allows it to have a copy of the main business processes at an alternative processing site, which ensures a better availability of services.

As regards the IT governance methodology, Tarshop keeps carrying out a process to re-convert the various activities in the area based on the best practices prescribed by ITIL and in compliance with SOX requirements.

### *Development and Sale of 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 construction of high-rise towers or the conversion and renovation of existing structures such as factories and 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 our fiscal year ended June 30, 2010, revenues from our Development and sale of properties segment were Ps. 225.6 million, compared to Ps.280.4 million in the fiscal year ended June 30, 2009. 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.

In the first quarter of fiscal year 2008, in order to strengthen our presence in the development properties segment, we, together with CYRELA, a renowned Brazilian developer, created an undertaking that operates under the name IRSA-CYRELA (CYRSA) to develop top-level construction residential units in Argentina applying innovating sales and financing policies and based on a new concept in residential units in line with the latest global trends.

IRSA-CYRELA's first project, which has been developed in a 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 the greater Buenos Aires area and it will entail 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

**Table of Contents**

has 32 amenities, including a meeting room; a work zone; indoor 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 the date of these financial statements, preliminary sales agreements had been executed for 100% of our own units on sale, and the results will be reflected as the works make progress, proportionally consolidated at 50%.

As of June 30, 2010, the degree of progress shown by the works is about 83.2%. Their completion and delivery are estimated to take place in the first half of the year 2011.



**Table of Contents**

The following table shows certain information and gives an overview regarding our sales and development properties as of June 30, 2010, 2009 and 2008:

**Sales and Development Properties**

DEVELOPMENT	Date of Acquisition	Estimated /Real Cost (Ps. 000) (1)	Area intended for Sale (sqm) (2)	Total Units / Lots (3)	IRSA s Effective Interest	Percentage Built	Percentage Sold (4)	Accumulated Sales (Ps. 000) (5)	Accumulated Sales in (Ps. 000) as of June 30 of fiscal year (6)			Book Value Ps./000
									2010	2009	2008	
<b>Residential Investments</b>												
Las Renoir (15)	09/09/99	22,861	5,383	28	100.00%	100.00%	100.00%	53,940	142	53,798		
receptables												
Plot of land (6)	04/30/99		4,692	80	63.35%	100.00%	0.00%					11,
Plot of (16)	11/03/97	42,668	9,784	1	50.00%	0.00%	0.00%					6,
receptables												
Plot of (Cyrsa) (14)	11/03/97		7,451		100.00%	0.00%	0.00%					18,
receptables												
Plot of (KOAD) (14)	11/03/97		6,833	118	100.00%	98.00%	65.00%					32,
Plot of (Horizons) (15)	01/16/07	458,998	59,000	467	50.00%	83.12%	100.00%					208,
(9)	N/A	234,552	120,080	1,438				367,847	1,289	3,483	61,133	10,
<b>Total residential investments</b>		<b>759,079</b>	<b>213,223</b>	<b>2,132</b>				<b>421,787</b>	<b>1,431</b>	<b>57,281</b>	<b>61,133</b>	<b>288,</b>
<b>Residential Communities</b>												
/Baldovinos	01/03/95	130,955	1,408,905	1273	100.00%	100.00%	99.40%	237,062	5,067	9,904	4,030	1,
cuentro	11/18/97		125,889	110	100.00%	100.00%	7.10%	11,830	3,482			10,
Celina I, II y	05/26/92	4,742	75,970	219	100.00%	100.00%	100.00%	14,028		76		
<b>Total residential communities</b>		<b>135,697</b>	<b>1,610,764</b>	<b>1,602</b>				<b>262,920</b>	<b>8,549</b>	<b>9,980</b>	<b>4,030</b>	<b>12,</b>
<b>Reserves</b>												
o Retiro	05/18/97		82,051		50.00%	0.00%	0.00%					54,
María del	07/10/97		715,951		90.00%	0.00%	10.00%	31,000				140,
raola	12/16/96		1,299,630		100.00%	0.00%	100.00%	46,311	46,311			
ta Plot of land	07/07/98		1,925		63.35%	0.00%	100.00%	22,969				
rio Plot of land	04/30/99		31,000		63.35%	0.00%	19.85%	11,072		7,644	3,428	19,
lito Mz 35	11/03/97		9,784		100.00%	0.00%	100.00%	19,152			19,152	
of land Baicom	12/23/09		6,905		50.00%	0.00%	0.00%					4,
eras Natal	07/27/05		4,300,000		50.00%	0.00%	0.00%	273	21	29	57	5,
i Plot of land	06/24/08		3,207		63.35%	0.00%	0.00%					52,

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	05/29/97	740,237		100.00%	0.00%	0.00%						3,
Air Space (8)	09/24/97	24,000		63.35%	0.00%	0.00%						13,
s Jardín IV	07/18/96	3,176		100.00%	0.00%	0.00%						3,
lito Plot of (8)	10/01/98	23,389		63.35%	0.00%	0.00%						36,
Olmos (8)	09/25/07	5,147		63.35%	100.00%	0.00%						32,
land reserves	N/A	13,596,833					1,041		1,041			35,
<b>Total land reserves</b>		<b>20,843,235</b>					<b>131,818</b>	<b>46,332</b>	<b>8,714</b>	<b>22,637</b>	<b>403,</b>	
<b>Other</b>												
e III	09/09/99	10,474	N/A	100.00%	0.00%	100.00%	91,638					
hard 551	03/15/07	9,946	N/A	100.00%	100.00%	100.00%	108,423				108,423	
ro 1020	12/21/95	5,069	N/A	100.00%	100.00%	100.00%	18,848	71	1,830		476	
Paolera 265	08/27/07	472	N/A	100.00%	100.00%	100.00%	6,850		6,850			
ro 942	08/31/94	768	N/A	100.00%	100.00%	100.00%	6,137		6,137			
del Plata	11/15/06	7,942	N/A	100.00%	100.00%	100.00%	84,206	42,136	42,070			
tador 498	12/20/95	6,819	N/A	100.00%	100.00%	100.00%	82,958	46,608	36,350			
cios Costeros	03/20/97	6,389	N/A	100.00%	100.00%	100.00%	68,580	68,580				
tador 602	01/05/96	677	N/A	100.00%	100.00%	100.00%	10,948	10,948				
nar	03/25/99	6,521	N/A	100.00%	100.00%	100.00%	74,510		74,510			
nquista 823	11/12/93	5,016	N/A	100.00%	100.00%	100.00%	31,535		31,535			
ero I stores		192	N/A	100.00%	100.00%	100.00%	2,006		2,006			
	N/A	7,017	N/A	100.00%	100.00%	100.00%	25,479	912	3,099		112	
<b>Total Other (12)</b>		<b>67,302</b>					<b>612,118</b>	<b>169,255</b>	<b>204,387</b>	<b>109,011</b>		
<b>TOTAL (13)</b>		<b>894,776</b>	<b>22,734,524</b>	<b>3,734</b>			<b>1,428,643</b>	<b>225,567</b>	<b>280,362</b>	<b>196,811</b>	<b>703,</b>	

Notes:

- (1) Cost of acquisition plus total investment made and/or planned if the project has not been completed, for residential apartments and or communities (adjusted for inflation as of 02/28/03, as applicable).

**Table of Contents**

- (2) Total area devoted to sales upon completion of the development or acquisition and before the sale of any of the units (including parking and storage spaces though not including 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, including sales transactions instrumented by 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 at June 30, 2010, adjusted for inflation as of 02/28/03.
- (8) Through Alto Palermo S.A.
- (9) Includes the following properties: Torres de Abasto and Plot of land Mendoza through APSA (fully sold), Abasto Project through Cyrsa, Torres Jardín, Edificios Cruceros (fully sold), San Martín de Tours, Rivadavia 2768, Alto Palermo Park (fully sold), swap over Renoir II tower (fully sold), Minetti D (fully sold), Dorrego 1916 (fully sold), Padilla 902 (fully sold) and Pereiraola lots, through IRSA.
- (10) Includes sales of shares in Abril.
- (11) Includes the following land reserves: Pontevedra lot, Isla Sirgadero, San Luis lot, Mariano Acosta, Merlo and Intercontinental Plaza II through IRSA, Zetol and Vista al Muelle through Liveck and C. Gardel 3134, C. Gardel 3128, Agüero 596 (totally sold), Zelaya 3102, Conil and others APSA (through APSA).
- (12) Includes the following properties: Puerto Madero Dique XIII (fully sold). It also includes income from termination and income from expenses recovered in connection with common maintenance fees, stamp tax and associated professional fees.
- (13) Corresponds to the Development and sale of properties business unit mentioned in Note 6 to the Consolidated Financial Statements.
- (14) Corresponds to swap receivables disclosed as Inventories in the Consolidated Financial Statements.
- (15) Owned by CYRSA S.A.
- (16) Corresponds to amounts receivable on swaps disclosed as Inventories in the Consolidated Financial Statements for parcels G and H. The degree of physical progress with parcel G at June 30, 2010 is 100% and with parcel H is 45%.

**Table of Contents***Residential Apartments and Lofts*

In the apartment building market, we acquire undeveloped properties strategically located in densely populated areas of the City of Buenos Aires, particularly properties located next to shopping centers and hypermarkets or those to be constructed. We then develop multi-building high-rise complexes targeting the middle-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.

*Projects 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, we and Koad S.A. (Koad), an Argentine developer, entered into an asset exchange agreement valued at US\$7.5 million pursuant to which sold to Koad plot number 36 of Terrenos de Caballito whereby Koad S.A. 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 square meters, totaling approximately 28,000 saleable square meters. The project will offer a wide variety of amenities and services. As a result of this transaction, Koad promised to deliver to us 118 apartments and 55 parking lots in the first tower, representing 25% of the total square meters for sale, expecting to conclude the construction of Tower 1 during the first semester of 2011 as well as the execution of the deeds of sale of the units involved. Accordingly, Koad granted to us a first lien mortgage on the property to secure up to US\$7.5 million of its obligations to us and posted a surety bond in our favor supporting an additional US\$2.0 million of Koad's obligations to the company. As of June 30, 2010, the degree of completion was 98% in Tower I. As of June 30, 2010, 61 apartments and 28 parking lots were sold for an amount of US\$ 5.44 million. Additionally, preliminary sales agreements were signed over 61 functional units to be received. These units have been accounted for net realizable value, which generated income for Ps. 4,829 during fiscal year ended June 30, 2010.

**Vicente López, Olivos, Province of Buenos Aires Horizons Project.** 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) through the 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 former 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) through 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. 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).

## **Table of Contents**

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

CYRSA is presently developing this plot of land. The showroom was opened to the public in March 2008 and it was an immediate success. As of June 30, 2010 preliminary sales agreements representing 100% of the units to be sold were executed, and the results will be reflected according to the work progress, proportionally consolidated at 50%. The units will be completed and delivered in the first half of the year 2011. At June 30, 2010 the degree of progress was about 83.12%.

**PAMSA-Dot Baires Offices.** Panamerican Mall S.A., a subsidiary of our subsidiary APSA, is in the process of completing the development of an office building with a gross leasable area of 9,700 sqm adjacent to the shopping center opened in May 2009, Dot Baires. This building is almost operational and it will mark the entrance of the Company in the rental office corridor in the northern area of the City of Buenos Aires.

### *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, 2010, 2 parking spaces and 4 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, 2010 are 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 2010, 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 square meters. This development project targets the upper-income market. Palacio Alcorta also has seven retail units that belong to us and 165 parking spaces. 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 square meters and a parking space. Lofts in this building are targeted towards the middle-income market. As of June 30, 2010, 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-

## Table of Contents

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 square meters in the case of Alto Palermo Park and of 294.5 square meters, in the case of Alto Palermo Plaza. Each unit includes an average of 18 and 29 square meter parking/storage space, respectively. These buildings were included with the assets that the Company acquired in November 1997 from Pérez Companac. As of the date of this report, 100% of Alto Palermo Plaza was sold and there was only one unit with deed of sale to be executed in Alto Palermo Park.

**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 southeastern 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, 2010, 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. As of June 30, 2010, the works were completed and the units were fully sold.

### *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 has also influenced the trend to adopt this lifestyle.

As of June 30, 2010, our residential communities for the construction of single-family homes for sale in Argentina had a total of 9,816.07 square meters of saleable area in Abril, and 116,501 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, 2010, 99.4% of the property had been sold for an aggregate of Ps. 237.1 million, with 9,816.07 square meters available for sale.

**El Encuentro, Benavidez, Tigre.** In the district of Benavidez, Municipality of Tigre, 35 kilometers north from downtown Buenos Aires, we own 110 lots in a 110-hectare gated residential complex known as El Encuentro, consisting of a total of 527 lots with a total saleable area of

## Table of Contents

610,785.15 square meters 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 116,501 square meters. 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, 2010, after having started commercialization in March 2010, preliminary sales agreements have been signed for 3 units, recognized at net realizable value. This transaction guaranteed income for Ps. 1,044. 11 units have been sold for US\$ 1.1 million and a surface area of 10,211 square meters, and the deeds for 6 additional units

### *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, 2010, our land reserves totaled 27 properties consisting of approximately 2,084 hectares (including Torres de Rosario, Beruti lot, Caballito, and the air space over Coto C.I.C.S.A. - Coto - where we hold interests through our subsidiary Alto Palermo).

### *Land Reserves in the City of Buenos Aires*

***Solares de Santa María, 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.

In 1997 we acquired the site which the National Executive Branch had assigned to be the Athlete Residence of the Olympic Games (Olympic village) 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 City 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. 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.

## **Table of Contents**

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 June 2007, we sold 10% of the capital stock of Solares de Santa María for the amount of US\$ 10.6 million to Unicity S.A., an unrelated third party, who is affiliated to the Sutton Group. We have collected US\$ 1.5 million of the purchase price and the balance of US\$ 9.1 million was capitalized in September 2010.

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.

In early September 2010, we acquired through E-Commerce Latina 100% of the stock capital of Unicity S.A. for the sum of US\$ 2.5 million. Unicity capitalized its US\$ 9.1 million debt with the company and we received in exchange 36,036,000 shares representing 88.61% of Unicity, being held by E-Commerce the remaining 11.39%. Following this transaction, we own 100% of capital stock of Solares de Santa María.

***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 square meter financial center. The launching date has not been settled and consequently, the estimated cost and financing method are not decided. We own a 50% indirect interest in Puerto Retiro through our subsidiary Inversora Bolívar.

***Caballito plot of land, Ferro Project.*** This is a property of approximately 23,389 square meters 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 square meters, a hypermarket, a cinema complex, and several recreation and entertainment activity areas. We are currently working to define the commercial project. At present, the legislature of the City of Buenos Aires has received a legislative bill to approve the zoning parameters corresponding to this property. This already has the consent of the Executive Branch.

***Beruti plot of land.*** During June 2008, APSA acquired a plot of land situated at Berutti 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 square meters 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. On October 13, 2010, APSA and TGLT, entered into an agreement to barter this plot of land. For more information, please see *Recent Developments* and *Significant changes*.

***Paraná Plot of Land.*** On June 30, 2009, Alto Palermo executed a letter of intent whereby it stated its intention to acquire a plot of land of approximately 10,022 square meters in the City of Paraná, Province of Entre Ríos, for the construction, of a shopping center or mall. The purchase price was US\$ 0.5 million, of which US\$ 0.05 million was paid as advance payment and as consideration for promising not to sell the property until November 27, 2009. On August 12, 2010, the agreement of purchase was executed. For more information, please see *Recent Developments* and *Significant changes*.



## **Table of Contents**

***Caballito Plot of Land, CYRSA.*** During fiscal 2008, we and CYRSA Sociedad Anónima executed a barter deed pursuant to which we transferred to CYRSA under a swap agreement the property detailed in the deed as described below, which has a total surface area of 9,784 square meters: 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, CYRSA agreed to carry out in the property a real estate development for residential use, which shall comprise a first stage of two towers and a third building to be developed in a second stage at the option of CYRSA. In exchange for the transfer of the property, CYRSA paid to us US\$ 0.1 million and agreed to tender certain non-cash considerations such as transferring under barter to us certain home units in the buildings to be built which will represent 25% of the meters. Furthermore, as security for the performance of its obligations, CYRSA has created a security interest over the property by mortgaging it in favor of us in the amount of US\$ 12.6 million.

On December 17, 2010, the Company and CYRSA entered into an agreement to rescind the abovementioned transactions. As a result, CYRSA restored the asset to the Company. Title deed execution is still pending.

***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 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. In the course of fiscal 2009, a conditional barter agreement was executed, pursuant to which APSA would transfer to CYRSA S.A. (CYRSA) 112 parking units and the rights to erect on top of the hypermarket two building towers in so far as a number of conditions are met. In exchange, CYRSA would deliver to APSA an as of yet undefined number of units in the building to be erected equivalent to 25% of the square meters that as a whole do not total less than four thousand and fifty-three square meters, with fifty square centimeters of own square meters to be built on the whole. Additionally, in the event there were any, CYRSA would deliver to APSA a number of storage spaces equivalent to 25% of the storage spaces in the building to be erected. In addition, in the event of meeting the conditions precedent applicable to the transaction, CYRSA would pay to APSA US\$ 88,815 and would proceed with the works in the parking lots that APSA would receive from Coto. This payment would be made within 30 running days as from the execution of the barter deed. For this barter to be consummated, the conditions precedent require Coto, the current owner of the real estate mentioned above that currently hosts a hypermarket, retail stores and parking spaces, to provide certain essential services. Possession over the real estate shall be conveyed upon executing the title deed, scheduled to take place within 30 days counted as from the date on which APSA notifies CYRSA of compliance with the conditions precedent. The transaction between CYRSA and APSA totals US\$ 5.9 million.

On December 17, 2010, Alto Palermo and CYRSA signed an instrument which rescinds the abovementioned agreement.

***Baicom plot of land.*** 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 square meters and there is a construction permit associated for 34,500 square meters in accordance with the City of Buenos Aires urban construction rules and regulations.

### *Land Reserves in the Province of Buenos Aires*

***Sale of Pereiraola, Hudson.*** Pereiraola S.A. is a company whose main asset is a 130-hectare undeveloped property adjacent to Abril, a private residential community developed by us.

## **Table of Contents**

On April 21, 2010, we entered into a purchase and sale agreement with a third party whereby we agree to sell 100% of Pereiraola S.A.'s shares. The total purchase price of the transaction was set 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\$ 11.8 million, to be paid partly in cash and partly in kind. For the cash-based payment, the buyer has paid us US\$ 1.9 million. The US\$ 7.8 million balance will be paid in four semi-annual, equal and consecutive installments of US\$ 1.9 million each. On September 30, 2010, we received US\$ 1.05 million as an advance on the first installment. As to the non-monetary part of the purchase price, the buyer will transfer ownership to us over certain lots within 36 months starting on the date its bid was accepted.

To secure payment of the price, the buyer pledged its 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, 2010.

### *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 square meters divided into 8 smaller plots, in the City of Rosario, near the Alto Rosario Shopping Center. At June 30, 2010, 2 of the plots had been bartered (plots 2-G and 2-H). During fiscal year 2010, APSA sold the lots designated as 2A and 2E. For more information please see *Recent Developments* and *Significant changes*.

The barter of parcel 2-G represents a total of 10,128 square for sale. Condominios de Alto S.A. will receive 15 apartments, with a total constructed area of 1,504 square meters and 15 parking spaces as consideration for the barter agreement, which units are already for sale since May, 2010.

The barter of parcel 2-H represents a total of 14,500 square meters for sale, 3,188 square meters of which represent the consideration for the barter agreement. This area is equivalent to 42 apartments and 42 parking spaces.

As consideration for the barter of parcel 2-G (totaling a surface of 10,128 sqm for sale), Condominios de Alto S.A. will transfer 15 apartments, with a total constructed area of 1,504 sqm (which represent 14.85% of the total building to be constructed in this parcel) and 15 parking spaces (which represent 15% of the total parking surface to be constructed in this property). As of the end of fiscal 2010, APSA and Condominios del Alto S.A. executed a supplementary deed that specifically determines the units involved in the barter that should be transferred to APSA and the deed of possession of the 15 functional units corresponding to parking spaces. These units are already for sale since May, 2010. Construction in parcel 2-G is completed and the execution of its deeds of sale is imminent.

As consideration for the barter of parcel 2-H (totaling a surface area of 14,500 sqm for sale), Condominios de Alto S.A. will transfer 42 apartments, with a total constructed surface of 3,188 sqm (which represent 22% of the total building to be constructed in this parcel) and 47 parking spaces (which represent 22% of the total parking surface to be constructed in this property). The degree of completion of parcel 2-H is 45% and the works are expected to conclude during the first half of 2011.

## **Table of Contents**

***Neuquén Project, Province of Neuquén.*** The main asset of project is a plot of land of approximately 50,000 square meters. 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 required modifications to the blueprints were filed on October 19, 2009. Then, the Municipality of Neuquén raised some observations 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 days for the start of the shared works. APSA submitted the mandatory working plans for the first stage of the works (which contemplates 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- day term , APSA started the shared works.

The first stage of the works is to be finished within 22 months counted as from the date of commencement of the construction works. In the event of a breach of the terms and 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. See *Recent Developments* .

***Ex Escuela Gobernador Vicente de Olmos, Córdoba, Province of Córdoba*** . In November 2006 we participated in a public bidding 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 square meters of surface area. Inside the building there is a portion of the Patio Olmos shopping center, which operates in four commercial plants and has two underground parking lots. This shopping center also includes two neighboring buildings with cinemas and a commercial annex connected to sector 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.

### *Arcos de Gourmet*

On November 27, 2009, we exercised the option to acquire the 80% of Arcos's common stock. For more information, please see *Significant acquisitions, dispositions and development of businesses* .

### *Soleil Factory shopping center business*

On July 1, 2010, the Company and INCSA executed the definitive agreement pursuant to which the business comprising of a building and other fixed assets, lease agreements, titles to the brand names and rights to build certain number of square meters was transferred to the Company. For more information, please see *Recent Developments* .

***Canteras Natal Crespo, Province of Córdoba.*** The first guidelines for development of this project are in process on the basis of the master plan of the Chilean architect firm URBE. Also, preliminary presentations have been submitted to the Municipality of La Calera and to the Provincial Government.

## Table of Contents

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 infra-structure 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.

### 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.

### 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 Compagné of the Old Alto Palermo, we acquired an indirect 50% interest in the 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., ( 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 Bolívar by 100% and obtained an indirect share in the Hotel Intercontinental of 76.34%.

The following chart shows certain information regarding our luxury hotels:

Hotel	Date of Acquisition	IRSA s effective interest	Number of rooms	Average Occupancy % <sup>(1)</sup>	Average price per room Ps. <sup>(2)</sup>	Accumulated sales in Ps. 000 as of June, 30 (in thousand Ps.)			Book value as of 06/30/10 (Ps.000)
						2010	2009	2008	
Intercontinental (3)	11/01/97	76.34%	309	67.9%	607	64,092	61,367	57,517	46,000
Sheraton Libertador (4)	03/01/98	80.00%	200	82.3%	449	36,996	37,060	34,526	36,368
Llao Llao (5)	06/01/97	50.00%	201	45.7%	1,113	58,806	60,486	56,804	70,303
Terrenos Bariloche (5)	12/01/06	50.00%	N/A	N/A	N/A	N/A	N/A	N/A	21,900
<b>Total</b>			<b>710</b>	<b>65.6%</b>	<b>653</b>	<b>159,894</b>	<b>158,913</b>	<b>148,847</b>	<b>174,571</b>

- (1) Accumulated average in the twelve-month period.
- (2) Accumulated average in the twelve-month period.
- (3) Directly 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 Holdings S.A. 50% 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 square meters and 158 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



## **Table of Contents**

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 the Pérez Compan S.A. 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 Hotel Intercontinental is located in the downtown City of Buenos Aires neighborhood of Monserrat, adjacent to 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 square meter ballroom. Other amenities include a restaurant, a business center, a spa 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 square meters 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 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 Hotel Llao Llao in an outstanding natural environment and it has a large cottage covering 1,000 square meters of surface area designed by the architect Ezequiel Bustillo.

### *Other Investments in Argentina and Abroad*

***Acquisition of companies in the real estate business in the Republic of Uruguay.*** During the fiscal year ended on June 30, 2009, we acquired (through Tyrus) by a minimum payment a 100% ownership interest in Liveck S.A. (Liveck), a company organized under the laws of the Oriental Republic of Uruguay.

In June 2009, Liveck acquired a 90% interest over the shares of the companies Zetol S.A. (Zetol) and Vista al Muelle S.A. (Vista al Muelle), both property owners in Uruguay's Canelones Department. The remaining 10% ownership interest in the capital stock of both companies is held by Banzey S.A. (Banzey).

The total purchase price for all the shares in Zetol had been set at US\$ 7.0 million, of which US\$2.0 million have already been paid and the outstanding balance is to be paid in 5 installments of US\$ 1.0 million each plus an annual 3.5% interest calculated on outstanding balances, until completion of the projected construction or within a maximum term of 93 months counted as from the date of acquisition. The sellers may choose to receive, in lieu of the amounts outstanding in cash (principal plus interest), the ownership rights to the units to be built in the real estate owned by Zetol, representative of 12% of the total marketable square meters built.

## **Table of Contents**

The total price for the acquisition of Vista al Muelle was US\$ 0.83 million. There has been a US\$ 0.5 million down payment and it has been agreed that the balance will be paid within a maximum 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 seller's option rights.

On June 30, 2009, the Company sold a 50% stake in Liveck to Cyrela Brazil Realty S.A. for US\$ 1.3 million.

We and certain partners intend to carry out an urban project consisting of the construction of apartment buildings to be subsequently sold. The project has been granted the required urban feasibility status by the Canelones Mayor's Office of the Canelones department and by its local Legislature. Under Legislative Council.

The agreement for the purchase and sale of Zetol and Vista al Muelle as amended, Liveck has undertaken to acquire the interest 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 effectively contributed to Zetol and Vista al Muelle, until the transaction is consummated.

The parties have agreed that the above mentioned duties will be rendered ineffective if prior to December 13, 2010, inclusive, the parties have signed a stockholder agreement in that respect. If no such agreement is executed and delivered, the transaction will be formally instrumented on December 13, 2010.

As part of the purchase of Zetol and Vista al Muelle, Liveck and Banzey entered into an agreement pursuant to which Liveck agreed to purchase and the later agreed to sell the 10% interest in the companies on July 11, 2011, provided there is no shareholders agreement signed before July 1, 2011.

On December 17, 2010, the Company and Cyrela signed a share purchase agreement by which the Company reacquired from Cyrela 50% of Liveck capital stock for US\$ 2.7 million. This amount is equivalent to the contributions made to Liveck by Cyrela. Consequently, as of the issuance of these financial statements the Company stake in Liveck raised to 100%.

As part of the agreement the Company assumed the obligation to hold harmless Cyrela in case of receiving a claim from the sellers of Zetol. Also, if unable to obtain, within 24 months as from the date of the agreement, the release of Cyrela from the guarantee given in favor of the mentioned sellers, the Company is forced to issue a new security equal to the 45% of the outstanding balance, interest thereon and the option right of the sellers of Zetol, in favor of Cyrela.

***Investment in Lipstick building, New York, United States.*** During July, 2008, we acquired a 30% equity interest in Metropolitan, a company incorporated in Delaware, whose main asset is an office building known as Lipstick Building located in the City of New York for US\$ 22.6 million. The Lipstick Building is a 34-story office building located on Third Avenue between 53rd and 54th Streets in Manhattan, City of New York. The property has approximately 59,000 square meters of leaseable area. In addition, we acquired put rights over 50% of the interest purchased until the third anniversary of the transaction, for a price equal to the amount invested plus interest at rate of 4.5% per annum. In addition, we acquired a right of first refusal over 60% of the 5% interest currently held by one of the shareholders of Metropolitan.

For more information, please see *Recent Developments* and *Significant Changes*.

## Table of Contents

**Investment in Hersha Hospitality Trust.** On August 4, 2009, through REIG, a company indirectly controlled and managed by us, 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\$ 14.2 million. Accessorily to the initial acquisition of our equity interest in Hersha, we acquired 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 August 4, 2014 subject to certain conditions. In addition, as a part of the investment agreements, our Board Chairman and CEO, Mr. Eduardo S. Elsztain, has been appointed member of the board of trustees of Hersha.

In January 2010, we acquired 4.8 million additional Class A Common Shares for a price per share of US\$ 3.00 and 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 27.6 million Class A common shares. In connection with this increase we exercised our preemptive subscription rights granted under the initial transaction and acquired 3.8 million additional Class A common shares for a price per share of US\$ 4.25, for a total amount of US\$ 16.4 million. Therefore, as of June 30, 2010, our interest in Hersha amounted to 10.9% of its capital stock. For more information about Hersha, see *Recent Developments* and *Significant Changes* .

On October 22, 2010, through REIG, we acquired 2,952,625 ordinary shares of Hersha at a price of US\$ 5.80 per share, totaling US\$ 17.1 million. Following this acquisition, our interest in Hersha increased to 10.72% of Hersha's outstanding capital.

Hersha is a REIT traded in the New York Stock Exchange, under the HT ticker. Hersha's investments are mainly in upscale, mid-scale and extended stay hotels located in business hubs, urban and retail centers and secondary tourist destinations and markets; mainly along the US Northeast; as well as in certain 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, 2010, Hersha's portfolio of hotels comprises majority stakes in 62 hotels and ownership interests in a further 15 hotels through joint ventures. These hotels are all within the select service and upscale hotels categories. In the aggregate, Hersha's 77 hotels represent over 9,951 rooms and are 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 (r), Courtyard by Marriott (r), Residence Inn (r), Fairfield Inn (r), Springhill Suites (r), TownePlace Suites (r), Hilton (r), Hilton Garden Inn (r), Hampton Inn (r), Homewood Suites (r), Hyatt Summerfield Suites (r), Holiday Inn (r), Holiday Inn Express (r), Comfort Inn (r), Mainstay Suites (r), Sleep Inn (r), Sheraton Hotel (r), and Hawthorn Suites (r)). Hersha also operates some of its hotels through independent boutique hotel chains.



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**Table of Contents**

***Building located at 183 Madison Avenue, New York, NY.*** On August 26, 2010, we with other U.S. partners entered into a conditional agreement for the purchase of a property located at 183 Madison Avenue, New York, NY. The investment vehicle is the domestic company Rigby 183 LLC, which, after the consummation of the transaction, will control a 19-story building located at such address, in a Manhattan area known as Midtown South. The area involves famous and prominent buildings such as, the Empire State Building, the Macy's Herald Square and the Madison Square Garden. It also has one of the largest office and store markets, excellent means of transportation, restaurants, stores and entertainment options. The building has around 22,893 sqm of leasable area and the price offered for the property amounted to US\$ 75.2 million. As the seller is under reorganization proceedings, judicial authorizations are still pending to consummate the transaction. Should it be consummated, we would have 49% of Rigby 183 LLC's capital stock.

On August 30, 2010, we transferred US\$ 7.3 million so as to contribute it jointly with that of its partners in Rigby 183 LLC a deposit to the seller for the executed agreement. On December 15<sup>th</sup> the transaction took place, being payed 85.1 million for the property.

For more information please see *Recent Developments* and *Significant Changes*.

***Sofora Offer.*** During this fiscal year, we participated, together with other bidders, in a tender process for acquiring the 50% interest held by Telecom Italia SpA and Telecom Italia International N.V. (Telecom Italia Group) in Sofora Telecomunicaciones S.A. (Sofora) and a call option in respect of the remaining 50% in Sofora, the company that indirectly owns the majority common stock capital of Telecom Argentina. To such end, on June 4, 2010, the Company submitted a binding offer and a letter of credit for US\$ 50 million to the Telecom Italia Group. As security for the reimbursement obligations under the referred letter of credit, a pledge was set up over approximately 11% of Hersha's shares and approximately US\$ 43.5 million of Alto Palermo's Notes that we acquired.

In late July, 2010, Telecom Italia resolved not to continue with the sale of Telecom Argentina, and concluded the process. Therefore, the pledges set up as security for the above mentioned letter of credit were released.

*Office and Other Non-shopping Center Rental Properties*

***Overview***

We are engaged in the acquisition, development and management of Offices and Other Non-Shopping Center Rental Properties in Argentina. As of June 30, 2010, we directly and indirectly owned interests in 22 office and other rental properties in Argentina, which comprised 237,188 square meters of gross leaseable area. Of these properties, 14 were office properties, which comprised 140,238 square meters of gross leaseable area. For fiscal year 2010, we had revenues from Offices and Other Non-Shopping Center Rental Properties of Ps. 154.2 million.

All our office rental property in Argentina is located in Buenos Aires City. For the year ended June 30, 2010, the average occupancy rate for all our properties in the Office and Other Non-Shopping Center Rental Properties segment was approximately 82.0%. Seven different tenants accounted for approximately 44.0% of our total revenues from office rentals for fiscal year 2010: Exxon Mobile Business, Price Waterhouse, Grupo Total Austral, Apache Energía Argentina, Microsoft de Argentina S.A., Sibille S.C. (KPMG), and Grupo Danone 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

**Table of Contents**

operations, we are responsible for handling services, such as security, maintenance and housekeeping. These services are generally contracted to third party providers. The cost of the services are passed-through and paid for by the tenants, except in the case of our units not rented, in which case we absorb the cost. Our leaseable space is marketed through commissioned brokers, the media and directly by us.

*Leases.*

We lease our office and other 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.

*Properties.*

The following table sets forth certain information regarding our direct and indirect ownership interest in office and Other Non-Shopping Center Rental Properties.

**Table of Contents**

	Date of Acquisition	Leaseable Area sqm (1)	Occupancy rate (2) Jun-10	IRSA s Effective interest	Monthly rental income Ps./000 (3)	Accumulated Annual Rental Income for the fiscal year (in Ps./000) (4)			Book value Ps./000 (5)
						2010	2009	2008	
<b>Offices</b>									
Edificio República	04/28/08	19,884	80%	100%	2,046	21,188	17,114	203	219,777
Torre Bankboston	08/27/07	14,873	96%	100%	1,769	22,333	19,670	15,688	155,196
Bouchard 551	03/15/07	23,378	100%	100%	1,944	22,441	20,342	12,678	150,570
Intercontinental Plaza	11/18/97	22,535	100%	100%	1,941	21,559	18,372	12,496	82,408
Bouchard 710	06/01/05	15,014	83%	100%	1,120	14,076	17,379	12,931	65,261
Dique IV, Juana Manso 295(10)	12/02/97	11,298	92%	100%	1,213	13,963	1,743		64,620
Maipú 1300	09/28/95	10,280	99%	100%	1,004	11,339	9,890	8,107	38,287
Costeros Dique IV	08/29/01	5,437	90%	100%	479	5,358	5,056	4,603	19,111
Libertador 498	12/20/95	3,714	100%	100%	471	6,900	9,285	8,551	14,657
Suipacha 652/64	11/22/91	11,453	95%	100%	593	4,804	3,820	2,480	10,936
Madero 1020	12/21/95	101	100%	100%	3	31	32	89	218
Dock Del Plata	11/15/06		N/A	100%		1,302	6,083	6,945	864
Edificios Costeros	03/20/97		N/A	100%		1,382	4,082	3,896	
Laminar Plaza	03/25/99		N/A	100%		123	5,327	5,607	
Reconquista 823/41	11/12/93		N/A	100%		21	2,087	2,256	
Other offices (6)	N/A	2,271	86%	N/A	89	1,774	1,189	1,385	4,903
<b>Subtotal Offices</b>		<b>140,238</b>	<b>93%</b>	<b>N/A</b>	<b>12,672</b>	<b>148,594</b>	<b>141,471</b>	<b>97,915</b>	<b>826,808</b>
<b>Other Rental Properties</b>									
Commercial Properties (7)	N/A	312		N/A		1	209	188	3,625
Museo Renault	12/06/07	1,275	100%	100%	30	356	356	204	4,785
Santa María del Plata S.A.	07/10/97	60,100	100%	90%	87	1,014	959	958	12,496
Thames	11/01/97	33,191		100%		175	607	607	3,897
Catalinas Norte's Plot of Land	12/17/09	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100,804
Other properties (8)	N/A	2,072	100%	N/A	10	80	2,207	220	5,973
<b>Subtotal Other Rental Properties</b>		<b>96,950</b>	<b>65%</b>	<b>N/A</b>	<b>127</b>	<b>1,626</b>	<b>4,338</b>	<b>2,177</b>	<b>131,580</b>
<b>Related fees (11)</b>		<b>N/A</b>	<b>N/A</b>	<b>N/A</b>		<b>3,944</b>	<b>1,940</b>	<b>2,067</b>	<b>N/A</b>
<b>TOTAL OFFICE AND OTHER RENTAL PROPERTIES (9)</b>		<b>237,188</b>	<b>82%</b>	<b>N/A</b>	<b>12,799</b>	<b>154,164</b>	<b>147,749</b>	<b>102,159</b>	<b>958,388</b>

## Notes:

- (1) Total leaseable area for each property as of June 30, 2010. Excludes common areas and parking.
- (2) Calculated dividing occupied square meters by leaseable area as of June 30, 2010.
- (3) Agreements in force as of 06/30/10 for each property were computed.
- (4) Total leases consolidated by application of the method under Technical Resolution RT21.
- (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 2768 and Sarmiento 517.
- (7) Includes the following properties: Constitución 1111, Crucero I (fully sold); Retail stores in Abril (wholly assigned) and Casona in Abril.
- (8) Includes the following properties: 1 unit of Alto Palermo Park, Constitución 1159 and Dique III (fully sold) and Canteras.

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- (9) Corresponds to the Offices and other non-shopping center rental properties business unit mentioned in Note 6 to the Consolidated Financial Statements.
- (10) The building was occupied on 05/15/09.
- (11) Revenues from building management fees

**Table of Contents**

The following table shows a schedule of the lease expirations of our office and other properties for leases outstanding as of June 30, 2010, 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	Square meters subject to expiring leases (sqm)	Percentage of total square meters subject to expiration (%)	Annual rental income under expiring leases (Ps.)	Percentage of total rental income under expiring leases (%)
2010	25	61,778	32%	4,540,039	3%
2011	54	48,332	25%	48,711,626	32%
2012	51	41,343	21%	55,444,927	36%
2013+	46	42,509	22%	43,630,088	29%
<b>Total</b>	<b>176</b>	<b>193,962</b>	<b>100%</b>	<b>152,326,680</b>	<b>100%</b>

\* Includes offices which contract has not been renewed as of June 30, 2010.

\* 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 during fiscal years ended June 30, 2010, 2009 and 2008:

Offices	Occupancy Percentage		
	Fiscal year ended June 30, <sup>(1)</sup>		
	2010 (%)	2009 (%)	2008 (%)
Intercontinental Plaza	100	100	100
Bouchard 710	83	100	100
Bouchard 551	100	96	100
Dock del Plata (3)	N/A	80	100
Libertador 498	100	100	100
Maipú 1300	99	100	100
Laminar Plaza (3)	N/A	N/A	100
Madero 1020	100	100	100
Reconquista 823/41 (3)	N/A	N/A	100
Suipacha 652/64	95	100	100
Edificios Costeros (3)	N/A	59	89
Costeros Dock IV	90	90	100
Torre BankBoston	96	100	100
Edificio República	80	64	19
Dique IV, Juana Manso 295	92	89	N/A
Other (2)	86	89	100

Notes:

- (1) Leased square meters in accordance with agreements in effect as of June 30, 2010, 2009 and 2008 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 and Sarmiento 517.
- (3) This property was fully sold.



**Table of Contents**

The following table sets forth the annual average income per square meter for our offices during fiscal years ended June 30, 2010, 2009 and 2008:

	Annual average income per square meter		
	Fiscal year ended June 30, <sup>(1)</sup>		
	2010	2009	2008
	(Ps/sqm)	(Ps/sqm)	(Ps/sqm)
<b>Offices</b>			
Intercontinental Plaza	957	717	555
Bouchard 710	938	1,158	861
Bouchard 557	960	870	458
Dock del Plata (2)	422	908	877
Libertador 498 (3)	1,366	1,005	812
Maipú 1300	1,103	962	789
Laminar Plaza (2)	N/A	817	860
Madero 1020	307	281	414
Reconquista 823/41 (2)	N/A	416	450
Suipacha 652/64	419	334	217
Edificios Costeros (2)	216	639	610
Costeros Dock IV	985	930	847
Torre BankBoston (3)	1,502	1,238	992
Edificio República	1,066	861	55
Dique IV, Juana Manso 295 (4)	1,236	154	N/A
Other (5)	602	326	448

## Notes:

- (1) Calculated considering annual leases to total leaseable office area, in accordance with our percentage of ownership in each building.
- (2) The property was fully sold.
- (3) 3,099 leaseable square meters were sold in fiscal year 2009 and 3,719 leaseable square meters were sold in fiscal year 2010.
- (6) The property was acquired on 08/27/07, consequently income is for only ten months of fiscal year 2008.
- (3) The property was acquired on 04/28/08 and construction works were in progress, consequently income is for only 10 months of fiscal year 2008.
- (4) Fiscal year 2009 income corresponds to only 45 days.
- (5) Includes the following properties: Madero 942 (fully sold), Av. de Mayo 595, Av. Libertador 602 (fully sold), Rivadavia 2774 and Sarmiento 517.

*Properties*

Below you will find information regarding our principal currently owned office properties, including the names of the tenants occupying 5% or more of the gross leaseable area of each property.

**Edificio República.** 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, Federalia S.A. de Finanzas, Enap Sipetrol Argentina S.A., Infomedia, BASF Argentina S.A. and Banco Itaú.

**Torre BankBoston.** 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 leaseable area. We have a 48.5% ownership interest in the building. At present, its main tenants are Standard Bank, BankBoston N.A. Suc. Bs. As., Exxon Mobile, Kimberley Clark de Argentina and Hope, Duggan & Silva S.C.

**Bouchard 551, City of Buenos Aires.** Bouchard 551, known as *Edificio La Nación*, is an office building that we acquired in March 2007, located in the Plaza Roma area. The building is a 23-story tower covering a surface area of 2,900 square meters in the low floors that becomes

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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., Price Waterhouse & Co., AS. EM. S.R.L, Maersk Argentina S.A and Regus Business Centre S.A.



## **Table of Contents**

***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, Cognizant Technology Solutions Industrias Pugliese S.A and Toyota Credit Argentina.

***Juana Manso 295-Dique IV, 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. 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 Catalinas 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., 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. and PPD Argentina S.A., TV Quality, Bovis Lend Lease S.A. and Japan International Cooperation Agency.

***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 6 stories with an average area per floor of 620 square meters and of 153 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, Japan Bank for the International Cooperation, Gates Argentina S.A., Kandiko S.A., LG Electronics Argentina S.A., Allergan Productos Farmacéuticos S.A. and Dak Americas Argentina 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., Consultora de Estudios Bonaerense S.R.L., London Supply S.A.C.I.F.I., Banco Río de la Plata S.A. and Trafigura Argentina S.A.

***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.

***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 portions of buildings, none of which contributed more than Ps. 1.8 million in annual rental income for fiscal year 2010. Among these properties are Madero 942 (sold in October 2008), Libertador 602(sold), Av. de Mayo 595, Rivadavia 2768 and Sarmiento 517.

## Table of Contents

**Retail and other properties.** Our portfolio of rental properties as of June 30, 2010 includes four leased properties that are leased as street, a lot in industrial premises, two undeveloped plots of land and other properties for various retail 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, Museo Renault, Thames and Solares de Santa María.

**Catalinas Norte Plot of land.** 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. 95.0 million, Ps. 19.0 million of which were paid upon the execution of the preliminary sales agreement (on December 17, 2009), whereas the balance of Ps. 76.0 million was paid upon the execution of the deed on May 26, 2010.

**Sales of Non-Strategic Assets.** During fiscal 2009 we executed and delivered title deeds for the sale of 19,371 sqm of gross leasable area corresponding to non-strategic office assets in several transactions totaling approximately US\$ 52 million. These transactions include, besides those broken down above in the review: 7 functional units at Edificio Dock del Plata representative of 3,937 sqm of gross leasable area; a commercial property in Puerto Madero designated as Crucero I representative of 192 sqm of gross leasable area; 5 functional units at Edificio Libertador 498 representative of 3,099 sqm of gross leasable area; one functional unit at the property located in Av. Madero 942 representative of 768 sqm of gross leasable area; 5 floors at Edificio Laminar Plaza, representative of 6,520 sqm of gross leasable area and a block building along Reconquista street representative of 5,016 sqm of gross leasable area. This decision allows us to reinforce our financial robustness and to re-focus on consummating the potential business opportunities that are being added to our portfolio such as the incorporation into our portfolio of the Dique IV office building in May 2009 and the completion and start-up of the office building adjacent to the Dot Baires Shopping Center scheduled to be operational in the year 2011.

During fiscal 2010 we executed and delivered title deeds for the sale of 14,772 sqm of gross leasable area ( GLA ) corresponding to non-strategic office assets in several transactions totaling approximately US\$ 44 million. These transactions include, though are not limited to, 6 functional units ( FU ) at Edificio Dock del Plata; which represents 3,986 sqm of gross leasable area; a commercial property in Puerto Madero designated as Edificio Cruceros (Dique II) which represents 6,389 sqm of GLA; 11 functional units at Edificio Libertador 498 which represents 3,720 sqm of GLA; and one functional unit at the property located in Av. Libertador 602 which represents 677 sqm of GLA.

### *Our Investment in Banco Hipotecario*

We have a significant investment in Banco Hipotecario which represented 14.4% of our consolidated assets as of June 30, 2010. Established in 1886 by the Argentine government and privatized in 1999, Banco Hipotecario has historically been Argentina's leading mortgage lender, provider of mortgage-related insurance and mortgage loan services. All of its operations and customers are located in Argentina where it operates a nationwide network of 50 branches and 15 sales offices.

Banco Hipotecario is a full-service commercial bank offering a wide variety of banking activities and related financial services to individuals, small-and medium-sized companies and large corporations. As of June 30, 2010, Banco Hipotecario ranked fourth in the Argentine financial system in terms of shareholders' equity and twelfth in terms of total assets. As of June 30, 2010, Banco Hipotecario's shareholders' equity was Ps.2,861.7 million, its assets were Ps.11,284.1 million, and its net income for the twelve-month period ended June 30, 2010 was Ps.198.9 million. Since 1999, Banco Hipotecario's shares have been listed on the Buenos Aires Stock Exchange in Argentina, and since 2006 it has had a Level I GDR program.

**Table of Contents**

Banco Hipotecario's business strategy is focused on leveraging its financial position and developing a diversified banking business built on its existing mortgage franchise. Since its debt restructuring in 2004, it began to make progress in this diversification strategy, growing its lending business and developing new business lines, implementing integrated technological solutions to enable its entry into retail banking, extending its marketing network and creating back-office services to support its new operations.

As part of its business diversification strategy, Banco Hipotecario expanded its products offering personal loans, mortgages and asset-backed loans. It also expanded its corporate loan product offerings and implemented certain customer loyalty strategies. In response to demand for retail and wholesale time deposits and savings accounts, Banco Hipotecario expanded its deposit base offering personal checking accounts and launched the Visa Banco Hipotecario credit card which has steadily grown in terms of market penetration and transaction size. Banco Hipotecario also continued its strategy of expanding the offering of non-mortgage related insurance products, including combined family, life, unemployment, health, personal accident and ATM theft insurance.

Banco Hipotecario seeks to achieve a balanced portfolio of mortgage loans, consumer financing and corporate credit lines, while maintaining an adequate risk management policy. As of June 30, 2010, its portfolio of non-mortgage loans represented 61.3% of its total loan portfolio, compared to 53.7% as of June 30, 2009

During the twelve-month period ended June 30, 2010, Banco Hipotecario also experienced continued growth in deposits, including savings accounts and time deposits.

The following table sets forth Banco Hipotecario's sources of funding as of the dates indicated.

	<b>2008</b>	<b>As of June 30</b>	
		<b>2009</b>	<b>2010</b>
Checking accounts	Ps. 40.3	Ps. 68.8	Ps. 106.6
Saving accounts	178.1	215.6	313.6
Time deposits	1,657.3	3,019.8	3,910.5
Other deposit accounts	32.4	62.7	60.0
Accrued interest payable	18.2	45.3	54.5
<b>Total</b>	<b>Ps. 1,926.3</b>	<b>Ps. 3,412.2</b>	<b>Ps. 4,445.2</b>

*Seasonality*

Our shopping centers' business unit is subject to strong seasonality. During the summer holiday season (January and February) our tenants experience their minimum sales levels, compared to the winter holiday season (July) and December (Christmas) when our tenants tend to reach their peak sales figures. Clothes and footwear tenants tend to change their collections in the spring and fall. This has a positive effect on the sales of stores. Discount sales at the end of each season also have a major impact on our business.

*Competition****Office 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 are many office buildings, shopping malls, retail and residential

**Table of Contents**

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 and may affect the sale and lease price of our premises.

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 developed and 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.

**Table of Contents**

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

Company	Shopping Center	Location <sup>(1)</sup>	Gross leaseable area	Shops	% Overall national gross leaseable area <sup>(2)</sup> (%)	% Shops <sup>(2)</sup> (%)
<b>APSA</b>						
	Abasto de Buenos Aires	CABA	41,335	173	2.70%	3.09%
	Alto Palermo Shopping	CABA	18,629	145	1.21%	2.59%
	Buenos Aires Design (3)	CABA	13,786	63	0.90%	1.13%
	Dot Baires Shopping	CABA	49,750	153	3.24%	2.74%
	Paseo Alcorta (4)	CABA	53,040	111	3.46%	1.98%
	Patio Bullrich	CABA	11,736	85	0.77%	1.52%
	Córdoba Shopping (4)	Córdoba	22,625	104	1.48%	1.86%
	Alto Avellaneda (4)	GBA	67,533	142	4.40%	2.54%
	Mendoza Plaza Shopping (4)	Mendoza	40,651	150	2.65%	2.68%
	Alto Rosario (4)	Rosario	40,910	144	2.67%	2.57%
	Alto Noa (4)	Salta	18,869	90	1.23%	1.61%
	Subtotal		378,864	1,360	24.71%	24.31%
<b>Cencosud S.A.</b>						
	Portal de Palermo (4)	CABA	32,252	36	2.10%	0.64%
	Portal de Madryn	Chubut	4,100	26	0.27%	0.46%
	Factory Parque Brown (4)	GBA	31,468	91	2.05%	1.63%
	Factory Quilmes (4)	GBA	40,405	47	2.63%	0.84%
	Factory San Martín (4)	GBA	35,672	31	2.33%	0.55%
	Las Palmas del Pilar Shopping (4)	GBA	50,906	131	3.32%	2.34%
	Plaza Oeste Shopping (4)	GBA	41,120	146	2.68%	2.61%
	Portal Canning (4)	GBA	15,114	21	0.99%	0.38%
	Portal de Escobar (4)	GBA	31,995	31	2.09%	0.55%
	Portal Lomas (4)	GBA	32,883	50	2.14%	0.89%
	Unicenter Shopping (4)	GBA	94,279	287	6.15%	5.13%
	Portal de los Andes (4)	Mendoza	30,558	45	1.99%	0.80%
	Portal de la Patagonia (4)	Neuquén	34,230	93	2.23%	1.66%
	Portal de Rosario (4)	Rosario	66,361	182	4.33%	3.25%
	Portal de Tucumán (4)	Tucumán	21,301	94	1.39%	1.68%
	Subtotal		562,644	1,311	36.69%	23.41%
<b>Other Operators</b>						
	Subtotal		592,180	2,923	38.60%	52.28%
	<b>Total</b>		<b>1,533,688</b>	<b>5,594</b>	<b>100%</b>	<b>100%</b>

(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.

## **Table of Contents**

### *Consumer Financing*

The consumer financing market in Argentina is highly competitive due to (i) the active participation in this market of substantially all international and domestic banks conducting business in Argentina, most of which have substantially greater financial resources than we do and (ii) the strong market position of both Visa and Mastercard in Argentina. Our main competitors in various segments of the credit card market include:

*International and domestic cards:* Visa, Master, AMEX, Cabal and Diners.

*Regional and zonal cards:* Naranja, Provencred and Credilogros, Italcred, Carta Sur and Credial.

*Store cards:* Falabella, Garbarino, Frávega, Musimundo, Carrefour and Johnson s.

*Banks:* Columbia, Itaú, Comafi, Privado, Hipotecario, Macro and Standard Bank

*International financial companies and others:* GE Money, Cetelem and Efectivo Sí.

### *Regulation and Government Supervision*

The laws and regulations governing the acquisition and transfer of real estate, as well as municipal zoning ordinances and environmental regulations, among others, are applicable to the development and operation of our properties.

Currently, Argentine law does not specifically regulate shopping center lease agreements. Since our shopping center leases generally differ from ordinary commercial leases, we have created standard provisions that govern the relationship with our shopping center tenants.

### ***Leases***

Argentine law imposes certain restrictions on landlords, including:

a prohibition to include price adjustment clauses based on inflation increases in lease agreements; and

the imposition of a three-year minimum lease term for retail property, except in the case of stands and/or spaces in markets and fairs. Although our lease agreements were U.S. dollar-denominated, Decree No. 214/2002, Decree No. 762/2002 and Law N° 25,820 that amended the Public Emergency Law, provided that monetary obligations in force as of January 7, 2002 arising from agreements governed by private law and which provided for payments in U.S. dollars were subject to the following rules:

financial obligations were to be paid in Pesos at the exchange rate of Ps.1.00 = US\$1.00 plus the CER for commercial leases;

**Table of Contents**

from October 1, 2002 and until March 31, 2004 for residential leases, the obligations where the tenant is an individual and the dwelling is used as the family residence of permanent use were to be paid in Pesos at the exchange rate of Ps.1.00 = US\$1.00 plus the CVS;

if due to the application of these provisions, the amount of the installment became higher or lower than the amount at the moment of the payment, any of the parties could require an equitable adjustment of the price. If the parties did not reach an agreement, the judicial courts could decide on a case by case basis; and

pursuant to Decree No. 117/2004 and Law No. 25,796 that amends Law No. 25,713, the CVS became unenforceable since April 1, 2004.

Under the Argentine Civil Code, and Lease Law No. 23,091 lease terms may not exceed ten years, except for leases regulated by Law No. 25,248 (which provides that real estate leases containing purchase options *leasing inmobiliario*- are not subject to term limitations). Generally, terms in our lease agreements go from 3 to 10 years.

Despite this restriction, in November 2007, the Judicial Courts authorized APSA to enter into a lease agreement with Wal Mart Argentina SRL for a term of 30 years. This exception was authorized taking into consideration the size of the investment required and the amount of time that was necessary to recoup this investment. In June 2008, APSA requested the judicial courts a new authorization to enter into a lease agreement with Falabella for a term of 30 years. In August 2008, the judicial courts rejected the request and in November 2008 APSA appealed this decision. In June 2009, the Appeal Court also rejected APSA's request and as a result such matter has been concluded.

Lease Law No. 23,091, as amended by Law No. 24,808 provides that tenants may rescind commercial lease agreements after the first six months by sending a written notice at least 60 days before the intended termination date of the contract. Such rescission is subject to penalties which range from one to one and a half months of rent. If the tenant rescinds during the first year of the lease the penalty is one and a half months rent and if the rescission occurs after the first year of lease the penalty is one month's rent.

While current Argentine government policy discourages government regulation of lease agreements, there can be no assurance that additional regulations will not be imposed in the future by the Argentine Congress, including regulations similar to those previously in place. Furthermore, most of our leases provide that the tenants pay all costs and taxes related to the property in proportion to their respective leasable areas. In the event of a significant increase in the amount of such costs and taxes, the Argentine government may respond to political pressure to intervene by regulating this practice, thereby negatively affecting our rental income. The Argentine Civil and Commercial Procedure Code enables the lessor to pursue what is known as an *executory proceeding* upon lessees failure to pay rent. In *executory proceedings* debtors have fewer defenses available to prevent foreclosure, making these proceedings substantially shorter than ordinary ones. In *executory proceedings* the origin of the debt is not under discussion; the trial focuses on the debt instrument itself. The aforementioned code also permits special eviction proceedings, which are carried out in the same way as ordinary proceedings. The Argentine Civil Code enables judges to summon tenants who fall two months in arrears to vacate the property they are renting within 10 days of having received notice to such effect. However, historically, large court dockets and numerous procedural hurdles have resulted in significant delays to eviction proceedings, which generally last from six months to two years from the date of filing of the suit to the time of actual eviction.

## **Table of Contents**

### ***Development and Land Use***

*Buenos Aires Urban Planning Code.* Our real estate activities are subject to several municipal zoning, building and environmental regulations. In the city of Buenos Aires, where the vast majority of our real estate properties are located, the Buenos Aires Urban Planning Code (*Código de Planeamiento Urbano de la Ciudad de Buenos Aires*) generally restricts the density and use of property and controls physical features of improvements on property, such as height, design, set-back and overhang, consistent with the city's urban landscape policy. The administrative agency in charge of the Urban Planning Code is the Secretary of Urban Planning of the City of Buenos Aires.

*Buenos Aires Building Code.* The Buenos Aires Building Code (*Código de la Edificación de la Ciudad de Buenos Aires*) complements the Buenos Aires Urban Planning Code and regulates the structural use and development of property in the city of Buenos Aires. The Buenos Aires Building Code requires builders and developers to file applications for building permits, including the submission to the Secretary of Work and Public Services (*Secretaría de Obras y Servicios Públicos*) of architectural plans for review, to assure compliance therewith.

We believe that all of our real estate properties are in material compliance with all relevant laws, ordinances and regulations.

### ***Sales and Ownership***

*Real Estate Installment Sales Law.* The Real Estate Installment Sales Law No. 14,005, as amended by Law No. 23,266 and Decree No. 2015/1985, imposes a series of requirements on contracts for the sale of subdivided real estate property, for example, the sale price which is paid in installments and the deed, which is not conveyed until final payment of such price. The provisions of this law require, among other things:

The registration of the intention to sell the property in subdivided plots in the Real Estate Registry (*Registro de la Propiedad Inmueble*) corresponding to the jurisdiction of the property. Registration will only be possible in connection with unencumbered property. Mortgaged property may only be registered where creditors agree to divide the debt in accordance with the subdivided plots, although creditors may be judicially compelled to agree to the division.

The preliminary registration with the Real Estate Registry of the purchase instrument must be made within 30 days of execution of the agreements.

Once the property is registered, the installment sale may not occur in a manner inconsistent with the Real Estate Installment Sales Act, unless seller registers his decision to desist from the sale in installments with the Real Estate Registry. In the event of a dispute over the title between the purchaser and third-party creditors of the seller, the installment purchaser who has duly registered the purchase instrument with the Real Estate Registry will obtain the deed to the plot. Further, the purchaser can demand conveyance of title after at least 25% of the purchase price has been paid, although the seller may demand a mortgage to secure payment of the balance of the purchase price.



## **Table of Contents**

After payment of 25% of the purchase price or the construction of improvements on the property equal to at least 50% of the property value, the Real Estate Installment Sales Act prohibits the rescission of the sales contract for failure by the purchaser to pay the balance of the purchase price. However, in such event the seller may take action under any mortgage on the property.

*Consumer Protection Law.* Consumer Protection Law No. 24,240, as amended, regulates several issues concerning the protection of consumers in the arrangement and execution of contracts. The Consumer Protection Law purports to prevent potential abuses deriving from the strong bargaining position of sellers of goods and services in a mass-market economy where standard form contracts are widespread. As a result, the Consumer Protection Law deems void and unenforceable certain contractual provisions in consumer contracts, including those which contain:

warranty and liability disclaimers;

waiver of consumer rights;

extension of seller rights; and

shifting of the burden of proof against consumers.

In addition, the Consumer Protection Law imposes penalties ranging from fines to closing down of establishments in order to induce compliance from sellers.

The Consumer Protection Law defines consumers or users, as the individuals or legal entities that (i) acquire or use goods or services free of charge or for a price for final use for of their own final use and benefit or that of their family or social group, including the acquisition of rights on a time-share leasing, country club, or private cemetery, among others, (ii) though not being party to a consumer relationship, as a result thereof acquire or use goods or services for their own final use or that of their family or social group, and (iii) are otherwise exposed to a consumer relationship.

In addition, the Consumer Protection Law defines the suppliers of goods and services as the individuals or legal entities, either public or private that in a professional way, even occasionally, produce, import, distribute or commercialize goods or supply services to consumers or users.

The Consumer Protection Law excludes the services supplied by professionals that require a college degree and registration in officially recognized professional organizations or by a governmental authority. However, this law regulates the advertisements that promote the services of such professionals.

The Consumer Protection Law determines that the information contained in the offer addressed to undetermined prospective consumers, binds the offeror during the period in which the offer takes place and until its public revocation. Further, it determines that specifications included in advertisements, announcements, prospectuses, circulars or other media bind the offeror and are considered part of the contract entered into by the consumer. On June 2005, Resolution No. 104/05, which complements the Consumer Protection Law, adopted MERCOSUR's Resolution on which requires that those who engage in commerce over the Internet (E-Business) to disclose in a precise and clear manner the characteristics of the products and/or services offered and the sale terms. Failure to comply with the terms of the offer is deemed an unjustified denial to sell and gives rise to sanctions.

## **Table of Contents**

*Buildings Law.* Buildings Law No. 19,724, as amended, sets forth a regime for the construction of buildings for later subdivision into condominium (*Propiedad Horizontal*). Under this law, developers must inform potential purchasers of their intention to sell the building as a condominium, as well as of all sale conditions, and the size of each unit in relation to the whole building. The sale of these units is subject to subdivision approval and in order to be included in Buildings Law regime must be registered with the Real Estate Registry (*Registro de la Propiedad Inmueble*). This law also states that, in the event that construction is not completed, all amounts already deposited must be repaid to the purchasers. All intervening parties are jointly and severally liable to reimburse all amounts deposited or paid by the purchasers. All agreements entered into with the purchasers shall be filed with the relevant real estate registry.

*Mortgage Regulation.* The Argentine Civil Code regulates mortgages both as a contract and as a right over property. There are no special provisions in the Civil Code aimed at protecting mortgagors. Any agreement entered into by a mortgagor and a mortgagee at time of execution of the mortgage or prior to the default of the mortgagor allowing the mortgagee to recover the property without a public auction of the property will not be enforced by the courts as contrary to Argentine public policy.

Until the enactment of Trust Law No. 24,441, the only procedure available to collect unpaid amounts secured by a mortgage was a proceeding regulated by the Civil and Commercial Procedure Code. The heavy caseload on the courts that hear such matters usually delays the proceeding, which currently takes 1 to 2 years to be completed.

Chapter V of Trust Law No. 24,441 institutes a new procedure which may expedite collection of unpaid amounts secured by a mortgage. To be applicable, the new rules, which allow an out-of-court auction, need to be expressly agreed to by the parties in the mortgage contract.

Currently, we include in our mortgages a clause enabling the enforcement of Law No. 24,441. However, there can be no assurance that such collection provisions will accelerate the recovery of unpaid amounts under mortgage guarantees.

The Argentine Government has tried to avoid the massive foreclosure of mortgages since the 2001 crisis. The Public Emergency Law, as amended, established the suspension for the term of 270 days from the enactment of that law, of all the judicial or non-judicial enforcement procedures, including the enforcement of mortgages and pledges, regardless of their origin. On February 14, 2002, Law No. 25,563 amending the Bankruptcy Law (the New Bankruptcy Law) was enacted. Under the New Bankruptcy Law, certain bankruptcies and foreclosures (including foreclosures on mortgage loans) were suspended for a period of 180 days from the law's effective date. Such period was extended for 180 additional days by law N° 25,589 and afterwards for 90 additional days more by Law No. 25,640 dated September 2002, expiring on February 2003.

On February 4, 2003, the Executive Branch enacted Decree No. 204/2003 creating a mediation proceeding, for a limited period of 90 days, to be conducted through the Legal Emergency Units (*Unidades de Emergencias Legales*) depending from the Ministry of Labor, Employment and Social Security and the Ministry of Production. Such Emergency Legal Units shall intervene at the request of debtors or creditors in foreclosure cases.

**Table of Contents**

The mediation procedure was voluntary and free. Proposals and negotiations made by the parties were subject to the confidentiality of ordinary mediations. The mediation procedure in no case shall result in the suspension or interruption of the legal terms running in judicial or out-of-court foreclosure proceedings.

The Legal Emergency Units should try to approximate the parties' proposals to reach an agreement enabling the debtor the performance of his obligations without lessening the creditor's rights. The intervention of the Emergency Legal Units shall conclude with an agreement or with the impossibility of reaching such agreement. The Decree establishes that the conciliation proceeding shall be in force from the day of its publication in the Official Gazette and will have a term of 90 days.

On May 2003, the Argentine Congress enacted Law No. 25,737 which suspended foreclosures for an additional period of 90 days, which ended in May 2003. On September 2003, several financial institutions voluntarily agreed not to foreclose on their mortgage loans. On November 2005, the Argentine congress enacted Law No. 26,062 that extended the foreclosures suspension for an additional 120 days period, which was extended for 90 days more by Law No. 26,084 and for 180 days more by Law No. 26,103. Pursuant to these successive extensions, foreclosure on mortgaged property was suspended until December 2006.

On November 6, 2003 Law No. 25,798 was enacted. It established a mechanism to reschedule debts resulting from unpaid mortgages, by creating a trust (paid by the Argentine Government) which would purchase the mortgage debts and reschedule the maturity date. Financial institutions were given until June 22, 2004 to accept said terms. This law was partially modified by Law No. 25,908 (enacted on July 13, 2004) which included various conditions referring to the incorporation into this system of the mortgage loans that were in judicial or private execution proceedings. The parties to secured loan agreements were given a term to express their adhesion to this system. This term was extended twice first by Decree No. 352/2004 for a period of sixty days and then by Law No. 26,062 effective as of November 4, 2005, which extended the foreclosures suspension for an additional 120 days, which was again extended for 90 days more by Law No. 26,084 and for 180 days more by Law No. 26,103.

On November 8, 2006, Law No. 26,167 was enacted. It established a special proceeding to replace ordinary trials for the enforcement of some mortgage loans. These special proceedings give creditors ten days to inform the debtor of the amounts owed to them and agree with the debtor on the amount and terms of payment. In case the parties fail to reach an agreement, payment conditions are to be determined by the judge. Also, this law established the suspension of the execution of judicial judgments, judicial and out-of-court auctions, evictions and other proceedings related to the mortgage loans contemplated in this law.

Most mortgages executed by us provide that we are empowered to declare the anticipated expiration of the loan upon non-payment of an installment. This enables us to recover the unpaid amounts through the sale of the relevant property pursuant to the Civil and Commercial Procedure Code and Law No. 24,441.

Pursuant to Argentine law, fees and expenses related to collection procedures must be borne by the debtor, and the proceeds from any auction of the property may be used for the settlement of such obligation.

## **Table of Contents**

Although our mortgages are U.S. dollar-denominated, Decree No. 214/2002 and Decree No. 762/2002 that amend the Public Emergency Law provide that monetary obligations in force as of January 7, 2002, resulting from agreements governed by private law and which provide for payments in U.S. dollars are subject to the following rules:

financial obligations were to be paid in Pesos at the exchange rate of Ps.1.00 = US\$1.00 plus the CER for commercial leases;

from October 1, 2002 and until March 31, 2004 for residential leases, the obligations where the tenant is an individual and the dwelling is used as the family residence of permanent use were to be paid in Pesos at the exchange rate of Ps.1.00 = US\$1.00 plus the CVS;

if due to the application of these provisions, the amount of the installment became higher or lower than the amount at the moment of the payment, any of the parties could require an equitable adjustment of the price. If the parties did not reach an agreement, the judicial courts could decide on a case by case basis; and

pursuant to Decree No. 117/2004 and Law No. 25,796 that amends Law No. 25,713, the CVS became unenforceable since April 1, 2004.

*Protection for the Disabled Law.* The Protection for the Disabled Law No. 22,431, enacted on March 20, 1981, as amended, provides that in connection with the construction and renovation of buildings, obstructions to access must be eliminated in order to enable access by handicapped individuals. In the construction of public buildings, entrances, transit pathways and adequate facilities for mobility impaired individuals must be provided for.

Buildings constructed before the enforcement of the Protection for the Disabled Law must be adapted to provide accesses, transit pathways and adequate facilities for mobility-impaired individuals. Those pre-existing buildings, which due to their architectural design may not be adapted to the use by mobility-impaired individuals, are exempted from the fulfillment of these requirements. The Protection for the Disabled Law provides that residential buildings must ensure access by mobility impaired individuals to elevators and aisles.

*Credit Cards Law.* Law No. 25,065, amended by Law No. 26,010 and Law No. 26,361, regulates different aspects of the business known as credit card system. The regulations impose minimum contractual contents and the approval thereof by the Industry, Commerce and Mining Secretary (*Secretaría de Industria, Comercio y Minería de la Nación*), as well as the limitations on the interest to be collected from users and the commissions charged to the stores adhering to the system. The Credit Card Law applies to banking and non-banking cards, such as Tarjeta Shopping issued by Tarshop.

*Antitrust Law.* Law No. 25,156, as amended, prevents trust practices and requires administrative authorization for transactions that according to the Antitrust Law constitute an economic concentration. According to this law, mergers, transfers of goodwill, acquisitions of property or rights over shares, capital or other convertible securities, or similar operations by which the acquirer controls or substantially influences a company, are considered as an economic concentration. Whenever an economic concentration involves a company or companies which exceed the accumulated sales volume by approximately Ps.200.0 million in Argentina; then the respective concentration should be submitted for approval to the *Comisión Nacional de Defensa de la Competencia*, or Antitrust Authority. The request for approval may be filed, either prior to the transaction or within a week after its completion.

## **Table of Contents**

When a request for approval is filed, the Antitrust Authority may (i) authorize the transaction, (ii) subordinate the transaction to the accomplishment of certain conditions, or (iii) reject the authorization.

The Antitrust Law provides that economic concentrations in which the transaction amount and the value of the assets absorbed, acquired, transferred or controlled in Argentina, do not exceed Ps.20.0 million are exempted from the administrative authorization. Notwithstanding the foregoing, when the transactions effected during the prior 12-month period exceed in total Ps.20.0 million or Ps.60.0 million in the last 36 months, these transactions must be notified to the Antitrust Authority.

As the consolidated annual sales volume of APSA and IRSA exceed Ps.200.0 million, we should give notice to the Antitrust Authority of any concentration provided for by the Antitrust Law.

*Environmental Law.* Our activities are subject to a number of national, provincial and municipal environmental provisions. Section 41 of the Argentine Constitution, as amended in 1994, provides that all Argentine inhabitants have the right to a healthy and balanced environment fit for human development and have the duty to preserve it. Environmental damage shall bring about primarily the obligation to restore it as provided by applicable law. The authorities shall see to the protection of this right, the rational use of natural resources, the preservation of the natural and cultural heritage and of biodiversity, and shall also provide for environmental information and education. The National Government shall establish minimum standards for environmental protection whereas Provincial and Municipal Governments shall fix specific standards and regulatory provisions.

On November 6, 2009, the Argentine Congress passed Law No. 25,675. Such law regulates the minimum standards for the achievement of a sustainable environment and the preservation and protection of biodiversity and fixes environmental policy goals.

Law No. 25,675 establishes the activities that will be subject to an environmental impact assessment procedure and certain requirements applicable thereto. In addition, such Law sets forth the duties and obligations that will be triggered by any damage to the environment and mainly provides for restoration of the environment to its former condition or, if that is not technically feasible, for payment of a compensation in lieu thereof. Such Law also fosters environmental education and provides for certain minimum reporting obligations to be fulfilled by natural and legal entities.

On August 6, 2009, the CNV issued General Resolution No. 559/2009 ( General Resolution No. 559/2009 ) providing for the rules applicable to listed companies whose corporate purpose comprise activities regarded as risky for the environment, in order to keep the shareholders, investors and the general public informed about the fulfillment of current environmental regulations. As of the date hereof, such Resolution has not been regulated as provided for therein.

One of our goals is that business be conducted at all times consistently with environmental laws and regulations.

For more information see Item 3 Risk Factors - Risk related to our Business - *Our business is subject to extensive regulation and additional regulations may be imposed in the future.*

**Table of Contents**

***C. Organizational Structure***

The following is our organizational chart showing our principal subsidiaries, as of June 30, 2010:

- (1) 20% owned by Hoteles Sheraton de Argentina.
- (2) 23.66% owned by Intercontinental Hotels Corporation.
- (3) 50% owned by the Sutton Group.
- (4) Includes: Av. de Mayo 595, Av. Libertador 602, Rivadavia 2765/8, Dique 5 Puerto Madero and Sarmiento 517.
- (5) Includes: Arcos 2343.

**Table of Contents**

The following table presents information relating to our ownership interest and the percentage of our consolidated total net revenues represented by our subsidiaries as of June 30, 2010.

Subsidiary	Activity	Country of Incorporation	Ownership percentage <sup>(1)</sup>
Ritelco S.A.	Investment	Uruguay	100%
Palermo Invest S.A.	Investment	Argentina	100%
Solares de Santa María S.A. <sup>(4)</sup>	Real Estate	Argentina	90%
CYRSA S.A. <sup>(3)</sup>	Real Estate	Argentina	50%
Inversora Bolivar S.A.	Real Estate	Argentina	100%
Hoteles Argentinos S.A.	Hotel	Argentina	80%
Llao Llao Resorts S.A.	Hotel	Argentina	50%
Alto Palermo S.A.	Shopping centers	Argentina	63.35%
Quality Invest S.A.	Real Estate	Argentina	100%
E-Commerce Latina S.A.	Investment	Argentina	100%
Tyrus S.A.	Investment	Uruguay	100%
Canteras Natal Crespo S.A. <sup>(2)</sup>	Real Estate	Argentina	50%
Nuevas Fronteras S.A.	Hotel	Argentina	76.34%
Torodur S.A.	Investment	Uruguay	98%

Notes:

- (1) Does not include irrevocable contributions.
- (2) We have joint control of Canteras Natal Crespo S.A., a land reserve for a future development, with Euromayor S.A.
- (3) We have joint control with Cyrela Brazil Realty S.A. Empreendimentos y Participações.
- (4) For more information, see Recent Developments and Significant changes .

We have a significant interest in Banco Hipotecario, an Argentine company organized under Argentine Law engaged in banking activity. As of June 30, 2010, we owned directly and indirectly 28.03% (without considering treasury shares) of Banco Hipotecario. Also, as of June 30, 2010, the voting power held by us directly and indirectly in Banco Hipotecario was 43.75%

**D. Property, Plant and Equipment***Property*

As of June 30, 2010, most of our properties (consisting of rental properties in the office and retail real estate sectors, development properties primarily in the residential real estate sector and shopping centers) is located in Argentina. We lease our headquarters, located at Bolívar 108, C1066AAD Buenos Aires, Argentina, pursuant to a lease agreement that expires on February 28, 2014. We do not currently lease any material properties other than our headquarters.

**Table of Contents**

The following table sets forth certain information about our properties as of June 30, 2010

Property <sup>(8)</sup>	Date of Acquisition	Leasable/ Sale m2 <sup>(1)</sup>	Location	Net Book Value Ps./000 <sup>(2)</sup>	Encumbrance	Outstanding principal amount (in million of Ps.)	Maturity Date (in million of Ps.)	Balance due at last installment s maturity Rate	Use	Occupancy rate <sup>(9)</sup>	
Intercontinental Plaza	11/18/97	22,535	City of Buenos Aires	82,408					Office Rental	100.0%	
Dock del Plata	11/15/06		City of Buenos Aires	864					Office Rental	N/A	
Bouchard 710	06/01/05	15,014	City of Buenos Aires	65,261					Office Rental	82.7%	
Bouchard 551	03/15/07	23,378	City of Buenos Aires	150,570					Office Rental	100.0%	
Libertador 498	12/20/95	3,714	City of Buenos Aires	14,657					Office Rental	100.0%	
Maipú 1300	09/28/95	10,280	City of Buenos Aires	38,287					Office Rental	98.9%	
Madero 1020	12/21/95	101	City of Buenos Aires	218					Office Rental	100.0%	
Suipacha 652	11/22/91	11,453	City of Buenos Aires	10,936	Mortgage <sup>(5)</sup>				Office Rental	95.0%	
Costeros Dique IV	08/29/01	5,437	City of Buenos Aires	19,111					Office Rental	89.7%	
Edificio República	04/28/08	19,884	City of Buenos Aires	219,777	Mortgage	79.1	Apr-13	26.4	Annual rate over balances 12%	Office Rental	80.0%
Dique IV, Juana Manso 295	12/02/97	11,298	City of Buenos Aires	64,620					Office Rental	91.7%	
Av. De Mayo 595	08/19/92	1,958	City of Buenos Aires	4,489					Office Rental	100.0%	
Av. Libertador 602	01/05/96		City of Buenos Aires						Office Rental	N/A	
Rivadavia 2768	09/19/91	274	City of Buenos Aires	217					Office Rental	0.0%	



**Table of Contents**

Property <sup>(8)</sup>	Date of Acquisition	Leasable/ Sale m2 <sup>(1)</sup>	Location	Net Book Value Ps./000	Outstanding principal amount Maturity Maturity	Balance due at last installment s Maturity Rate	Use	Occupancy rate <sup>(9)</sup>
Sarmiento 517	01/12/94	39	City of Buenos Aires	197			Office Rental	0.0%
Constitución 1111	06/16/94	312	City of Buenos Aires	897			Commercial Rental	0.0%
Della Paolera 265	08/27/07	14,873	City of Buenos Aires	155,196			Office Rental	96.4%
Museo Renault	12/06/07	1,275	City of Buenos Aires	4,785			Others Rentals	100.0%
Santa María del Plata	07/10/97	60,100	City of Buenos Aires	12,496			Others Rentals	100.0%
Thames	11/01/97	33,191	Province of Buenos Aires	3,897			Others Rentals	0.0%
Constitución 1159	01/16/94	2,072	City of Buenos Aires	5,427			Others Rentals	100.0%
Terreno Catalinas Norte	12/17/09	N/A	City of Buenos Aires	100,804			Others Rentals	N/A
Other Properties <sup>(6)</sup>	N/A	N/A	City and Province of Bs. As.	3,274			Office Rentals	N/A
Alto Palermo Shopping <sup>(3)</sup>	11/23/97	18,629	City of Buenos Aires	134,984			Shopping Center	100.0%
Abasto Shopping <sup>(3)</sup>	07/17/94	37,603	City of Buenos Aires	163,556			Shopping Center	99.6%
Alto Avellaneda <sup>(3)</sup>	11/23/97	36,579	City of Avellaneda	73,454			Shopping Center	96.0%
Paseo Alcorta <sup>(3)</sup>	06/06/97	14,390	City of Buenos Aires	70,663			Shopping Center	97.5%
Patio Bullrich <sup>(3)</sup>	10/01/98	11,736	City of Buenos Aires	89,638			Shopping Center	99.7%
Alto Noa Shopping <sup>(3)</sup>	03/29/95	18,869	City of Salta	21,570			Shopping Center	99.9%
Buenos Aires Design <sup>(3)</sup>	11/18/97	13,786	City of Buenos Aires	8,811			Shopping Center	98.4%

**Table of Contents**

Property <sup>(8)</sup>	Date of Acquisition	Leasable/ Sale m2 <sup>(1)</sup>	Location	Net Book Value Ps./000 Encuentro	Outstanding principal amount (in million of Ps.)	Balance due at last installment s Maturity (in million of Ps.)	Rate	Use	Occupancy rate <sup>(9)</sup>
Alto Rosario Shopping <sup>(3)</sup>	11/09/04	28,650	City of Rosario	77,401				Shopping Center	93.7%
Mendoza Plaza Shopping <sup>(3)</sup>	12/02/94	40,651	City of Mendoza	80,552				Shopping Center	93.1%
Córdoba Shopping									
Villa Cabrera <sup>(3)</sup>	12/31/06	15,643	City of Córdoba	68,958				Shopping Center	98.8%
Dot Baires Shopping <sup>(3)</sup>	12/01/06	49,750	City of Buenos Aires	583,355				Shopping Center	100.0%
Neuquén Project <sup>(3)</sup>								Shopping Center	
	07/06/99	N/A	Province of Neuquén	12,389				(in construction)	N/A
Abril/Baldovinos	01/03/95	1,408,905	Province of Buenos Aires	1,763				Residential Communities	N/A
El Encuentro	11/18/97	125,889	Province of Buenos Aires	10,256				Residential Communities	N/A
Puerto Retiro	05/18/97	82,051	City of Buenos Aires	54,600				Land Reserve	N/A
Baicom Plot of land	12/23/09	6,905	Province of Buenos Aires	4,459				Land Reserve	N/A

- (1) Total leasable area for each property as of 06/30/10. Excludes common areas and parking spaces.
- (2) Cost of acquisition or development (adjusted as discussed in Note 2.c. to the consolidated financial statements), plus improvements, less accumulated depreciation, less allowances.
- (3) Through Alto Palermo.
- (4) Includes the following land reserves: Pilar and Torre Jardín IV, Pontevedra lot; Isla Sirgadero; Mariano Acosta, Intercontinental Plaza II, San Luis lot and Merlo through IRSA, Zetol and Vista al Muelle through Liveck and Caballito, Coto Air Space, C. Gardel 3128/34, Zelaya 3102 and Conil through Alto Palermo.
- (5) As security for compliance with the construction of the future building to be constructed in a plot of land in Vicente Lopez, Province of Buenos Aires and transfer of the future units, the company's property located at Suipacha 652 was mortgaged.
- (6) Includes the following properties: Casona Abril and Alto Palermo Park.
- (7) Includes the following properties: Torres Jardín, San Martín de Tours, Rivadavia 2768, Swap receivables Caballito Plot of land (CYRSA and Koad) and Pereiraola lots through IRSA.
- (8) Swap receivables Terreno Rosario through APSA and Caballito Plot of land, Abasto Project and Libertador 1703 and 1755 (Horizons) through CYRSA.
- (9) All assets are owned by IRSA directly or indirectly.
- (10) Percentage of occupation of each property as of 06/30/10. The land reserves are assets that the company remains in the portfolio for future development.
- (11) As collateral for the new debt that Hoteles Argentinos S.A. (HASA) incurred with Standard Bank Argentina, we entered into a put option agreement whereby we granted to Standard Bank the right to sell to us, and we promised to buy, 80% of the credit rights arising from the loan, in the event of a default thereof by HASA.

## **Table of Contents**

### *Insurance*

We carry insurance policies with insurance companies that we consider to be financially sound. We purchase multiple peril insurance for the shopping centers covering fire and negligence liability, electrical or water damages, theft and business interruption. We have submitted a limited number of claim reports under the shopping center insurance, including a claim for a reported loss caused by fire in Alto Avellaneda Shopping on March 5, 2006 and, as of this date, we have been able to recover substantially all such claims from the insurance companies.

In our Development and Sale of Properties segment, we only maintain insurance when we retains ownership of the land under development or when we develop the property ourselves. Our liability and fire insurance policies cover potential risks such as property damage, business interruption, fire, falls, collapse, lightning and gas explosion. Such insurance policies contain specifications, limits and deductibles which we believe are customary. We maintain insurance policies for our properties after the end of construction only if we retain ownership, primarily in the Offices and Other Properties segment.

We carry insurance for directors and officers covering management's civil liability, as well as legally mandated insurance, including employee personal injury. We do not provide life or disability insurance for our employees as benefits. We believe our insurance policies are adequate to protect us against the risks for which we are covered. Nevertheless, no assurances can be given that the insurance amount purchased by us will be enough to protect ourselves from significant losses. See Risk Factors Risks Related to our Business. Some potential losses are not covered by insurance, and certain kinds of insurance coverage may become prohibitively expensive.

### **Item 4A. Unresolved Staff Comments.**

None.

### **Item 5. Operating and Financial Review and Prospects.**

#### ***A. Operating Results***

For purposes of the following discussion, unless otherwise specified, references to fiscal years 2010, 2009 and 2008 relate to our fiscal years ended June 30, 2010, 2009 and 2008, respectively.

We maintain our financial books and records in Pesos. We prepare our Consolidated Financial Statements in conformity with Argentine GAAP and the regulations of the CNV which differ in significant respects from U.S. GAAP. These differences involve methods of measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC. See Note 27 to our Audited Consolidated Financial Statements included elsewhere in this annual report herein for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and a reconciliation to U.S. GAAP of our net income and shareholders' equity.

## **Table of Contents**

### *Our Results of Operations*

#### **Overview**

##### *Effects of the Economic Crisis Since 2001*

Our historical financial results have been, and are expected to continue to be, materially affected by the general level of economic activity and growth of per capita disposable income in Argentina, where most of our assets are located and our operations are performed. From December 2001 through most of 2002, Argentina experienced a crisis that virtually paralyzed its economy and led to radical changes in government policies. Argentina's trade and fiscal deficits and the rigidity of its fixed exchange rate system (known as the convertibility regime), combined with the country's excessive reliance on foreign capital and with its mounting external debt, resulted in a deep contraction of the economy and in banking and fiscal crises when capital started to leave the country.

In response to the political and economic crisis, the Argentine government undertook a number of far-reaching initiatives that significantly changed the monetary and foreign exchange regime and the regulatory framework for conducting business in Argentina. Between December 2001 and January 2002, Argentina abolished the fixed parity between the Peso and the U.S. dollar, rescheduled bank deposits, converted dollar denominated debts into pesos, and suspended payment on a significant portion of its public debt.

Most sectors of the Argentine economy were severely affected by the crisis and regulatory changes. In April 2002, the economy started its path to stabilization and realized a clear improvement of economic variables during the second half of the year, mainly as a result of expanding exports and decreasing imports. While the devaluation of the Peso had significant adverse consequences, it resulted in a positive balance for Argentina's current account, which fostered a reactivation of domestic production. The sharp decline in the Peso's value against foreign currencies, together with a decline in production costs in U.S. dollar terms, made Argentine products relatively inexpensive in the export markets. At the same time, the costs of imported goods increased significantly due to the devaluation of the Peso, forcing Argentine consumers to substitute their purchase of foreign goods with domestic products, substantially boosting domestic demand for domestic products.

During the second half of 2002, Argentina's Gross Domestic Product (GDP) increased 4.4%, and the consumer price index inflation was 8.0% for the six-month period ended December 31, 2002, compared to 30.5% for the six-month period ended June 30, 2002. The improving economic conditions, particularly the reduction of capital outflows from the Argentine economy and the banking system, allowed the government to begin lifting restrictions on bank withdrawals in November 2002.

Despite the improvement in economic conditions during the second half of 2002, Argentina's overall GDP contracted 10.9% for the full year, receding to 1993 values, investment collapsed (with, for example, negative growth of 43% in the second quarter compared to the second quarter of 2001), and inflation increased sharply. The main impact of the crisis was the tremendous social hardship. Unemployment rose from 12.9% to 19.7% between 1998 and 2002, real wages declined 24% in 2002, and the poverty index increased from 29% of the population in 2000 to 52% in 2002.

In May 2003, Argentina's political environment was reorganized when Néstor Kirchner took office as president. The economy continued to show indications of recovery, as GDP grew 8.8% in 2003. A combination of sound fiscal and monetary policies kept consumer price inflation

## **Table of Contents**

under control at 3.5% in 2003. During 2003, Argentina moved towards normalizing its relationship with the IMF, withdrew all the national and provincial governments' quasi-money securities from circulation (amounting to Ps.7.8 billion), and eliminated all deposit restrictions. The trade balance experienced a sustained surplus, aided by the rise in commodity prices and export volumes. Social indicators also improved. The unemployment rate decreased to 17.3% in 2003 and real wages began to recover.

During 2004 and 2005, the Argentine economy continued to grow. GDP grew 9.0% in 2004 and 9.0% in 2005 according to the Central Bank's survey of independent forecasting firms. Inflation remained relatively low in 2004 although it almost doubled to 6.1% from 2003, and it increased to 12.3% during 2005, 9.8% during 2006, 8.5% during 2007 and 4.7% as of the first semester of 2008.

In June 2005, the Argentine government completed a restructuring of a substantial portion of the federal government's public debt, which had been in default since December 2001. Argentina reduced the outstanding principal amount of its public debt from US\$191.3 billion to US\$126.6 billion and negotiated lower interest rates and extended payment terms.

During 2008, the global economy deteriorated significantly as a consequence of the subprime mortgage crisis. Therefore, Argentina was faced with a global economic downturn and a drop in the level of activity that delayed the pace of growth.

There were encouraging signs of a local economic recovery in 2009 and the first semester of 2010 in which the economy grew more than expected. Most of the currencies have appreciated against the US dollar, particularly our commercial partners, and the capital flows have turned to developing countries which gives a good scenario for the Argentinean balance of payments. Besides, local consumption has grown in this period, reinforced by local credit.

Although Argentina's economy has recovered significantly from the crisis of 2002, the effects of the global economic slow-down on Argentina cannot be predicted. We cannot assure you that the favorable economic conditions that Argentina has experienced in recent years will continue. *See Risk Factors Risks Related to Argentina.*

### *Effects of inflation*

From 1997 until the end of year 2001, the Argentine government's policies substantially reduced the level of inflation. Therefore, during that period inflation did not significantly affect our financial condition and results of operations. The following are annual inflation rates since 2002 published by the Argentine Ministry of Economy and Production:

**Table of Contents**

Year ended June 30,	Consumer Price Index	Wholesale Price Index
2002	28.4%	88.2%
2003	10.2%	8.1%
2004	4.9%	8.6%
2005	9.0%	7.7%
2006	11.0%	12.1%
2007	8.8%	9.4%
2008	9.3%	13.8%
2009	5.26%	5.4%
2010	11.0%	15.5%

The increase in inflationary risk may erode our present macroeconomic stability, causing a negative impact on our operations.

The Wholesale Price Index ( IPIM ) increased by 12.5% in the first ten months of 2010, and the consumer price index increased 9.2% in the first ten months of 2010.

*Effects of interest rate fluctuations*

Most of our U.S. dollar denominated debt accrues interest at a fixed rate. An increase in interest rates will not necessary result in a significant increase in our financial costs and may not materially affect our financial condition and our results of operations.

*Effects of Foreign Currency Fluctuations*

A significant portion of our financial debt is denominated in U.S. dollars. Therefore, a devaluation of the Argentine Peso against the U.S. dollar would increase our indebtedness measured in Pesos and materially affect our results of operations. Foreign currency exchange rate fluctuations significantly increase the risk of default on our mortgages and lease receivables. Due to the fact that many of our customers have their cash flows in Pesos, a fluctuation of exchange rate may increase their U.S. dollar-denominated liabilities. Foreign currency exchange restrictions that may be imposed by the Argentine Government could prevent or restrict our access to U.S. dollars, affecting our ability to service our U.S. dollar denominated liabilities.

*Evolution of our Business Segments**Shopping centers*

The profitability of our shopping center business is highly sensitive to consumer spending, overall GDP growth in Argentina and availability of financing. The contraction in consumer spending and the greater reliance on informal and low quality products that characterized the Argentine economy during the crisis has been significantly lessened along with an increase in GDP growth. This economic reactivation has significantly increased the revenues of APSA, our subsidiary engaged in shopping center ownership and operation. During the fiscal years ended June 30, 2008, 2009 and 2010, our shopping center revenues were Ps.345.4 million, Ps.396.7 million and Ps.518.4 million, respectively.

## **Table of Contents**

### ***Consumer financing***

We operate a Consumer financing business through our majority-owned subsidiary, Tarshop and jointly controlled subsidiary Metroshop. Our Consumer financing segment consists primarily of lending and servicing activities relating to credit cards and personal loans products we offer to consumers at shopping centers, hypermarkets and street stores. We finance a substantial majority of our credit card and personal loan activities through securitization of the receivables underlying the accounts we originate. Our revenues from the consumer financing transactions are primarily 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 statement of accounts, 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) interest income generated by financing and lending activities.

In December 2009, we entered into an agreement for the sale of 80% of our shareholding in Tarshop to Banco Hipotecario. On May 21, 2010, and as part of the above mentioned agreement, we and Tarshop entered into an agreement pursuant to which Tarshop sold us 50% of Metroshop's capital stock. On August 30, 2010, the Central Bank notified Banco Hipotecario of the approval of the transaction. Consequently, on September 13, 2010, the transaction closed.

### ***Development and sale of properties.***

Demand for new residential units is influenced by a number of factors, including employment rates, short-term and long-term interest rates, availability of government-sponsored and private mortgage financing programs and products, consumer confidence, governmental policies, demographic factors and, to a lesser extent, changes in property taxes, energy costs and federal income tax rates. In addition, the feasibility of developing and marketing new residential units depends on a number of factors such as the inventory of existing units, zoning restrictions, government policies, cost and availability of land, construction and sales costs and the availability of financing on reasonable terms, among other factors. At the time of the crisis, residential sales came to a virtual standstill and real estate prices fell sharply. During the last five years, the market has begun to recover, making gradual progress. This continuing market stabilization accounts for much of the revenue increase in our Development and sale of properties segment. During the fiscal years ended June 30, 2008, 2009 and 2010, our Development and sale of properties segment had revenues of Ps.196.8 million, Ps.280.4 million and Ps. 225.6 million, respectively.

### ***Office and Other Non-Shopping Center Rental Properties***

The profitability of Office and other non-shopping center rental properties segment is similarly affected by the macroeconomic factors described above. Favorable market conditions and the incidence of bankruptcy are also closely related to levels of vacancy and to the price at which we can lease our premises which in turn adversely affect our revenues in this segment. During the 2001 Argentine economic crisis and its aftermath, few development projects were built in Argentina. However, demand for office space and rental properties has increased substantially during the last five years, significantly raising prices. During the fiscal years ended June 30, 2008, 2009 and 2010, our Offices and Other Non-Shopping Center Rental Properties segment had revenues of Ps.102.2 million, Ps.147.7 million and Ps. 154.2 million, respectively.

## **Table of Contents**

### ***Hotels***

The revenues from our hotel business are also highly sensitive to market conditions. For example, the devaluation of the Peso following the repeal of the Convertibility Law made Argentina a less expensive, and therefore a more attractive, tourist destination, significantly increasing the influx of foreign tourists. The appreciation of foreign currency also rendered domestic travel destinations more appealing to the Argentinians, many of whom replaced foreign travel with local travel. During fiscal years ended June 30, 2008, 2009 and 2010, our Hotels segment had revenues of Ps.148.8 million, Ps.158.8 million and Ps. 159.9 million, respectively.

### ***Factors Affecting Comparability of Results of Operations***

Described below are certain considerations that will facilitate an understanding of our overall operating results. These factors are based upon the information which is currently available to us and do not represent all of the factors that are relevant to an understanding of our current and future results of operations.

### ***Recent results on equity investees***

As of June 30, 2010 we owned 28.03% of Banco Hipotecario (without considering treasury shares), Argentina's leading mortgage lender and provider of mortgage-related insurance and mortgage loan services. Banco Hipotecario restructured its financial debt in 2004 and has recorded attractive results from its operations since then. For the fiscal years ended June 30, 2008, 2009 and 2010, our investment in Banco Hipotecario generated a loss of Ps.12.4 million, and a gain of Ps.142.1 million and a gain of Ps.151.6, respectively. The results we recorded in our 2008, 2009 and 2010 fiscal years represented (22.6%), 89.6% and 45.3%, respectively, of our consolidated net income for such years, but we cannot assure that the investment in Banco Hipotecario will generate similar gains, if any, in the future.

### ***Variability of results due to substantial property acquisitions and dispositions***

The development and sale of large residential and other properties does not yield a stable, recurring stream of revenue. On the contrary, large acquisitions and sales significantly affect revenues for a reporting period, making it difficult to compare our year-to-year results. For example, the Ps.68.6 million sale of building Costeros Dique II and the Ps.46.3 million sale of Pereiraola undeveloped parcel of land have significantly impacted our results for our 2010 fiscal year. Our historical revenues have varied from period to period depending upon the timing of sales of properties, and our future period-on-period results of operations are likely to continue to vary, perhaps significantly, as a result of periodic acquisitions and dispositions of properties.

### ***Critical Accounting Policies and Estimates***

In connection with the preparation of our Consolidated Financial Statements included in this annual report, we have relied on variables and assumptions derived from historical experience and various other factors that we deemed reasonable and relevant. Although we review these estimates and assumptions in the ordinary course of business, the portrayal of our financial condition and results of operations often requires our management to make judgments regarding the effects of matters that are inherently uncertain on the carrying value of our assets and liabilities. Actual results may differ from those estimated under different variables, assumptions or conditions. In order to provide an understanding about how management forms our judgments about future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, we have included comments related to each critical accounting policy described as follows:

revenue recognition;



**Table of Contents**

investments in Certificates of Participation ( CPs );

business combinations;

fixed assets, net;

provision for allowances and contingencies;

impairment of long-lived assets;

debt restructuring;

deferred income tax;

minimum presumed income tax ( MPIT ); and

negative goodwill, net.

***Revenue recognition***

We primarily derive our revenues from domestic office space and shopping center leases and services operations, from the development and sale of properties, from consumer financing operations and from Hotels. See *Note 6 of our Consolidated Financial Statements* for more details on our Business Segments.

**Accounting for real estate barter transactions.** We have entered into certain non-monetary transactions with third parties pursuant to which we sold plots of land in the ordinary course of business in exchange for cash and/or other real estate properties. Under Argentine GAAP, these transactions were recorded based on the fair value of the assets involved and, as a result, a gain or loss was recognized at the time of the exchange. We believe that this accounting policy is a critical accounting policy because the impact of accounting for real estate barter transactions under this method could have a material effect on our consolidated balance sheet as well as on our results of operations.

**Recognition of inventories at net realizable value.** Inventories, on which we receive advance payments to secure the sale price and the terms and conditions of guarantee and closing the achievement of profit, are valued at net realizable value. As of June 30, 2010 and 2009, we recognized a result of Ps.33.8 million and Ps.12.1 million respectively in accordance with the aforementioned criteria, applied mainly to the following real estate developments: in the year 2010, Horizons by Ps.26.4 million and Torres Caballito for Ps.4.8 million and in 2009, Torre Renoir Ps.5.5 million, Dock III, Ps.5.0 million, Torres Caballito Ps. 5.0 million and Dock 13 Ps. 1.3 million. We believe that the accounting policy related to the recognition of inventories at net realizable value is a critical accounting policy because the impact of accounting under this method could have a significant effect on our consolidated balance sheet and on the results of our operations.

## Table of Contents

**Leases and services from shopping center operations.** 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 retail 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. Certain of our 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, we do not recognize contingent rents until the required thresholds are exceeded.

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 of one and a half months 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 charge our tenants a monthly administration fee relating to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the overall shopping centers' operations. The administration fee is prorated among the tenants according to their leases, which varies from shopping center to shopping center. Administration fees are recognized monthly when earned.

In addition to rent, tenants are generally charged **admission rights** , a non-refundable admission fee that tenants may be required to pay upon entering into a lease and upon lease renewal. An admission right is normally paid in one lump sum or in a small number of monthly installments. Admission rights are recognized using the straight-line method over the life of the respective lease agreements.

We also derive revenues for parking lot fees charged to visitors. Parking revenues are recognized as services are performed.

Fibesa acts as the leasing agent for us bringing together the Company and potential lessees for the retail space available in certain of our shopping centers. Fibesa's revenues are derived primarily from success fees paid by tenants calculated as a percentage of the final rental income value for both the lessee and us. Revenues related to success fees are recognized at the time that the transaction is successfully concluded. A transaction is considered successfully concluded when both parties have signed the related lease contract.

**Leases and services from office and Other Non-Shopping Center Rental Properties.** 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 rents are included in accounts receivable in the Consolidated Financial Statements.

**Sale and Development of properties.** We record revenue from the sale of properties when all of the following criteria are met: (a) the sale has been consummated (a sale is not considered consummated until (i) the parties are bound by the terms of a contract, (ii) all consideration has been exchanged, (iii) any permanent financing for which the seller is responsible has been arranged and (iv) all conditions precedent to the closing have been performed); (b) we determine that the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property (the adequacy of a buyer's initial investment is measured by (i) its

## Table of Contents

composition and (ii) its size compared with the sales value of the property); (c) our receivable is not subject to future subordination (our receivable will not be placed in or occupy a lower rank, class or position with respect to other obligations of the buyer); and (d) we have transferred to the buyer the risk and rewards of ownership and do not have a continuing involvement in 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 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 affected under contracts. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs applied to the total contract price. We do not commence revenue and cost recognition until such time as significant construction activities have begun and substantial advance payments have been received according to parameters estimated by us.

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 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.

**Consumer financing.** Our subsidiary APSA is engaged, through its subsidiaries Tarshop and Metroshop, in the origination of consumer loans and credit card transactions and securitization of corresponding receivables. Revenues from credit card transactions are primarily comprised of (i) merchant discount fees which are recognized when transactional information is received and processed by the Company; (ii) data processing services which consist of processing and printing cardholders statement of accounts, and which are recognized as services are provided; (iii) life and disability insurance charges to cardholders which are recognized on an up-front basis, and (iv) interest income generated by financing and lending activities. Revenue from financing and lending activities are comprised of interest income which is recognized on an accrual basis. After the sale of 80% of Tarshop in September 2010, our subsidiary APSA maintained a 20% interest in the company's business.

## **Table of Contents**

**Hotels.** We recognize revenues from occupation of rooms, catering, and restaurant services as earned at the close of each business day.

### ***Investments in Certificates of Participation ( CPs )***

APSA enters into ongoing revolving-period securitization programs, through which Tarshop, a majority-owned subsidiary of APSA, transfers credit card receivables to the trust in exchange for cash and retained interests in the trust.

CPs are carried at their equity value based on financial statements issued by the trusts, less allowances for impairment if the carrying value exceeds their estimated recoverable value and classified as investments.

We believe that this accounting policy is a critical accounting policy because fair values are based on estimates using other valuation techniques, such as discounting estimated future cash flows using a rate commensurate with the risks involved or other acceptable methods. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding prepayments, discount rates, estimates of future cash flows and future expected loss experience. Changes in these assumptions could significantly affect these estimates. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair value, APSA's fair values should not be compared to those of other companies.

### ***Business combinations***

Acquisitions are accounted for under the purchase method of accounting. Under the purchase method, the purchase price is allocated to tangible and intangible assets and liabilities based on their respective fair values in accordance with the provisions of RT No. 18. In making estimates of fair values, management utilizes a number of various sources.

When we acquire properties, for fair value estimation purposes, we also consider information about each property obtained as a result of pre-acquisition due diligence, marketing and leasing activities. We allocate a portion of the purchase price to tangible assets including the fair value of the building on an as-if-vacant basis and to land determined either by real estate tax assessments, third-party appraisals or other relevant data. Generally we determine the as-if-vacant value by using a replacement cost method. Also, a portion of the purchase price is allocated to above-market and below-market in-place lease values for acquired properties based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining noncancelable term of the lease. The capitalized above-market and below-market lease values are amortized as a reduction of or an addition to rental income over the remaining noncancelable terms of the respective leases. Should a tenant terminate its lease, the unamortized portion of the lease intangibles would be charged or credited to income. A portion of the purchase price is also allocated to the value of leases acquired and management utilizes independent sources or management's determination of the relative fair values of the respective in-place lease values. Our estimates are made using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods, considering current market conditions and costs to execute similar leases. In estimating carrying costs,

**Table of Contents**

management includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. We also estimate costs to execute similar leases including leasing commissions, legal expenses and other related costs. Other intangible assets acquired may include tenant relationships which are valued based on management's evaluation of the specific characteristics of each tenant's lease and our overall relationship with the respective tenant. We have not identified any lessee with whom it has developed a type of relationship allowing the recognition of an intangible asset.

**Fixed assets, net**

Fixed assets, net are comprised primarily of rental properties (including shopping centers), hotels and other property and equipment held for use by us.

**Rental properties (including shopping centers)**

Rental properties are carried at cost (adjusted for inflation as described in Note 2.c. to the Consolidated Financial Statements), less accumulated depreciation and allowances for impairment. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, which are estimated between 10 to 30 years for office buildings and related improvements and between 26 and 39 years for shopping centers. Expenditures for maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are capitalized and depreciated over their estimated remaining useful lives. At the time depreciable assets are retired or otherwise disposed of, the cost and the accumulated depreciation and allowances for impairment of the assets are removed from the accounts and any profit or loss is recognized. We capitalize financial costs (interest and foreign exchange differences) on long-term construction projects. Capitalized financial costs amounted to Ps. 5.3 million, Ps. 86.5 million and Ps.10.5 million for the years ended June 30, 2010, 2009 and 2008, respectively, mainly in connection with the construction of the Dot Building, Horizons, the Dot Baires Shopping, Shopping Alto Rosario and Dique IV.

During the year ended June 30, 2002, 2003 and 2005 we recognized significant impairment losses. As permitted by Argentine GAAP, due to increases in fair market values, these impairment charges were subsequently reversed partially during the years ended June 30, 2003 through the current fiscal year. Impairment charges and subsequent reversals are included in the line item Gain from operations and holdings of real estate assets, net in the Consolidated Statements of Income. The balance of allowance for impairment of fixed assets amounts to Ps. 3.5 million, Ps. 3.9 million and Ps.5.0 million for the years ended June 30, 2010, 2009 and 2008, respectively.

**Other property and equipment**

Other property and equipment are carried at cost (adjusted for inflation as described in Note 2.c.), less accumulated depreciation at the end of the year. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, as specified below:

Asset	Estimated useful life (years)
Leasehold improvements	Lesser of lease term or asset useful life
Facilities	Between 10 and 20
Machinery and equipment	10
Vehicles	5
Software	3
Computer equipment	3
Furniture and fixtures	Between 5 and 10
Other	10

## **Table of Contents**

### ***Provisions for allowances and contingencies***

We provide for losses relating to mortgage and accounts receivables. The allowance for losses is based on the management's evaluation of various factors, including the customers' credit risk, historical trends and other information. While management uses the information available to make evaluations, future adjustments to the allowances may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluations. Management has considered all events and/or transactions subject to reasonable and normal methods of estimations, and the consolidated financial statements reflect that considerations.

We have certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor and other matters. We accrue liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, our estimate of the outcomes of these matters and our lawyers' experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs, which could have material effect on our future results of operations and financial condition or liquidity.

We believe that this accounting policy is a critical accounting policy because if the future conditions differ substantially from the assumptions used in making the evaluations, this could have a material effect on our consolidated balance sheet as well as our results of operations.

### ***Impairment of long-lived assets***

We periodically evaluate the carrying value of our long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We consider the carrying value of a long-lived asset to be impaired when its recoverable value (the value in use or its net realizable value, whichever is greater), is less than its carrying value. Value in use is determined by the expected cash flows from the assets discounted at a rate commensurate with the risk involved. Net realizable value is determined by the selling price of the assets less costs to sell.

Under Argentine GAAP a previously recognized impairment loss is reversed when there is a subsequent change in estimates used to compute the recoverable value of the asset. In that event, the new carrying value of the asset is the lower of its fair market value or the net carrying value the asset would have had if no impairment had been recognized. Both the impairment charge and the impairment reversal are recognized in earnings. U.S. GAAP prohibits the reversal of a previously recognized impairment charge.

## **Table of Contents**

We believe that the accounting estimate related to asset impairment is a critical accounting estimate because:

it is highly susceptible to change from period to period because it requires company management and/or independent appraisers to make assumptions such as, future sales and cost of sale, future vacancy rates and future prices, which requires significant adjustments because actual prices and vacancy rates have fluctuated in the past and are expected to continue to do so; and

the impact that recognizing an impairment would have on assets reported on our balance sheet as well as on the results of our operations could be material.

As of June 30, 2002, we had revised our assets in all segments to detect impairments resulting from the continued deterioration of the Argentine economy. Therefore, as of June 30, 2002 we had recognized an impairment of Ps.140.6 million. During the years ended June 30, 2003, 2005, and 2008 we recognized impairment losses for a total of Ps.14.0 million, Ps.0.2 million and Ps.0.03 million, respectively. As a result of the increase in the market values of assets for which we had recognized impairment losses, during the fiscal years ended June 30, 2004, 2005, 2006, 2007, 2008, 2009 and 2010 we partially reversed impairment losses, and recognized gains for Ps.63.0 million, Ps.28.2 million, Ps.12.6 million, Ps.2.6 million, Ps.2.7 million, Ps.1.1 million and Ps.0.4 million, respectively.

The fair market value of our office and rental properties was determined following the rent value method, taking into consideration each property's current cash flow, our vacancy amounts and tax impact, and the cash flow was projected for the remaining useful life of each property considering a lease growth rate ranging from 6% to 8% per annum and a projected stable vacancy of 5%. In addition, comparability with other properties in the market and our historic vacancy rates were considered. The price per square meter of our properties varies according to the category and type of building, and to each property's idiosyncratic traits. Vacancy rates continue to be extremely low, with rates of 2% over the stock. Moreover, we currently believe that a significant amount of new office space, comparable to our existing buildings, is not likely to become available in the City of Buenos Aires during the next two or three fiscal years. All discounted cash flow exercises were made considering the impact of depreciation and income tax, i.e., net of taxes. For buildings we consider to be Class A (those having the best location and condition) the average price per square meter used was between Ps.83 and Ps.135 per square meter per month, while for buildings we consider to be Class A/B (having very good location and/or condition) the average price was between Ps.55 and Ps.72 per square meter per month, and for buildings we consider Class B/C (those having good location and/or condition) it was Ps.37 per square meter per month.

With respect to our Hotels segment, the discounted cash flows methodology was applied by taking the forecasts of each hotel's cash flow over our remaining useful life and discounting such estimated amounts at rates according to risk, location and other relevant factors. The cash flows to be discounted considered revenues per room, per guest, per additional charge as well as the fixed and variable expenditures related to the transaction. Rate increases and occupancy variations were estimated based on the information supplied by each hotel's management and comparing them to industry-specific data in the local market. We believe that tourism activities and related industries in Argentina have increased at a lower rate than in previous years, by 8% to 12% over the last 12 months, yet above worldwide figures, according to inbound traveling and spending statistics provided by the National Tourism Agency. Seasonal or exceptional issues that adversely impacted on the result of hotel occupancy rates for the last year were not considered in the analyses.

Shopping centers were valued according to the rent value method. We calculated discount rates considering each property's location, the comparability with other properties in the market, our historic rental income, vacancy rates and cash flow. The average discount rates we used

## **Table of Contents**

ranged between 14.5% and 16.5%, the average price per leasable square meter was Ps.7,043 and the average vacancy rate was calculated taking into consideration a permanent vacancy rate of 5%. As in the case of offices, cash flows of results after income taxes and depreciation were considered, analyzing the periods for the remaining useful life of each asset.

We used the open market method for determining the fair market value of our land reserves and inventories. We estimated the value of each site by taking into consideration the value of the property according to its surface area and location and construction potential, as well as the availability of inventory less cost to sale.

### ***Debt restructuring***

*Extension of the Alto Palermo's Convertible Notes' maturity date.* On July 19, 2002, Alto Palermo issued an aggregate amount of US\$50.0 million of uncollateralized convertible notes (the "Convertible Notes") in exchange for cash and the settlement of certain liabilities. The Convertible Notes accrue interest at a fixed annual interest rate of 10% (payable semiannually), are convertible at any time at the option of the holder into common shares (at a conversion rate that consists in the higher of the result of dividing the Company shares' par value (Ps.0.1) by the exchange rate and US\$0.0324) and originally matured on July 19, 2006. On May 2, 2006 a Meeting of Alto Palermo's Noteholders resolved to extend the maturity date of the Convertible Notes through July 19, 2014, leaving the remaining terms and conditions unchanged.

Argentine GAAP requires that an exchange of debt instruments between, or a modification of a debt instrument by, a debtor and a creditor shall be deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10% different from the present value of the remaining cash flows under the terms of the original instrument. The new debt instrument should be initially recorded at fair value, and that amount should be used to determine the extinguishment gain or loss to be recognized.

Fair value should be determined by the present value of the future cash flows to be paid under the terms of the new debt instrument discounted at a rate commensurate with the risks of the debt instrument and time value of money. If it is determined that the original and new debt instrument are not substantially different, then a new effective interest rate is to be determined based on the carrying amount of the original debt instrument and the revised cash flows. Based on the analysis performed, we concluded that the instruments were not substantially different and accordingly the original Convertible Notes were not considered to have been extinguished.

We believe that the accounting policy related to the extension of Alto Palermo's Convertible Notes' maturity date is a critical accounting policy because it required us to make an estimate of the present value of the future cash flows, using an estimated discount rate which is highly susceptible to changes from period to period, and as a result the impact on the fair market value of our debt instruments could be material.

### ***Deferred income tax***

We recognize income tax using the liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or



## **Table of Contents**

settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Technical Resolution No. 17 requires companies to record a valuation allowance for that component of net deferred tax assets which is not recoverable.

We believe that the accounting estimate related to deferred income tax is a critical accounting estimate because:

it is highly susceptible to change from period to period because it requires company management to make assumptions, such as future revenues and expenses, exchange rates and inflation among others; and

the impact that calculating income tax using this method would have on assets or liabilities reported on our consolidated balance sheet as well as on the income tax result reported in our consolidated statement of income could be material.

### ***Minimum presumed income tax***

We calculate the minimum presumed income tax provision by applying the current 1% rate on computable assets at the end of the year. This tax complements the income tax. Our tax obligation each year will coincide with the highest amount due under either of these two taxes. However, if the minimum presumed income tax provision exceeds income tax in a given year, the amount in excess of income tax can be offset against income tax arising in any of the following ten years.

We have recognized the minimum presumed income tax provision paid in previous years as a credit as we estimate that it will offset future years income tax.

We believe that the accounting policy relating to the minimum presumed income tax provision is a critical accounting policy because it requires management to make estimates and assumptions with respect to our future results that are highly susceptible to change from period to period, and as such the impact on our financial position and results of operations could be material.

### ***Negative goodwill, net***

Negative goodwill, net represents the net effect of goodwill and negative goodwill arising out of business combinations.

#### ***(i) Negative goodwill:***

Negative goodwill represents the excess of fair market value of net assets acquired over cost. Under Argentine GAAP, when negative goodwill exists, acquired intangible assets are assigned a zero value. Negative goodwill is accounted for as follows: (i) the portion of negative goodwill related to future expected losses is recognized in income in the same periods losses are incurred; (ii) the amount exceeding the interest over the non monetary assets is recognized in income at acquisition date; and (iii) the amount not in excess of the equity interest over the non monetary assets is recognized as negative goodwill and amortized under the straight line method over the weighted average useful lives of the identifiable assets of the acquiree, not exceeding 20 years.

## **Table of Contents**

### *(ii) Goodwill:*

Goodwill represents the difference between the purchase price paid and the fair market value of net assets acquired, adjusted for inflation. Goodwill is amortized by the straight-line method over terms ranging from 10 years to 19 years. The carrying amount does not exceed their respective estimated recoverable values of year-end.

### *Business Segment Reporting*

We have determined that our reportable segments are those based on our method of internal reporting. Accordingly, we have six reportable segments. These segments are Development and sale of properties, Offices and Other Non-Shopping Center Rental Properties, Shopping centers, Hotels, Consumer financing and Financial operations and others.

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 office and Other Non-Shopping Center Rental Properties, received from tenants.

*Shopping Centers.* This segment includes the operating results from the shopping center business, principally consisting of lease and service revenues from tenants.

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

*Consumer Financing.* This segment includes the origination of loans and credit card receivables and related securitization programs carried through Tarshop and Metroshop.

*Financial transactions and other.* This segment primarily includes results relating to relating to and/or arising from securities-related transactions and other non-core activities of the company. 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.

### ***Allocation of selling expenses to business segments.***

Selling expenses directly attributable to the Shopping centers, Consumer financing and Hotels 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 which segment has specifically incurred each expense.

### ***Allocation of administrative expenses to business segments.***

Administrative expenses directly attributable to the Shopping centers, Consumer financing and Hotel. 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

## **Table of Contents**

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, 40.6% and 59.4% of administrative expenses (excluding expenses directly attributable to the Shopping centers, Consumer financing and Hotels segments) are allocated to the Development and sale of properties segment and to the Offices and Other Non-Shopping Center Rental Properties segment, respectively.

### *Allocation of results from recognition of inventories at net realizable value*

These results are allocated to the Sales and development segment.

### *Allocation of results from retained interest in securitized receivables (Consumer financing)*

These results are allocated to the Consumer financing segment.

### *Allocation of results from real estate transactions and holdings*

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

### ***Allocation of financial results and holding results to business segments***

Includes interest income, exchange gain (loss) from assets, other holding results, interest expenses, 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 Hotels 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 Hotels 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 that generate them.

**Table of Contents**

The following tables show certain operating data by business segment:

As of and for year ended June 30, 2010	Development and sale of properties	Office and other non- shopping center rental properties <sup>(1)</sup>	Shopping centers	Hotels	Consumer financing	Financial operations and other	Total
	(in thousand Ps.)						
<b>Income statement data</b>							
Revenues	225,567	154,164	518,355	159,894	265,346		1,323,326
Costs	(83,145)	(30,868)	(158,915)	(102,897)	(99,470)		(475,295)
<b>Gross profit</b>	<b>142,422</b>	<b>123,296</b>	<b>359,440</b>	<b>56,997</b>	<b>165,876</b>		<b>848,031</b>
Gain from recognition of inventories at net realizable value	33,831						33,831
Selling expenses	(2,388)	(4,452)	(37,134)	(16,509)	(124,918)		(185,401)
Administrative expenses	(35,079)	(45,679)	(54,335)	(35,074)	(25,124)		(195,291)
Net gain from retained interest in securitized receivables					37,470		37,470
Gain from operations and holdings of real estate assets, net	730	361					1,091
<b>Operating income, net</b>	<b>139,516</b>	<b>73,526</b>	<b>267,971</b>	<b>5,414</b>	<b>53,304</b>		<b>539,731</b>
	844	863	561		(627)		1,641
Amortization of Goodwill, net Financial results, net	(8,868)		40	5,990		152,479	160,416
Gain on equity investees	1,907	(18,487)	(87,564)	(15,697)	(18,921)	(15,559)	(165,096)
Other income (expenses), net			(1,321)	2,604	(1,984)	(9,610)	(10,311)
<b>Income/(loss) before tax and minority interest</b>	<b>133,399</b>	<b>55,902</b>	<b>179,687</b>	<b>(1,689)</b>	<b>31,772</b>	<b>127,310</b>	<b>526,381</b>
Income tax and MPIT	(45,541)	(15,250)	(68,086)	207	(10,473)	(9,284)	(148,427)
Minority interest	140		(48,373)	4,938	(158)		(43,453)
<b>Net Income</b>	<b>87,998</b>	<b>40,652</b>	<b>63,228</b>	<b>3,456</b>	<b>21,141</b>	<b>118,026</b>	<b>334,501</b>
Gross margin <sup>(2)</sup>	0.63	0.80	0.69	0.36	0.63		0.64
Operating margin <sup>(3)</sup>	0.62	0.48	0.52	0.03	0.20		0.41
Net margin <sup>(4)</sup>	0.39	0.26	0.12	0.02	0.08		0.25
Depreciations and amortizations <sup>(5)</sup>	343	24,535	112,611	16,138	7,994		161,621
<b>Balance Sheet Data</b>							
Operating assets	582,204	991,750	1,780,777	210,675	277,486	204,553	4,047,445
Non-operating assets	75,444	97,002	153,540	37,576	49,785	1,172,649	1,585,996
Total assets	657,648	1,088,752	1,934,317	248,251	327,271	1,377,202	5,633,441
Operating liabilities	36,863	173,187	355,185	38,451	174,254		777,940
Non-operating liabilities	331,373	301,564	802,927	178,211	122,714	152,559	1,889,348
Total liabilities	368,236	474,751	1,158,112	216,862	296,968	152,559	2,067,288

(1) Includes offices, commercial and residential premises.

(2) Gross profit divided by revenues

(3) Operating income/(loss) divided by revenues

(4) Net income for the year divided by revenues

(5) Included in Operating income.

**Table of Contents**

As of and for year ended June 30, 2009	Development and sale of properties	Office and other non- shopping center rental properties <sup>(a)</sup>	Shopping centers	Hotels	Consumer financing	Financial operations and others	Total
	(in thousand of Ps.)						
<b>Statement of Income Data</b>							
Revenues	280,362	147,749	396,733	158,913	236,827		1,220,584
Costs	(148,318)	(29,330)	(109,275)	(98,889)	(122,694)		(508,506)
<b>Gross profit</b>	<b>132,044</b>	<b>118,419</b>	<b>287,458</b>	<b>60,024</b>	<b>114,133</b>		<b>712,078</b>
Gain from recognition of inventories at net realizable value	12,056						12,056
Selling expenses	(2,115)	(11,460)	(29,308)	(16,546)	(176,772)		(236,201)
Administrative expenses	(20,867)	(31,547)	(43,247)	(34,888)	(16,780)		(147,329)
Net loss from retained interest in securitized receivables					(46,012)		(46,012)
Gain from operations and holdings of real estate assets, net	51	1,073					1,124
<b>Operating income (loss)</b>	<b>121,169</b>	<b>76,485</b>	<b>214,903</b>	<b>8,590</b>	<b>(125,431)</b>		<b>295,716</b>
Amortization of negative goodwill, net	455	1,100	47				1,602
Gain on equity investees	1,974		40			59,528 <sup>(f)</sup>	61,542
Financial results, net	(6,222)	(14,202)	(92,602)	(16,083)	(1,827)	(5,445)	(136,381)
Other income (expenses), net			3,882	127	(606)	(12,258)	(8,855)
<b>Income (loss) before taxes and minority interest</b>	<b>117,376</b>	<b>63,383</b>	<b>126,270</b>	<b>(7,366)</b>	<b>(127,864)</b>	<b>41,825</b>	<b>213,624</b>
Income tax and MPIT	(41,149)	(16,542)	(53,258)	3,233	37,484	(10,102)	(80,334)
Minority interest	61		(22,104)	5,565	41,823		25,345
<b>Net income (loss)</b>	<b>76,288</b>	<b>46,841</b>	<b>50,908</b>	<b>1,432</b>	<b>(48,557)</b>	<b>31,723</b>	<b>158,635</b>
Gross margin <sup>(b)</sup>	0.47	0.80	0.72	0.38	0.48		0.58
Operating margin <sup>(c)</sup>	0.43	0.52	0.54	0.05	(0.53)		0.24
Net margin <sup>(d)</sup>	0.27	0.32	0.13	0.01	(0.21)		0.13
Depreciation and amortization <sup>(e)</sup>	782	23,962	86,643	18,001	5,584		134,972
<b>Balance Sheet Data</b>							
Operating assets	467,808	940,280	1,831,428	219,158	153,892		3,612,566
Non-operating assets	40,020	74,633	189,244	27,231	20,973	971,320	1,323,421
Total assets	507,828	1,014,913	2,020,672	246,389	174,865	971,320	4,935,987
Operating liabilities	25,379	122,869	413,381	31,236	136,853		729,718
Non-operating liabilities	303,808	304,426	672,794	174,765	106,761	83,672	1,646,226
Total liabilities	329,187	427,295	1,086,175	206,001	243,614	83,672	2,375,944

(a) includes offices, commercial and residential premises.

(b) Gross profit divided by revenues.

(c) Operating income (loss) divided by revenues.

(d) Net income (loss) divided by revenues.

(e) Included in operating income (loss).

(f) Includes Ps. 142.1 million gain generated by Banco Hipotecario and Ps. 82.3 million loss generated by Metropolitan.

**Table of Contents**

As of and for year ended June 30, 2008	Development and sale of properties	Office and other non- shopping center rental properties (a)	Shopping centers	Hotels	Consumer financing	Financial operations and others	Total
(in thousand of Ps.)							
<b>Statement of Income Data</b>							
Revenues	196,811	102,159	345,395	148,847	291,030		1,084,242
Costs	(150,894)	(26,347)	(99,175)	(84,220)	(103,587)		(464,223)
<b>Gross profit</b>	<b>45,917</b>	<b>75,812</b>	<b>246,220</b>	<b>64,627</b>	<b>187,443</b>		<b>620,019</b>
Gain from recognition of inventories at net realizable value	2,832						2,832
Selling expenses	(7,696)	(3,458)	(24,809)	(16,608)	(194,726)		(247,297)
Administrative expenses	(21,849)	(22,028)	(39,150)	(29,979)	(9,115)		(122,121)
Net loss from retained interest in securitized receivables					(1,261)		(1,261)
Gain from operations and holdings of real estate assets, net	66	2,604					2,670
<b>Operating income (loss)</b>	<b>19,270</b>	<b>52,930</b>	<b>182,261</b>	<b>18,040</b>	<b>(17,659)</b>		<b>254,842</b>
Amortization of negative goodwill, net	488	1,782	(390)		(242)		1,638
Loss on equity investees	(1,065)		(33)	(23)		(12,088)	(13,209)
Financial results, net	(8,502)	(10,069)	(23,585)	(5,884)	(375)	(28,327)	(76,742)
Other income (expenses), net			4,975	(5,713)	3,800	(8,704)	(5,642)
<b>Income (loss) before taxes and minority interest</b>	<b>10,191</b>	<b>44,643</b>	<b>163,228</b>	<b>6,420</b>	<b>(14,476)</b>	<b>(49,119)</b>	<b>160,887</b>
Income tax and MPIT	1,820	1,679	(74,992)	(4,010)	(1,522)	(1,087)	(78,112)
Minority interest	1		(36,347)	863	7,458	125	(27,900)
<b>Net income (loss)</b>	<b>12,012</b>	<b>46,322</b>	<b>51,889</b>	<b>3,273</b>	<b>(8,540)</b>	<b>(50,081)</b>	<b>54,875</b>
Gross margin <sup>(b)</sup>	0.23	0.74	0.71	0.43	0.64		0.57
Operating margin <sup>(c)</sup>	0.10	0.52	0.53	0.12	(0.06)		0.24
Net margin <sup>(d)</sup>	0.06	0.45	0.15	0.02	(0.03)		0.05
Depreciation and amortization <sup>(e)</sup>	577	26,274	73,185	13,283	1,888		115,207
<b>Balance Sheet Data</b>							
Operating assets	436,392	999,060	1,642,341	233,613	113,052		3,424,458
Non-operating assets	26,519	57,433	62,649	18,426	21,068	861,419	1,047,514
Total assets	462,911	1,056,493	1,704,990	252,039	134,120	861,419	4,471,972
Operating liabilities	25,530	100,430	250,957	33,115	205,671		615,703
Non-operating liabilities	247,320	209,399	662,174	199,813	75,714	80,956	1,475,376
Total liabilities	272,850	309,829	913,131	232,928	281,385	80,956	2,091,079

(a) Includes offices, commercial and residential premises.

(b) Gross profit divided by revenues.

(c) Operating income (loss) divided by revenues.

(d) Net income (loss) divided by revenues.

(e) Included in operating income (loss).

**Results of our Operations for the Fiscal Years ended June 30, 2010 and 2009****Revenues from Sales, Leases and Services.**

Revenues increased by 8.4%, from Ps. 1,220.6 million for the fiscal year 2009 to Ps. 1,323.3 million in the fiscal year 2010, due to the increases in revenues from all our segments, except for the Development and Sale of Properties segment, as described more fully below.



**Table of Contents**

*Development and Sale of Properties*

Revenues in this segment often vary significantly from one period to another due to (i) the non-recurrent nature of real estate purchase and sale transactions (and of the price obtained from them), (ii) the number of properties under construction from time to time and (iii) the timing of completion of projects under construction. Revenues from our Development and Sale of Properties segment decreased 19.5%, from Ps. 280.4 million for the fiscal year 2009 to Ps. 225.6 million for the fiscal year 2010.

Revenues from our Development and Sale of Properties segment for fiscal year 2009 included:

Ps. 53.8 million of revenue from our sale of units in the Torre Renoir building ;

Ps. 74.5 million of revenue from our sale of the Laminar Plaza building;

Ps. 42.1 million of revenue from our sale of Dock del Plata finished units;

Ps. 36.4 million of revenue from our sale of four stories at the building located at Avenida del Libertador 498;

Ps. 31.5 million of revenue from our sale of the Reconquista 823 building;

Ps. 9.9 million of revenue from our sale of parcels located in Abril, Province of Buenos Aires;

Ps. 7.6 million of revenue from our sale of the H parcel at the Torres Rosario Project (formerly, Rosario lot );

Ps. 6.9 million of revenue from our sale of one story at Torre Bank Boston storey;

Ps. 6.1 million of revenue from our sale of the building located at Avda. Madero 942.

The revenues from our Development and Sale of Properties segment for fiscal year 2010 included:

Ps. 68.6 million of revenue from our sale of Edificios Costeros (Dock II);

Ps. 46.3 million of revenue from our sale of the Pereiraola property;

Ps. 42.1 million of revenue from our sale of Dock del Plata finished units; and

Ps. 10.9 million of revenue from our sale of Libertador 602 in its entirety; and



Ps. 46.6 million of revenue from our sale of stories at the building located in Av. Del Libertador 498.

## **Table of Contents**

### *Office and Other Non-Shopping Center Rental Properties*

Revenues from our Office and Other Non-Shopping Center Rental Properties segment increased 4.3%, from Ps. 147.7 million for the fiscal year 2009 to Ps. 154.2 million for the fiscal year 2010. This increase was mainly due to a 1.1% increase in the average price per leasable square meter during fiscal year 2010, a 2% increase in properties' occupancy rates from 91% during fiscal 2009 to 93% during fiscal 2010 and to the addition of 11,298 square meters of new leasable space in our Dique IV office building, located at Juana Manso 295, which was finished in May 2009. These positive factors were partially offset by the 14,777 square meter reduction in the segment's total leasable square meters sustained in fiscal year 2010, primarily as a result of the sale of Edificios Costeros (Dock II) and of units in Dock del Plata, Libertador 498 and in other non-strategic properties, as described above.

### *Shopping centers*

Revenues from our Shopping Centers segment increased 30.7%, from Ps. 396.7 million for the fiscal year 2009 to Ps. 518.4 million for the fiscal year 2010. This increase was mainly due to a Ps. 109.8 million increase in revenues from leases and admission rights, explained in turn by: (i) an increase in Dot Baires Shopping's turnover as a consequence of being operative the whole year, in comparison to the one and a half month operations during fiscal 2009; (ii) a 37.8% increase in our lessees' total sales, which rose from Ps. 4,194.2 million during the fiscal year ended on June 30, 2009 to Ps. 5,778.2 million in the fiscal year ended on June 30, 2010, which resulted in an increase in our revenues earned as a percentage of our tenants' gross sales and (iii) an increase in the average price lease per square meter.

### *Hotels*

Revenues from our Hotel segment increased 0.6% from the Ps. 158.9 million during the fiscal year 2009 to Ps. 159.9 million for the fiscal year 2010, primarily as a result of an increase in the average price per room during fiscal year 2010 as compared to fiscal year 2009, partially offset by a 4.2% decrease in the average occupancy rate, from 69.8% for fiscal year 2009 to 65.6% for fiscal year 2010.

### *Consumer Financing*

Revenues from our Consumer Financing segment increased by 12.0%, from Ps. 236.8 million for the fiscal year 2009 to Ps. 265.3 million for the fiscal year 2010. This increase was mainly due to rises: (i) sales at retail stores and supermarkets; (ii) the loans granted and (iii) cards issued during fiscal year 2010 as compared to fiscal year 2009.

### *Costs*

Costs decreased by 6.5%, from Ps. 508.5 million for the fiscal year 2009 to Ps. 475.3 million for the fiscal year 2010, due to costs reductions in our Development and Sale of Properties and Consumer Financing segments, partially offset by an increase in the costs of our Shopping Centers, Office and Other Non-Shopping Center Rental Properties and Hotels segments. Our consolidated costs, as a percentage of our consolidated income decreased from 41.7% for fiscal year 2009 to 35.9%, for fiscal year 2010.

**Table of Contents**

*Development and Sale of Properties*

Costs in this segment often vary significantly from one period to another due to (i) the non-recurrent nature of real estate purchase and sale transactions (and of the price obtained from them), (ii) the number of properties under construction from time to time and (iii) the timing of completion of projects under construction. Costs associated with our Development and Sale of Properties segment decreased 43.9%, from Ps. 148.3 million for the fiscal year 2009 to Ps. 83.1 million for the fiscal year 2010.

Costs incurred by our Development and Sale of Properties segment for fiscal year 2009 primarily included:

Ps. 49.4 million of costs related to our sale of units in the Torre Renoir Building ;

Ps. 29.6 million of costs related to our sale of the Laminar Plaza building;

Ps. 18.8 million of costs related to our sale of the building located at Reconquista 823;

Ps. 12.0 million of costs related to our sale of four stories at the building located at Avenida del Libertador 498;

Ps. 5.0 million of costs related to our sale of the H parcel at the Torres Rosario Project (formerly, Rosario lot );

Ps. 5.1 million of costs related to our sale of one story at Torre BankBoston storey;

Ps. 13.3 million of costs related to our sale of Dock del Plata finished units;

Ps. 4.2 million of costs related to our sale of parcels located in Abril;

Ps. 2.3 million of costs related to our sale of the building located at Avda. Madero 942.

Costs incurred by our Development and Sale of Properties segment for fiscal year 2010 primarily included:

Ps. 22.4 million of costs related to our sale of the Pereiraola property;

Ps. 21.4 million of costs related to our sale of Edificios Costeros (Dique II);

Ps. 14.5 million of costs related to our sale of Dock del Plata finished units; and

Ps. 14.1 million of costs related to our sale of stories at the building located in Av. Del Libertador 498.

Ps. 3.1 million of costs related to our sale of Libertador 602 in its entirety.

## **Table of Contents**

The costs associated with our Development and Sale of Properties segment as a percentage of this segment's revenues decreased from 52.9% for fiscal year 2009 to 36.9% for fiscal year 2010.

### *Office and Other Non-Shopping Center Rental Properties*

Depreciation accounts for the largest portion of this segment's costs. The costs of our Office and Other Non-Shopping Center Rental Properties segment increased 5.2%, from Ps. 29.3 million for the fiscal year 2009 to Ps. 30.9 million for the fiscal year 2010, mainly due to an increase in real estate maintenance costs and taxes, rates and contributions.

The costs associated with our Office and Other Non-Shopping Center Rental Properties segment as a percentage of this segment's revenues remained stable, at around 20% for both fiscal years.

### *Shopping centers*

The costs of our Shopping Centers segment increased 45.4%; from Ps. 109.3 million for the fiscal year 2009 to Ps. 158.9 million for the fiscal year 2010, mainly due to: (i) higher amortization and depreciation charges, which increased Ps. 23.3 million; (ii) a Ps. 9.0 million increase in parking lot costs; (iii) a Ps. 14.7 million increase in non-recovered common maintenance expenses and (iv) higher lawsuit-related contingencies charges, which amounted to Ps. 2.2 million.

The costs associated with our Shopping Centers segment as a percentage of this segment's revenues increased from 27.5% for fiscal year 2009 to 30.7% for fiscal year 2010.

### *Hotels*

The costs of our Hotels segment increased 4.1%, from Ps. 98.9 million for the fiscal year 2009 to Ps. 102.9 million for the fiscal year 2010, primarily due to a Ps. 4.1 million increase in salaries and social security contributions partly offset by a Ps. 1.3 million increase in tax benefits that reduced such expenses.

The costs associated with our Hotels segment as a percentage of this segment's revenues increased from 62.2% for fiscal year 2009 to 64.4% for fiscal year 2010.

### *Consumer Financing*

The costs of our Consumer Financing segment decreased 18.9%, from Ps. 122.7 million for the fiscal year 2009 to Ps. 99.5 million for the fiscal year 2010, primarily, due to a decrease in: (i) interest and commission costs and, (ii) the costs of salaries and social security contributions, partially offset by (iii) an increase in third-party fees and services charges.

The costs associated with our Consumer Financing operations as a percentage of this segment's revenues decreased from 51.8% for fiscal year 2009 to 37.5% for fiscal year 2010.

## **Table of Contents**

### ***Gross profit***

As a result of the factors described in the preceding paragraphs, gross profit increased by 19.1%, from Ps. 712.1 million for the fiscal year 2009 to Ps. 848.0 million for the fiscal year 2010, primarily due to an increase in the gross profit of our Shopping Centers, Consumer Financing, Development and Sale of Properties and Office and Other Non-Shopping Center Rental Properties, partially offset by a decrease in the gross profit of our Hotels segment. When measured as a percentage of our revenues, gross profit increased from 58.3% for fiscal year 2009 to 64.1% for fiscal year 2010.

### ***Development and Sale of Properties***

The gross profit of our Development and Sale of Properties segment increased by 7.9%, from Ps. 132.0 million for the fiscal year 2009 to Ps. 142.4 million for the fiscal year 2010.

### ***Office and Other Non-Shopping Center Rental Properties***

The gross profit of our Office and Other Non-Shopping Center Rental Properties segment increased by 4.1%, from Ps. 118.4 million for the fiscal year 2009 to Ps. 123.3 million for the fiscal year 2010.

### ***Shopping centers***

The gross profit of our Shopping Centers segment increased 25.0%, from Ps. 287.5 million for the fiscal year 2009 to Ps. 359.4 million for the fiscal year 2010.

### ***Hotels***

The gross profit of our Hotels segment decreased by 5.0%, from Ps. 60.0 million for the fiscal year 2009 to Ps. 57.0 million for the fiscal year 2010.

### ***Consumer Financing***

The Gross profit of our Consumer Financing segment increased 45.3%, from Ps. 114.1 million for the fiscal year 2009 to Ps. 165.9 million for the fiscal year 2010.

### ***Selling expenses***

Selling expenses decreased by 21.5%; from Ps. 236.2 million for the fiscal year 2009 to Ps. 185.4 million for the fiscal year 2010, primarily as a result of a reduction in the Selling expenses of our Consumer Financing, Office and Other Non-Shopping Center Rental Properties and Hotels segments, partially offset by increases in the Selling expenses of our Shopping Centers and Development and Sale of properties segments.

When measured as a percentage of revenues, Selling expenses decreased from 19.4% for fiscal year 2009 to 14.0% for fiscal year 2010.

### ***Development and Sale of Properties***

The Selling expenses of our Development and sale of properties segment consist of turnover tax, commissions and expenses arising from sales, advertising and promotion and the allowance for doubtful accounts. Selling expenses increased 12.9%, from Ps. 2.1 million for the fiscal year 2009 to Ps. 2.4 million for the fiscal year 2010, mainly due to a Ps. 0.4 million increase in the advertising and promotion accounts.

## **Table of Contents**

Selling expenses associated with Development and Sale of Properties Segment as a percentage of this segment's revenues increased from 0.8% for fiscal year 2009 to 1.1% for fiscal year 2010.

### *Office and Other Non-Shopping Center Rental Properties*

The Selling expenses associated with our Office and Other Non-Shopping Center Rental Properties segment decreased 61.2%, from Ps. 11.5 million for the fiscal year 2009 to Ps. 4.5 million for the fiscal year 2010, primarily due to a Ps. 8.6 million decrease in doubtful accounts, partially offset by a Ps. 0.8 million increase in advertising and promotions and by a Ps. 0.8 million increase in commissions and expenses associated to properties sales.

The Selling expenses associated to our Office and Other Non-Shopping Center Rental Properties segment as a percentage of this segment's revenues decreased from 7.8% for fiscal year 2009 to 2.9% for fiscal year 2010.

### *Shopping Centers*

The Selling expenses associated to our Shopping Centers segment increased 26.7%, from Ps. 29.3 million for the fiscal year 2009 to Ps. 37.1 million for the fiscal year 2010, mainly due to: (i) a Ps. 2.4 million increase in the turnover tax charge; (ii) a Ps. 2.6 million increase in the salaries and social security contributions expenses and (iii) a Ps. 2.4 million increase in expenses associated to courses, exhibitions and events.

The Selling expenses associated to our Shopping Centers segment as a percentage of this segment's revenues decreased from 7.4% for fiscal year 2009 to 7.2% for fiscal year 2010.

### *Hotels*

The Selling expenses associated to our Hotels segment remained stable, in the region of Ps. 16.5 million for both fiscal years.

The Selling expenses associated to our Hotels segment as a percentage of this segment's revenues decreased slightly from 10.4% for fiscal year 2009 to 10.3% for fiscal year 2010.

### *Consumer Financing*

The Selling expenses associated to our Consumer Financing segment decreased Ps. 51.9 million, from Ps. 176.8 million for the fiscal year 2009 to Ps. 124.9 million for the fiscal year 2010, primarily due to: (i) a Ps. 60.1 million decrease in loan losses; (ii) a Ps. 5.5 million decrease in salaries and social security contributions, partially offset by a Ps. 8.0 million increase in fees for services.

Selling expenses associated to our Consumer Financing segment as a percentage of the segment's revenues decreased from 74.6% for fiscal year 2009 to 47.1% for fiscal year 2010.

## **Table of Contents**

### *Administrative expenses*

The main components of administrative expenses are salaries and social security contributions, directors' fees, third parties' fees and services, banking fees, fixed rates contributions and taxes (except for turnover tax). Administrative expenses grew by 32.6%, from Ps. 147.3 million for the fiscal year 2009 to Ps. 195.3 million for the fiscal year 2010, due to increases in administrative expenses in all of our segments.

Administrative expenses, as a percentage of revenues increased from 12.1% for fiscal year 2009 to 14.8% for fiscal year 2010.

### *Development and Sale of Properties*

The Administrative expenses associated with our Development and Sale of Properties segment increased 68.1%, from Ps. 20.9 million for the fiscal year 2009 to Ps. 35.1 million for the fiscal year 2010, mainly due to a Ps. 6.7 million increase in directors' fees, Ps. 3.0 million increase in salaries, bonuses and social security contributions and Ps. 2.0 million increase in taxes, rates and contributions.

The Administrative expenses associated to our Development and Sale of Properties segment as a percentage of this segment's revenues increased from 7.4% for fiscal year 2009 to 15.6% for fiscal year 2010.

### *Office and Other Non-Shopping Center Rental Properties*

The Administrative expenses of our Office and Other Non-Shopping Center Rental Properties segment increased 44.8%, from Ps. 31.5 million for the fiscal year 2009 to Ps. 45.7 million for the fiscal year 2010. The increase was mainly due to an increase of Ps. 8.3 million in directors' fees, a Ps. 2.4 million increase in salaries and social security contributions and a Ps. 2.0 million in taxes, rates and contributions.

The Administrative expenses associated to our Office and Other Non-Shopping Center Rental Properties segment as a percentage of this segment's revenues increased from 21.4% for fiscal year 2009 to 29.6% for fiscal year 2010.

### *Shopping Centers*

The Administrative expenses associated with our Shopping Centers segment grew by 25.6%, from Ps. 43.2 million for the fiscal year 2009 to Ps. 54.3 million for the fiscal year 2010, mainly due to: (i) a Ps. 10.3 million increase in directors' fees, (ii) a Ps. 2.1 million increase in taxes, rates and contributions and (iii) a Ps. 1.1 million increase in salaries and social security contributions. These increases were partially offset by a Ps. 2.4 million decrease in third parties' fees for services.

Administrative expenses associated to our Shopping Centers segment as a percentage of this segment's revenue, decreased from 10.9% for fiscal year 2009 to 10.5% for fiscal year 2010.



## **Table of Contents**

### *Hotels*

The Administrative expenses associated with our Hotels segment increased by 0.5%, from Ps. 34.9 million for the fiscal year 2009 to Ps. 35.1 million for the fiscal year 2010, primarily as a result of a Ps. 1.1 million increase in the charge for lawsuits and a Ps. 0.7 million increase in taxes, rates and contributions, partially offset by a Ps. 1.2 million decrease in salaries.

The Administrative expenses associated to our Hotels segment as a percentage of this segment's revenues remained stable as they went from 22.0% for fiscal year 2009 to 21.9% for fiscal year 2010.

### *Consumer Financing*

The Administrative expenses associated to our Consumer Financing segment increased by Ps. 8.3 million, from Ps. 16.8 million for the fiscal year 2009 up to Ps. 25.1 million for the fiscal year 2010.

Administrative expenses associated to our Consumer Financing segment as a percentage of the segment's revenues increased from 7.1% for fiscal year 2009 to 9.5% for fiscal year 2010.

### ***Gain from recognition of inventories at net realizable value***

During fiscal year 2010, we recognized Ps. 33.8 million as income on the recognition of inventories at net realizable value, mainly in connection with Horizons for Ps. 26.4 million and Receivable on the Caballito property swap for Ps. 4.8 million, which compares to the Ps. 12.1 million income that had been recognized for fiscal year 2009, mainly attributable to Torre Renoir; for Ps. 5.5 million and to Receivable on the Caballito property swap, for Ps. 5.0 million.

### ***Net gain from retained interest in securitized receivables***

Our net gain from retained interest in securitized receivables increased Ps. 83.5 million, from a Ps. 46.0 million loss for the fiscal year 2009 to a Ps. 37.5 million gain for the fiscal year 2010, primarily as a result of: (i) the valuation of the Participation Certificates in various series of Consumer Financing Financial Trusts, (ii) the comparison of these valuations against their recoverable values (fair values) and (iii) the gains/losses on the placement of the notes (at the time of the Public Offering) associated to the various series of Consumer Financing financial trusts. The valuation of the certificates yielded Ps. 23.7 million income. The reasons for this variation are to be found in the decrease in portfolio delinquency (bad debt charges according to minimum requirements, recoveries and refinancing) due in turn to increased volumes in recoveries and changes in lending policies and a decrease in the borrowing interest rates accrued by the debt instruments.

The comparison of their equity values with their recoverable values (fair values) yielded Ps.3.5 million income.

## **Table of Contents**

### ***Gain from operations and holding of real estate assets, net.***

This line reflects the income and losses associated with the reversal of previously recognized impairment charges. The gains and losses resulting from real estate holdings and transactions remained stable in fiscal year 2010 compared to 2009, in the region of Ps. 1.1 million income.

### ***Operating income***

Operating income increased by Ps. 244.0 million, from Ps. 295.7 million income for the fiscal year 2009 to Ps. 539.7 million income for the fiscal year 2010, mainly due to an increase in our Consumer Financing, Shopping Centers and Development and Sale of Properties segments, which were partially offset by a reduction in the Operating income of our Offices and Other Non-Shopping Center Rental Properties and Hotels segments.

Our operating results as a percentage of revenues increased from 24.2% for fiscal year 2009 to 40.8% for fiscal year 2010.

### ***Development and Sale of Properties***

The operating income from our Development and Sale of Properties segment increased by Ps. 18.3 million, from Ps. 121.2 million income for the fiscal year 2009 to Ps. 139.5 million income for the fiscal year 2010, mainly due to cost reductions and an increase in gain from recognition of inventories at net realizable value. The operating income of our Development and Sale of Properties segment as a percentage of this segment's revenues increased from 43.2% for fiscal year 2009, to 61.9% for fiscal year 2010.

### ***Office and Other Non-Shopping Center Rental Properties***

The operating income from our Office and Other Non-Shopping Center Rental Properties segment decreased 3.9%, from Ps. 76.5 million income for the fiscal year 2009 to Ps. 73.5 million income for the fiscal year 2010, mainly due to an increase in administrative expenses and costs, partly offset by decreased selling expenses and increased revenues. The operating income of our Office and Other Non-Shopping Center Rental Properties segment as a percentage of this segment's revenues declined from 51.8% for fiscal year 2009 to 47.7% for fiscal year 2010.

### ***Shopping centers***

The operating income from our Shopping Centers segment increased 24.7%, from Ps. 214.9 million in income for the fiscal year 2009 to Ps. 268.0 million income for the fiscal year 2010, mainly due to higher revenues, partially offset by increases in costs, administrative expenses and selling expenses. Operating income of our Shopping centers segment when measured as a percentage of this segment's revenues, decreased from 54.2% for fiscal year 2009 to 51.7% for fiscal year 2010.

### ***Hotels***

The operating income of our Hotel segment decreased by 37.0%, down from Ps. 8.6 million income for the fiscal year 2009 to Ps. 5.4 million income for the fiscal year 2010, mainly due to an increase in costs that was partially offset by an increase in revenues. The operating income of our hotels segment when measured as a percentage of the segment's revenues, decreased from 5.4% for fiscal year 2009 to 3.4% for fiscal year 2010.

## **Table of Contents**

### *Consumer Financing*

The operating income/(loss) from our Consumer Financing segment increased Ps. 178.7 million, from a Ps. 125.4 million loss for the fiscal year 2009, to Ps. 53.3 million income for the fiscal year 2010, as a result of an increase in the net income(loss) from retained interest in securitized receivables of Tarshop, a decrease in selling expenses and in costs and an increase in revenues; which was partially offset by an increase in administrative expenses. Operating income/loss of our Consumer Financing segment when measured as a percentage of this segment's revenues, g increased from (53.0%) for fiscal year 2009 to 20.1% for fiscal year 2010.

### *Amortization of negative goodwill, net*

Amortization of negative goodwill, net primarily includes: (i) the amortization of the goodwill associated to the following Alto Palermo subsidiaries: Tarshop, Fibesa, Empalme S.A.I.C.F.A. y G., Mendoza Plaza Shopping S.A. and Emprendimiento Recoleta S.A., and (ii) the amortization of our negative goodwill arising from the acquisition of shares in Alto Palermo and Palermo Invest S.A. Amortization of negative goodwill remained stable in fiscal year 2010 when compared to the previous fiscal year, around of a Ps.1.6 million gain.

### *Financial results, net*

Our Financial results, net increased Ps. 28.7 million, from a Ps. 136.4 million loss for the fiscal year 2009 to a Ps. 165.1 million loss for the fiscal year 2010, mainly due to: (i) the fact that none of the non-recurring gains recognized in fiscal 2009, which had amounted to Ps. 105.9 million and Ps. 12.0 million and arisen, respectively, from our repurchases of Alto Palermo's notes and hedging transactions, were recognized in fiscal 2010; (ii) a Ps. 25.4 million increase in the financing expenses associated to the payments of interest accrued on our notes, and (iii) a Ps. 115.1 million reduction in the foreign exchange losses, both in fiscal 2010 and compared to the previous fiscal year due to a reduced variation in the US Dollar exchange rate throughout fiscal 2010.

### *Gain on equity investees*

Gain on equity investees increased by Ps. 98.9 million, up from Ps. 61.5 million income for the fiscal year 2009 to Ps. 160.4 million income for the fiscal year 2010. This increase is mainly attributable to (i) the non-recurring Ps. 82.3 million loss recognized during fiscal year 2009 related to our investment in Metropolitan 885 Third Avenue LLC and (ii) the valuation and acquisition of additional shares of Banco Hipotecario S.A., which during fiscal year 2010 generated a gain of Ps. 151.6 million in comparison with a gain of Ps. 142.1 million recognized during fiscal year 2009.

### *Other income and expenses, net*

Other income and expenses, net, increased by Ps. 1.5 million, from a Ps. 8.9 million loss for the fiscal year 2009 to a Ps. 10.3 million loss for the fiscal year 2010, mainly due to (i) a Ps. 3.7 million increase in donations and (ii) a Ps. 1.2 million increase in lawsuit-related contingencies, partially offset by a Ps. 3.8 million decrease in non-computable VAT.Income tax and minimum presumed income tax.

## **Table of Contents**

Gain tax and minimum presumed income tax increased by Ps. 68.1 million, from a Ps. 80.3 million loss for the fiscal year 2009, to a Ps. 148.4 million loss for the fiscal year 2010. We applied the deferred tax method upon assessing income tax for the two fiscal years, thus recognizing temporary differences in the books and in the deferred tax assets and liabilities.

### ***Minority interest***

This line includes the minority shareholders' interests in subsidiaries in which we have effective control. The minority interest decreased by Ps. 68.8 million, from Ps. 25.3 million income for the fiscal year 2009, to a Ps. 43.5 million loss for the fiscal year 2010, mainly on account of the gains generated by the companies in which we have a majority stake during fiscal year 2010.

### ***Net income***

As a result of the factors described in the preceding paragraphs, net income increased Ps. 175.9 million, up from Ps. 158.6 million for the fiscal year 2009 to Ps. 334.5 million for the fiscal year 2010.

## **Results of Operations for the Fiscal Years ended June 30, 2008 and 2009.**

### ***Revenues***

Revenues grew by 12.6%, from Ps. 1,084.2 million for the fiscal year 2008 to Ps. 1,220.6 million in fiscal 2009 as further described below on a segment-by-segment basis.

### ***Development and sale of properties***

Revenues of the Development and sale of properties segment increased by 42.5% from Ps. 196.8 million for the fiscal year 2008 to Ps. 280.4 million in fiscal year 2009. Revenues in this segment often vary from period to period due to: (i) the quantity and prices of the properties sold and (ii) the properties being constructed and the degree of progress of said projects.

Revenues for the 2008 fiscal year included (i) the sales of 29.9% over the Bouchard Plaza building, commonly known as Edificio La Nación, for Ps. 108.4 million; (ii) the sale of Parcel Y at Dock III for Ps. 56.6 million; (iii) a barter agreement through which a plot of land in the project known as Terreno Caballito was exchanged for home units and parking lots appraised at Ps. 19.2 million and (iv) a barter agreement through which a plot of land in the project known as Terreno Rosario was exchanged for home units and parking lots appraised at Ps. 3.4 million. During fiscal year 2009, revenues were mainly due to: (i) the sale of all the units in the building Laminar Plaza for Ps. 74.5 million; (ii) the sale of all the units in Torre Renoir building for Ps. 53.8 million; (iii) the sale of 8 functional units at Dock del Plata for Ps. 42.1 million; (iv) the sale of 4 stories at the building located at Av. Del Libertador 498 for Ps. 36.4 million and (v) the sale of Reconquista 823 building for Ps. 31.5 million.

### ***Offices and other non-shopping center rental properties***

Revenues in the Offices and other non-shopping center rental properties segment grew by 44.6%, up from Ps. 102.2 million for the fiscal year 2008 to Ps. 147.7 million in fiscal year 2009. This increase was mainly due to a Ps. 43.6 million increase in revenues from office rentals from

## **Table of Contents**

Ps. 97.9 million in fiscal year 2008 to Ps. 141.5 million in fiscal year 2009. This Ps. 43.6 million increase in revenues was mainly due to increased leased space in our Class A office buildings (mainly for Edificio República´s Leases) coupled with increased prices per leasable square meter.

### ***Shopping centers***

Revenues in the Shopping centers segment rose by 14.9% from Ps. 345.4 million for the fiscal year 2008 to Ps. 396.7 million in fiscal year 2009. This rise was in turn mainly due to a Ps. 44.3 million increase in revenues from rentals and admission fees owing to: (i) the rise in the average price per square meter, (ii) new revenues due to the opening of the Dot Baires Shopping and (iii) a 13.3% rise in the total sales of our tenants, which rose from Ps. 3,702.3 million during the fiscal year ended on June 30, 2008 to Ps. 4,194.2 million in the fiscal year ended June 30, 2009, which in turn resulted in an increase in percentage leases. The average occupancy rate at our Shopping centers sustained a slight decrease, down from 99.3% during fiscal 2008 to 98.5% during fiscal 2009.

### ***Hotel operations***

Revenues in the Hotel operations segment rose by 6.8% from Ps. 148.8 million for the fiscal year 2008 to Ps. 158.9 million in fiscal year 2009, mainly owing to: an increase in the average price per room at the hotels, offset by a drop in the average occupancy rate which decreased from 76.0% in fiscal 2008 to 69.8% in fiscal 2009.

### ***Consumer financing***

Revenues in the Consumer financing segment diminished by 18.6%, down from Ps. 291.0 million during fiscal 2008 to Ps. 236.8 million during fiscal year 2009. This was due to decreases in: (i) sales at retail stores and supermarkets; (ii) the loans granted; (iii) the cards issued and (iv) the number of statements of account issued.

### ***Costs***

Costs rose by 9.5%, up from Ps. 464.2 million for the fiscal year 2008 to Ps. 508.5 million in fiscal year 2009, due to the increased costs posted by the segments Consumer financing, Hotel operations, Shopping centers and Offices and other non-shopping center rental properties.

### ***Development and sale of properties***

The costs associated with the Development and sale of properties segment decreased by 1.7% down from Ps. 150.9 million for the fiscal year 2008 to Ps. 148.3 million in fiscal 2009. The costs associated with this segment often reflect significant variations between periods, according to: (i) the number and prices of the properties sold, (ii) the properties being constructed and the degree of progress of said projects.

The costs incurred in fiscal year 2009 were mainly due to: (i) the sale of the Laminar Plaza building, for Ps. 29.6 million; (ii) the sale of all the units at Torre Renoir, for Ps. 49.4 million; (iii) the sale of 8 functional units at Dock del Plata, for Ps. 13.3 million; (iv) the sale in the course of the fiscal year of 4 floors at the building located at Av. Del Libertador 498, for Ps. 12.0 million and (v) the sale of the building located at Reconquista 823, for Ps. 18.8 million.

The costs associated with the Development and sale of properties segment as a percentage of this segment´s revenues decreased from 76.7% during fiscal year 2008 to 52.9% during fiscal year 2009.

## **Table of Contents**

### *Offices and other non-shopping center rental properties*

The costs in the Offices and other non-shopping center rental properties segment rose by 11.3%, from Ps. 26.3 million for the fiscal year 2008 to Ps. 29.3 million in fiscal year 2009. Depreciation constitutes the principal component of cost for this segment.

The increase in costs for the fiscal year 2009 when compared to fiscal year 2008 was mainly due to the increase in real property maintenance expenses which were Ps. 2.4 million and to the increase in depreciation which amounted to Ps. 2.1 million.

The costs associated with the Offices and other non-shopping center rental properties segment as a percentage of this segment's revenues dropped, from 25.8% during fiscal year 2008 to 19.9% during fiscal year 2009.

### *Shopping centers*

The Shopping centers segment's costs rose by 10.2% from Ps. 99.2 million for the fiscal year 2008 to Ps. 109.3 million in fiscal year 2009. This increase is mainly due to: (i) a Ps. 13.5 million increase in the charge for Depreciations and amortizations and (ii) a Ps. 4.2 million increase in the costs associated with parking; which were partially offset by (iii) a Ps. 4.3 million decrease in the costs of unrecovered common maintenance expenses; and (iv) a Ps. 2.5 million decrease in the costs associated with revamping and refurbishment works in leasable areas. The costs associated with our Shopping centers segment as a percentage of this segment's revenues, decreased from 28.7% in the fiscal year ended on June 30, 2008 to 27.5% in the fiscal year ended on June 30, 2009, as costs for this segment, which grew by 10.2%, rose less than revenues, which grew by 14.9%, in the course of this fiscal year.

### *Hotel operations*

The costs in the Hotel operations segment rose by 17.4%, from Ps. 84.2 million for the fiscal year 2008 to Ps. 98.9 million in fiscal year 2009, mainly due to the salary raise and the increase in social security contributions, an increase in depreciations mainly due to the construction of new suites in the Hotel Llao Llao, and amortizations and an increase in the commissions paid.

The costs associated with the Hotel operations segment as a percentage of this segment's revenues increased from 56.6% in fiscal 2008 to 62.2% in fiscal 2009.

### *Consumer financing*

The costs of our Consumer financing segment grew by 18.4%, up from Ps. 103.6 million in the fiscal year ended on June 30, 2008 to Ps. 122.7 million in the fiscal year ended on June 30, 2009. The reasons for this hike were: (i) higher commission and interest costs, (ii) higher costs associated with salaries and social security contributions; (iii) higher public utilities costs; (iv) costs associated with fixed assets depreciations, (v) rentals and common maintenance expenses and (vi) all other costs related to various taxes and rates, partially offset by (vii) a decrease in fees and third parties' services.

The costs associated with the Consumer financing operations as a percentage of this segment's revenues rose from 35.6% during fiscal 2008 to 51.8% during fiscal year 2009.

## **Table of Contents**

### ***Gross profit***

As a result of the above, Gross profit rose by 14.8%, from Ps. 620.0 million for the fiscal year 2008 to Ps. 712.1 million in fiscal year 2009, mainly due to the increase in Gross profit posted by the segments Development and sale of properties, Offices and other non-shopping center rental properties and Shopping centers.

Gross profit, calculated as a percentage of revenues, rose from 57.2% for the fiscal year 2008 to 58.3% for the fiscal year 2009.

### ***Gain from recognition of inventories at net realizable value***

During fiscal year 2009, we recognized gains for Ps. 12.1 on the recognition of inventories at net realizable value, mainly in connection with Torre Renoir for Ps. 5.5 million and Torres Caballito for Ps. 5.0 million; compared to the Ps. 2.8 million gains posted during fiscal 2008, mainly attributable to the Torre Renoir building for Ps. 2.6 million.

### ***Selling expenses***

Selling expenses dropped by 4.5% down from Ps. 247.3 million for the fiscal year 2008 to Ps. 236.2 million in fiscal year 2009, mainly due to the decrease in the selling expenses of the segments Consumer financing and Development and sale of properties and to the slight reduction in the segment Hotel operations. This was partially offset by increases in the Offices and other non-shopping center rental properties and Shopping centers segments.

Selling expenses as a percentage of revenues decreased from 22.8% in fiscal 2008 to 19.4% in fiscal 2009.

### ***Development and sale of properties***

The Selling expenses in the Development and sale of properties segment consist in turnover tax, commissions and expenses arising from sales deals, advertising and promotion as well as the allowance for doubtful accounts. Selling expenses decreased by 72.5%, from Ps. 7.7 million during fiscal year 2008 to Ps. 2.1 million during fiscal year 2009, mainly due to a Ps. 3.0 million decrease in turnover tax.

The Selling expenses associated with the Development and sale of properties segment as a percentage of this segment's revenues dropped by 3.9% during fiscal year 2008 to 0.8% during fiscal year 2009.

### ***Offices and other non-shopping center rental properties***

The Selling expenses associated with the Offices and other non-shopping center rental properties segment rose by Ps. 8.0 million from Ps. 3.5 million for the fiscal year 2008 to Ps. 11.5 million in fiscal year 2009 mainly owing to the increase in the allowance for doubtful accounts and the increase in turnover tax.

The Selling expenses associated to the Offices and other non-shopping center rental properties segment as a percentage of this segment's revenues rose by 3.4% during fiscal year 2008 to 7.8% during fiscal year 2009.

## **Table of Contents**

### *Shopping centers*

The Selling expenses associated to the Shopping centers segment grew by 18.1% from Ps. 24.8 million for the fiscal year 2008 to Ps. 29.3 million in fiscal year 2009 as a result of: (i) a Ps. 3.8 million increase in the allowance for doubtful accounts; (ii) a Ps. 1.0 million increase in salaries and social security contributions; and (iii) a Ps. 0.6 million increase in advertising expenses; (iv) partially offset by a Ps. 1.0 million decrease in trade fairs and events expenses.

The Selling expenses associated to the Shopping centers segment as a percentage of this segment's revenues rose from 7.2% during fiscal year 2008 to 7.4% during fiscal year 2009.

### *Hotel operations*

The Selling expenses associated to the Hotel operations segment for fiscal year 2009 remained stable compared to fiscal year 2008.

The Selling expenses associated to the Hotel operations segment as a percentage of this segment's revenues dropped by 11.2% during fiscal year 2008 to 10.4% during fiscal year 2009.

### *Consumer financing*

The Selling expenses associated to the Consumer financing segment fell by 9.2%, down from Ps. 194.7 million during fiscal year 2008 to Ps. 176.8 million during fiscal year 2009, mainly due to: (i) a Ps. 10.3 million reduction concerning salaries and social security contributions; (ii) a decrease in advertising expenses in the amount of Ps. 14.2 million; (iii) a Ps. 7.9 million decrease in fees; (iv) all of which were offset by the Ps. 18.9 million increase in the allowance for loan losses.

The Selling expenses associated to the Consumer financing segment as a percentage of this segment's revenues rose from 66.9% during fiscal year 2008 to 74.6% during fiscal year 2009.

### *Administrative expenses*

Administrative expenses rose by 20.6%, from Ps. 122.1 million for the fiscal year 2008 to Ps. 147.3 million in fiscal year 2009, mainly due to an increase in the activities conducted by the Offices and other non-shopping center rental properties, Shopping centers, Hotel operations and Consumer financing segments, offset by a drop in the expenses posted by the Development and sale of properties segment. The main components of the administrative expenses are salaries and social security contributions associated to the administrative personnel, fees and payments for services, directors' fees, banking expenses, fixed asset depreciation and taxes (except for the turnover tax).

The administrative expenses as a percentage of revenues grew from 11.3% in fiscal year 2008 to 12.1% in fiscal year 2009.

### *Development and sale of properties*

The administrative expenses associated to the Development and sale of properties segment dropped by 4.5%, from Ps. 21.8 million for the fiscal year 2008 to Ps. 20.9 million in fiscal year 2009, mainly due to the reductions in fees and payments for services and in salaries and social security contributions, partially offset by an increase in Directors' fees.



## **Table of Contents**

The administrative expenses associated to the Development and sale of properties segment as a percentage of this segment's revenues dropped from 11.1% for fiscal year 2008 to 7.4% in fiscal year 2009.

### *Offices and other non-shopping center rental properties*

The administrative expenses of the Offices and other non-shopping center rental properties segment rose by 43.2%, from Ps. 22.0 million for the fiscal year 2008 to Ps. 31.5 million in fiscal year 2009. The increase is mainly due to an increase in Directors' fees, in salaries and social security contributions and in fees and payments for services.

The administrative expenses associated to the Offices and other non-shopping center rental properties segment as a percentage of this segment's revenues decreased from 21.6% for fiscal year 2008 to 21.4% in fiscal year 2009.

### *Shopping centers*

The administrative expenses associated to the Shopping centers segment rose by 10.5%, from Ps. 39.2 million for the fiscal year 2008 to Ps. 43.2 million in fiscal year 2009 mainly due to (i) a Ps. 2.4 million increase in the expenses related to taxes, rates and contributions attributable mainly to the tax on bank debits and credits and; (ii) a Ps. 1.7 million increase in the charges for fees and services; these increases were partially offset by a Ps. 1.1 million decrease in salaries and social security contributions.

The administrative expenses associated to the Shopping centers segment, as a percentage of this segment's revenues diminished from 11.3% during fiscal year 2008 to 10.9% during fiscal year 2009.

### *Hotel operations*

The administrative expenses associated to the Hotel operations segment rose by 16.4%, from Ps. 30.0 million for the fiscal year 2008 to Ps. 34.9 million in fiscal year 2009. The increase was mainly due to (i) a Ps. 3.5 million increase in salaries and social security contributions; (ii) a Ps. 1.0 million increase in commissions and (iii) depreciations for Ps. 0.8 million.

The administrative expenses associated to the Hotel operations segment as a percentage of this segment's revenues rose from 20.1% for fiscal year 2008 to 22.0% for fiscal year 2009.

### *Consumer financing*

The administrative expenses associated to the Consumer financing segment grew by 84.1%, up from Ps. 9.1 million during fiscal year 2008 to Ps. 16.8 million during fiscal year 2009. This rise was mainly due to: (i) a Ps. 3.5 million increase in salaries and social security contributions; (ii) the Ps. 1.3 million increase in expenses concerning taxes, rates and contributions and (iii) a Ps. 1.1 million increase in the fees for services charge.

The administrative expenses associated to the Consumer financing segment as a percentage of this segment's revenues rose from 3.1% during fiscal year 2008 to 7.1% during fiscal year 2009.

## **Table of Contents**

### ***Net loss from retained interest in securitized receivables***

The net loss from the retained interest in securitized receivables rose by Ps. 44.7 million, from Ps. 1.3 million in the fiscal year ended on June 30, 2008 up to Ps. 46.0 million in the fiscal year ended on June 30, 2009, owing to the gains/losses on the placement of the new issuances related to the credit card trusts and the valuation of our interest in them. As of June 30, 2008, an allowance for impairment had been raised in the amount of Ps. 12.0 million, in order to adjust the book value of our participation certificates to their estimated recoverable value.

### ***Gain from operations and holdings of real estate assets, net***

This line reflects impairment gain associated to the reversal of charges for impairment recognized in the past. Gain from operations and holding of real estate assets, net, decreased by 57.9% from Ps. 2.7 million income for the fiscal year 2008 to Ps. 1.1 million income in fiscal year 2009, mainly recognized for Ps. 1.1 million in the Constitución 1159 building. During fiscal year 2008, the Ps. 2.7 million income had been primarily attributed to the Constitución 1159 building for Ps. 2.1 million, to the Sarmiento 517 property for Ps. 0.3 million and to the Constitución 1111 property for Ps. 0.2 million.

### ***Operating income***

Operating income grew by 16.0% from Ps. 254.8 million for the fiscal year 2008 to Ps. 295.7 million in fiscal year 2009, owing mainly to an increase in the Development and sale of properties, Shopping centers offices and other non-shopping center rental properties which was partially offset by a decrease in the Operating income (loss) of the Consumer financing and Hotel operations segments.

Operating income as a percentage of revenues rose from 23.5% in fiscal year 2008 to 24.2% for fiscal year 2009.

### ***Development and sale of properties***

Operating income for the Development and sale of properties segment rose by Ps. 101.9 million up from Ps. 19.3 million for the fiscal year 2008 to Ps. 121.2 million for the fiscal year 2009, due, to a large extent, to the increases in revenues and in the Income/(loss) from recognition of inventories at net realizable value and to a decrease in costs, selling expenses and administrative expenses.

Operating income for the Development and sale of properties segment, as a percentage of this segment's revenues rose from 9.8% during fiscal year 2008 to 43.2% during fiscal year 2009.

### ***Offices and other non-shopping center rental properties***

Operating income for the Offices and other non-shopping center rental properties segment rose by 44.5%, from Ps. 52.9 million for the fiscal year 2008 up to Ps. 76.5 million in fiscal year 2009, due largely to an increase in revenues and a decrease in Selling expenses, partially offset by higher costs and an increase in Administrative expenses.

Operating income for the Offices and other non-shopping center rental properties segment, as a percentage of this segment's revenues remained stable at 51.8% during fiscal year 2009 compared to the previous fiscal year.

## **Table of Contents**

### *Shopping centers*

Operating income for the Shopping centers segment rose by 17.9%, from Ps. 182.3 million for the fiscal year 2008 up to Ps. 214.9 million in fiscal year 2009, largely due to an increase in revenues, partially offset by increases in costs and in administrative and selling expenses.

Operating income for the Shopping centers segment, as a percentage of this segment's revenues rose from 52.8% during fiscal year 2008 to 54.2% during fiscal year 2009.

### *Hotel operations*

Operating income for the Hotel operations segment diminished by 52.4% from Ps. 18.0 million for the fiscal year 2008 down to Ps. 8.6 million in fiscal year 2009, largely due to an increase in revenues and to a decrease in Selling expenses which were partially offset by the increase in costs and in administrative expenses.

Operating income for the Hotel operations segment, as a percentage of this segment's revenues, decreased from 12.1% during fiscal year 2008 down to 5.4% during fiscal year 2009.

### *Consumer financing*

Operating income (loss) for the Consumer financing segment diminished by Ps. 107.8 million, from a Ps. 17.7 million loss for the fiscal year 2008 to a Ps. 125.4 million loss in fiscal year 2009, largely due to a decrease in revenues and an increase in costs and in administrative expenses and the loss on the Company's retained interest in securitized receivables.

The operating loss for the Consumer financing segment, as a percentage of this segment's revenues increased from (6.1%) for fiscal year 2008 to (53.0%) during fiscal year 2009.

### *Amortization of negative goodwill, net*

Amortization of negative goodwill, net, includes: (i) the amortization of the goodwill associated to the following APSA subsidiaries: Shopping Alto Palermo (completed in the course of this fiscal year), Fibesa S.A, Tarshop, Emprendimiento Recoleta S.A. and Empalme and (ii) the amortization of our negative goodwill arising from the acquisition of shares in Alto Palermo and Palermo Invest S.A. Goodwill amortization remained stable in this fiscal year when compared to the previous fiscal year.

### *Gain (loss) on equity investees*

The gain (loss) on equity investees rose by Ps. 74.8 million, from a Ps. 13.2 million loss for the fiscal year 2008 up to Ps. 61.5 million income in fiscal year 2009. This increase was mainly generated by the valuation and acquisition of Banco Hipotecario's shares which went from a loss of Ps. 12.4 million in fiscal year 2008 to a gain of Ps. 142.1 million in fiscal year 2009, mainly related to the gain recognized by the acquisition of additional shares accounted for under the purchase method of accounting, partially offset by a loss of Ps. 82.3 million incurred as a result of our investment in Metropolitan, mainly by the impairment charges in connection with the Lipstick building.

### *Financial results, net*

Financial results, net increased by Ps. 59.6 million, from a Ps. 76.7 million loss for the fiscal year 2008 to a Ps. 136.4 million loss in fiscal year 2009. The main reasons for this loss were: foreign exchange losses for Ps. 166.3 million compared to the fiscal year 2008, caused by a

## **Table of Contents**

significant variation in the selling US Dollar/Argentine Peso exchange rate during the fiscal year herein discussed (it rose from Ps. 3.025 at June 30 2008 to Ps. 3.797 at June 30, 2009), in contrast to the situation a year earlier, when the exchange rate between the Argentine Peso and the US Dollar had remained almost stable (it dropped from Ps. 3.093 at June 30, 2007 to Ps. 3.025 at June 30 2008), partially offset by the income resulting from the repurchases of the notes issued by our subsidiary APSA for Ps. 105.9 million.

### ***Other expenses, net***

The caption Other expenses, net, rose by 57.0% from a Ps. 5.6 million loss in 2008 to Ps. 8.9 million loss in 2009 mainly due to: (i) the increase of Ps. 3.2 million in unrecoverable VAT which rose from a loss of Ps. 1.1 million in 2008 to a loss of Ps. 4.3 million in 2009, (ii) the non recurrence of the gain from cancellation of liabilities and the recovery on fire damages of Ps. 3.0 million and 2.6 million, respectively net of (iii) the decrease of the Ps. 5.0 million in donations which decrease from a loss of Ps. 6.9 million in 2008 to a loss of Ps. 1.9 million in 2009.

### ***Income before taxes and minority interest***

As a result of the foregoing, Income before taxes and minority interest increased by Ps. 52.7 million, from Ps. 160.9 million income for the fiscal year 2008, to Ps. 213.6 million income in fiscal year 2009.

### ***Income tax and MPIT***

Income tax and MPIT remained relatively stable and went from Ps. 78.1 million for the fiscal year 2008 to Ps. 80.3 million in fiscal year 2009. We followed the deferred tax method to calculate our income tax for the two fiscal years, which entails recognizing any temporary differences between the amounts for accounting purposes and tax assets and liabilities.

### ***Minority interest***

This item includes our proportional equity interests in the subsidiaries in which we own a minority interest. The result from third parties' interests in those subsidiaries rose by Ps. 53.2 million from a Ps. 27.9 million loss for the fiscal year 2008 up to Ps. 25.3 million income in fiscal year 2009, mainly due to the losses incurred by the companies in which we hold a Minority interest.

### ***Net income***

As a result of the above, income for the year rose by Ps. 103.8 million from Ps. 54.9 million for the fiscal year 2008 up to Ps. 158.6 million in fiscal year 2009.

## **Banco Hipotecario's Results of Operations**

### ***Overview***

We do not consolidate the consolidated financial statements of our investee Banco Hipotecario. However, according to Rule 3-09 of Regulation S-X, we are required to file separate financial statements of significant investees. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with Banco Hipotecario's consolidated financial statements contained elsewhere in this annual report. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include, among others, those statements including the words

## **Table of Contents**

expects, anticipates, intends, believes and similar language. The actual results may differ materially and adversely from those anticipated in these forward-looking statements as a result of many factors, including those set forth elsewhere in this annual report.

Banco Hipotecario maintains its financial books and records in Pesos and prepares its financial statements in conformity with the policies of the Argentine Central Bank which prescribes the reporting and disclosure requirements for banks and financial institutions in Argentina ( Central Bank accounting rules ). These rules differ in certain respects from generally accepted accounting principles in Argentina ( Argentine GAAP ). A description of significant differences between Central Bank accounting rules and Argentine GAAP are set forth in Note 6 to Banco Hipotecario s consolidated financial statements. Central Bank accounting rules and Argentine GAAP also differ in certain significant respects from U.S. GAAP. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by U.S. GAAP and regulations of the SEC. See Note 34 to the consolidated financial statements of Banco Hipotecario included elsewhere in this annual report for a description of the principal differences between Central Bank accounting rules and U.S. GAAP, as they relate to Banco Hipotecario, and a reconciliation to U.S. GAAP of Banco Hipotecario s net income (loss) and shareholders equity.

### *Critical Accounting Policies*

Banco Hipotecario believes that the following are the critical accounting policies under Argentine Banking GAAP and US GAAP, as they are important to the portrayal of its financial condition and results of operations and require its most difficult, subjective and complex judgment and the need to make estimates about the effect of matters that are inherently uncertain.

### *Allowances for loan and other receivables losses*

Banco Hipotecario allowances for loan losses are maintained in accordance with Argentine Banking GAAP. Under such regulations, a minimum allowances for loan losses is calculated primarily based upon the classification of Banco Hipotecario s commercial loan borrowers and the past due status of Banco Hipotecario s individual loan borrowers, in both cases considering the guarantee of collateral for the loans. Although Banco Hipotecario is required to follow the methodology and guidelines for determining its allowance for loan loss as set forth by the Central Bank, is allowed to provide additional allowances for loan loss.

Banco Hipotecario classifies individual loans based upon their past due status consistently with the requirements of the Central Bank. Minimum loss percentages required by the Central Bank are also applied to the totals in each loan classification. Balances of loans and reserves are charged-off and reflected off its balance sheet three months since the date on which the loans were fully covered by its loan loss allowance.

For commercial loans, the Central Bank required to classify all of Banco Hipotecario s commercial loan borrowers. In order to perform the classification, Banco Hipotecario must consider the management and operating history of the borrower, the present and projected financial situation of the borrower, the borrower s payment history and ability to service the debt, the capability of the borrower s internal information and control systems and the risk in the sector in which the borrower operates. Banco Hipotecario applies the minimum loss percentages required by the Central Bank to Banco Hipotecario s commercial loan borrowers based on the loan classification and the nature of the collateral, or guarantees, of the loan. In addition, based on the overall risk of the portfolio, Banco Hipotecario considers whether or not additional loan loss allowance in excess of the minimum required are warranted.

## **Table of Contents**

Under US GAAP, the allowance for loan losses should be in amounts adequate to cover inherent losses in the loan portfolio at the respective balance sheet dates.

Loans considered impaired in accordance with ASC 310-10 Accounting for Creditors for Impairment of a Loan are valued at the present value of the expected future cash flows discounted at the loan's effective contractual interest rate or at the fair value of the collateral if the loan is collateral dependent. Under ASC 310-10, a loan is considered impaired when, based on current information, it is probable that the borrower will be unable to pay contractual interest or principal payments as scheduled in the loan agreement. ASC 310-10 applies to all loans except smaller-balance homogeneous consumer loans, loans carried at the lower of cost or fair value, debt securities, and leases.

In addition, Banco Hipotecario performs a migration analysis for mortgage, credit cards and consumer loans following the ASC 450-20 and historical loss ratios were determined by analyzing historical losses, in order to calculate the allowance required for smaller-balance impaired loans and unimpaired loans for U.S. GAAP purposes. Loss estimates are analyzed by loan type and thus for homogeneous groups of clients. Such historical ratios were updated to incorporate the most recent data reflecting current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information that may affect the estimation of the allowance for loan losses. Determining the allowance for loan losses requires significant management judgments and estimates including, among others, identifying impaired loans, determining customers' ability to pay and estimating the fair value of underlying collateral or the expected future cash flows to be received. Actual events are likely to differ from the estimates and assumptions used in determining the allowance for loan losses. Additional provisions for loan losses could be required in the future.

### ***Fair Value Estimates***

Banco Hipotecario prepares its financial statements in accordance with the rules of the Central Bank related thereto, which differ from US GAAP in valuing financial instruments.

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10, among other things, requires Banco Hipotecario to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

In addition, ASC 825-10 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments and written loan commitments not previously recorded at fair value. Under ASC 825-10, fair value is used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes on fair value recognized in net income. As a result of ASC 825-10 analysis, Banco Hipotecario has not elected to apply fair value accounting for any of its financial instruments not previously carried at fair value.

### ***Fair Value Hierarchy***

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## **Table of Contents**

ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Inputs include the following:

- (a) Quoted prices for similar assets or liabilities in active markets;
- (b) Quoted prices for identical or similar assets or liabilities in non-active markets;
- (c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- (d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means.

Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

### *Determination of Fair Value*

Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models that use primarily market-based or independently-sourced market parameters, including interest rate yield curves, option volatilities and currency rates. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, Banco Hipotecario's creditworthiness, liquidity and unobservable parameters that are applied consistently over time.

Banco Hipotecario believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

For a detailed description of the applicable accounting principles, please see Note 5.

### *Government securities BODEN*

### *Other-than-temporary impairment*

Under U.S. GAAP, Government bonds, including Boden 2012 Bonds, Bonar 2015 Bonds, Discount Bonds and other securities, were classified as available-for-sale securities, and therefore, carried at fair value with changes in the fair value reflected in other comprehensive income.





## **Table of Contents**

Recognition and Presentation of Other-Than-Temporary Impairments ASC 320 establishes a new method of recognizing and reporting other-than-temporary impairments of debt securities. Impairment is now considered to be other than temporary if an entity:

1. intends to sell the security;
2. is more likely than not to be required to sell the security before recovering its cost; or
3. does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell) that is, a credit loss.

This credit loss is based on the present value of cash flows expected to be collected from the debt security. If a credit loss exists but an entity does not intend to sell the impaired debt security and is more likely than not to be required to sell before recovery, the impairment is other than temporary. It should therefore be separated into:

1. the estimated amount relating to the credit loss, and
2. all other changes in fair value.

Only the estimated credit loss amount is recognized in profit or loss; the remaining change in fair value is recognized in other comprehensive income. This approach more closely aligns the impairment models for debt securities and loans by reflecting only credit losses as impairment in profit and loss.

Banco Hipotecario as a result of its analysis has concluded that the securities are not impairment as of June 30, 2010 and 2009. For more detail information see Note 34.d, e. and f. to our audited consolidated financial statements.

### ***Other Receivables from Financial Transactions and Miscellaneous Receivables,***

Banco Hipotecario records other receivables from financial transactions and miscellaneous receivables net of allowances for uncollectible amounts. Its judgment regarding the ultimate recovery is performed on an account-by-account basis and considers its assessment of the borrower's ability to pay based on factors such as the borrower's financial condition, past payment history, guarantees and past-due status.

### ***Deferred Tax Assets and Minimum Presumed Income Tax***

Under U.S. GAAP, deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the carrying amounts of assets and liabilities recorded for accounting and tax reporting purposes and for the future tax effects of net operating loss carryforwards.

As of June 30, 2009 and 2010, and based on the analysis performed on the realizability of the deferred tax assets, Banco Hipotecario believes that is more likely than not that it will recover the net operating tax loss carryforward and all the temporary differences, with future taxable income. Among other factors, Banco Hipotecario considered that as of the date of the issuance of these financial statements, the taxable income, mainly due to the increase in the price of national

**Table of Contents**

government bonds (classified as available for sale securities for U.S. GAAP purposes), is consuming almost the entire tax loss carryforward, considering that there were no differences between the tax and US GAAP accounting treatment related to available for sale securities.

Management's judgment on the likelihood that deferred tax assets can be realized is subjective and involves estimates and assumptions about matters that are inherently uncertain. This judgment involves estimating future taxable income and the timing at which the temporary differences between book and taxable income will be reversed. Underlying estimates and assumptions can change over time, influencing our overall tax positions, as a result of unanticipated events or circumstances.

Banco Hipotecario has recognized the minimum presumed income tax accrued as of June 30, 2010 and paid in prior years as an asset as of June 30, 2010, because Banco Hipotecario started to generate taxable income and Banco Hipotecario expects to be able to compute it as a payment on account of income tax in future years. Recognition of this asset arises from the ability to generate sufficient taxable income in future years to absorb the asset before it expires. Management's determination of the likelihood that deferred tax assets can be realized is subjective, and involves estimates and assumptions about matters that are inherently uncertain. The realization of deferred tax assets arises from levels of future taxable income and the achievement of tax planning strategies.

Underlying estimates and assumptions can change over time, influencing its overall tax positions, as a result of unanticipated events or circumstances.

**Table of Contents***Twelve month periods ended June 30, 2010 and 2009**General*

The following table sets forth the principal components of its net income for the periods ended June 30, 2010 and 2009.

	<b>Period ended June 30,</b>		<b>% Change</b>
	<b>2010</b>	<b>2009</b>	<b>2010/2009</b>
	<b>(in millions of pesos, except for percentages)</b>		
Financial income	Ps. 1,222.3	Ps. 1,016.2	20.3
Financial expenses	(661.6)	(615.3)	7.5
Net financial income	560.7	400.9	39.9
Provision for loan losses	(100.2)	(209.8)	(52.3)
Net contribution from insurance <sup>(1)</sup>	92.2	97.4	(5.3)
Other income from services	369.4	280.9	31.5
Other expenses for services	(134.3)	(116.7)	15.1
Administrative expenses	(563.4)	(456.3)	23.5
Net income / (loss) from financial transactions	224.5	(3.7)	NM
Miscellaneous income, net <sup>(2)</sup>	0.3	69.2	(99.6)
Non-Controlling interest	(1.5)	(3.5)	(58.2)
Income tax	(24.4)	(11.5)	111.5
Net income	Ps 198.9	Ps 50.5	294.2

(1) Insurance premiums minus insurance claims.

(2) Miscellaneous income minus miscellaneous expenses.

*Net Income*

Banco Hipotecario's net income for the period ended June 30, 2010 of Ps. 198.9 million was higher than Ps. 50.5 for the period ended June 30, 2009, principally due to:

Higher financial income principally as a result of higher income from government and private securities and the increase interest of Overdraft facilities and other loans.

Higher income from services as a result of the activity developed by BHN Inversión and higher commissions derived from credit cards business.

Lower charge of provision for loan losses as a result of an improvement of performing loans portfolio.  
These factors were partially offset by:

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Higher financial expenses as a result of higher time deposit interest as a consequence of the increase in the average balances on time deposits.

Higher administrative expenses mainly related with salaries and social security contributions, and an increase in advertising and publicity fees related to actions adopted by Banco Hipotecario in developing its retail banking business.

**Table of Contents**

Higher miscellaneous expenses due to the increase in credit cards and other discount.

*Financial Income*

The following table sets forth the principal components of its financial income for the periods ended June 30, 2010 and 2009.

	<b>Periods ended June 30, 2010</b>	<b>2009</b>	<b>% Change 2010/2009</b>
	<b>(in millions of pesos, except for percentages)</b>		
Mortgage loans and other financial transactions	Ps. 230.2	Ps. 246.2	(6.5)
Buyback of restructured debt		30.9	(100.0)
Government and Private Securities	479.3	266.7	79.7
Government guaranteed loans	10.5	6.3	66.3
Mortgage-backed securities	22.9	27.6	(17.0)
Cash and due from banks	0.1	2.2	(97.4)
Interbank Loans	1.8	3.0	(39.4)
Other Loans	92.0	63.9	43.9
Credit cards Loans	198.7	204.7	(2.9)
Personal Loans	85.2	132.8	(35.9)
Overdraft facilities	57.3	46.8	22.3
Hedges and forward transactions	34.6	(24.5)	(241.4)
Others	9.8	9.4	4.3
<b>Total Financial Income</b>	<b>Ps. 1,222.3</b>	<b>Ps. 1,016.2</b>	<b>20.3</b>

Banco Hipotecario's financial income increase 20.3% to Ps.1,222.3 million for the period ended June 30, 2010 as compared to Ps.1,016.2 million for the period ended June 30, 2009 mainly as a result of:

Higher income from government and private securities as a result of an increase in trading transaction's spread during the year and the accrued interests of securities recorded at amortized cost, mainly BONAR 2014 and Investment issued by Argentine Central Bank (Lebac).

Higher income from derivative operations resulting from hedging transactions.

Higher interest of overdraft facilities and other loans due to the increase in average balances on those credit lines. These factors were partially offset by:

Lower income from Personal Loans as a result of a decrease in the average of balances due to the decrease in the origination of personal loans.

**Table of Contents****Financial Expenses**

The following table sets forth information regarding its financial expenses for the periods ended June 30, 2010 and 2009.

	<b>Periods ended June 30,</b>		<b>% Change</b>
	<b>2010</b>	<b>2009</b>	<b>2010/2009</b>
	<b>(in millions of pesos, except for percentages)</b>		
Bonds and similar obligations	Ps. 200.2	Ps. 218.8	(8.5)
Borrowings from Banks	0.6	(0.3)	NM
Borrowings from Central Bank	1.9	18.9	(89.7)
Other <sup>(1)</sup>	1.4	1.4	(1.9)
Time deposits	339.9	334.7	1.6
Forward transactions	70.1		NM
Contributions and taxes on financial income	47.4	41.7	14.4
 Total Financial expenses	 Ps. 661.6	 Ps. 615.3	 7.5

(1) Includes interest and other amounts payable on savings accounts, checking accounts, and other deposits.

Banco Hipotecario's financial expenses for the period ended June 30, 2010 increased 7.5% to Ps.661.6 million from Ps. 615.3 million for the period ended June 30, 2009 primarily as a result of:

Higher interest liabilities as a result of increased average balances on time deposits.

Losses from forward transactions as a consequence of the ? of the spread between pesos/US\$ settled in pesos. The forward transactions as of June 30, 2009 has originated an income recorded in Financial income Hedges and forward transactions.

Higher interest liabilities resulting from increased of contributions and taxes on financial income.

This effect was partially offset by:

Lower interest liabilities resulting from decreased of Borrowings from Central Bank as a consequence of the cancellation of the debt Argentine Central Bank debt by Banco Hipotecario.

Lower interest liabilities resulting from the buyback of restructured bonds.

**Table of Contents*****Provision for Loan Losses***

The following table sets forth its provision for loan losses for the periods ended June 30, 2010 and 2009.

	<b>Periods ended June 30,</b>		<b>% Change</b>
	<b>2010</b>	<b>2009</b>	<b>2010/2009</b>
	<b>(in millions of pesos, except for percentages)</b>		
Provision for loan losses	Ps. 100.2	Ps. 209.8	(52.3)
Charge-offs	Ps. 164.6	Ps. 188.6	(12.7)

Banco Hipotecario's provision for loan losses for the period ended June 30, 2010 decreased to Ps. 100.2 million from Ps. 209.8 million in the period ended on June 30, 2009 in connection with an improvement of performing loans portfolio in Banco Hipotecario and also in the Argentine Financial system. In connection with this the charge off at the year 2010 decrease a 12.7% regarding 2009.

The Risk and Credit Committee decided to maintain a maximum 100% coverage of the loan loss reserve, relative to the total amount of those loans classified as non-performing, Reserves and funds created by Risk and Credit Committee dated June 2, 2008, (Ex - Section 13 of Law 24,143) and the Special fund created by a resolution of the board of Directors of Banco Hipotecario dated December 12, 2001, shall not be included in the total amount used for calculating such coverage.

**Table of Contents*****Net Contribution from Insurance***

The following table sets forth the principal components of its net contribution from insurance for the periods ended June 30, 2010 and 2009.

	<b>Periods ended June 30</b>		<b>% Change</b>
	<b>2010</b>	<b>2009</b>	<b>2010/2009</b>
	<b>(in millions of pesos, except for percentages)</b>		
<b>Insurance premiums earned</b>			
Life	Ps. 55.9	Ps. 67.4	(17.0)
Property damage	17.0	14.1	20.0
Unemployment	0.8	0.9	(9.8)
Others	33.1	25.6	29.4
<b>Total Premiums earned</b>	<b>106.7</b>	<b>107.9</b>	<b>(1.1)</b>
<b>Insurance claims</b>			
Life	7.0	8.3	(15.3)
Property damage	0.5	0.3	63.5
Unemployment	0.1	0.1	49.2
Others	6.9	1.9	271.6
<b>Total claims</b>	<b>14.5</b>	<b>10.5</b>	<b>38.1</b>
<b>Net contribution from insurance activity</b>	<b>Ps. 92.2</b>	<b>Ps. 97.4</b>	<b>(5.3)</b>

Banco Hipotecario's net contribution from insurance activities of Ps. 92.2 million during the period ended June 30, 2010 decreased 5.3% from Ps.97.4 million, compared to the period ended June 30, 2009. This decrease was primarily a consequence of higher insurance claims, and the decrease in life insurance premiums earned.

***Other Income from Services***

The following table includes the principal components of its other income from services for the periods ended June 30, 2010 and 2009.



**Table of Contents**

	<b>Periods ended June 30,</b>		<b>% Change</b>
	<b>2010</b>	<b>2009</b>	<b>2010/2009</b>
	<b>(in millions of pesos, except for percentages)</b>		
Loan servicing fees from third parties	Ps. 13.1	Ps. 9.3	40.9
FONAVI commissions	9.9	7.1	39.6
Credit Card Commissions	185.1	150.7	22.8
Other Commissions	36.2	1.4	NM
<b>Total Commissions</b>	<b>244.3</b>	<b>168.6</b>	<b>44.9</b>
Commissions earned by subsidiaries	95.7	42.2	126.5
Recovery of loan expenses	28.7	65.5	(56.3)
Others	0.7	4.6	(84.5)
<b>Total Others</b>	<b>125.0</b>	<b>112.3</b>	<b>11.3</b>
<b>Total Income from Services</b>	<b>Ps. 369.4</b>	<b>Ps. 280.9</b>	<b>31.5</b>

Banco Hipotecario's income from services increased to Ps. 369.4 million for the period ended June 30, 2010 from Ps. 280.9 million in the same period of 2009, as a result of higher commissions derived from credit cards due to the increase in the average balances during the period, the increase in the insurance activity and the commissions earned by the subsidiary BHN Inversion and a decrease in the recovery of loans expenses.

**Other Expenses for Services**

The following table includes the principal components of its other expenses on services for the periods ended June 30, 2010 and 2009:

	<b>Periods ended June 30,</b>		<b>% Change</b>
	<b>2010</b>	<b>2009</b>	<b>2009/2008</b>
	<b>(in millions of pesos, except for percentages)</b>		
Structuring and underwriting fees	Ps. 6.7	Ps. 6.4	5.7
Collections	0.5	0.3	74.6
Banking services	29.4	14.9	97.30
Commissions on Visa	49.3	53.6	(8.1)
Commissions IFC - BACS	20.1	19.2	4.6
Commissions on Saving Accounts	4.7	3.8	23.0
Commissions on Scoring	8.1	6.8	19.5
Commissions paid to real estate agents	3.6	0.5	NM
<b>Total</b>	<b>122.4</b>	<b>105.6</b>	<b>15.9</b>
Contributions and taxes on income from services	11.9	11.1	7.4
<b>Total Other expenses for services</b>	<b>Ps. 134.3</b>	<b>Ps. 116.7</b>	<b>15.1</b>

Banco Hipotecario's other expenses for services increased 15.1% to Ps. 134.3 million for the period ended June 30, 2010 from Ps. 116.7 million in the period ended June 30, 2009. This increase was mainly due to higher banking services and an increase on the commissions paid to real state agents and increased in connexion originated in scoring process.

**Table of Contents****Administrative Expenses**

The following table sets forth the principal components of its administrative expenses for the periods ended June 30, 2010 and 2009.

	<b>Periods ended June 30,</b>		<b>% Change</b>
	<b>2010</b>	<b>2009</b>	<b>2010/2009</b>
	<b>(in millions of pesos, except for percentages)</b>		
Salaries and social security contributions	Ps. 277.0	Ps. 222.6	24.5
Fees and external administrative services	86.6	86.2	0.4
Advertising and publicity	37.3	7.9	372.9
Value added tax and other taxes	26.6	19.8	34.4
Electricity and communications	27.3	18.8	45.0
Maintenance and repair	16.2	9.7	67.9
Depreciation of bank premises and equipment	13.6	14.4	(5.2)
Amortization of organizational expenses	14.3	12.1	18.2
Corporate personnel benefits	24.2	22.0	9.9
Rent	15.4	14.2	8.3
Others	25.0	28.7	(12.8)
<b>Total</b>	<b>Ps. 563.4</b>	<b>Ps. 456.3</b>	<b>23.5</b>

Administrative expenses for the period ended June 30, 2010 increased 23.5% to Ps. 563.4 million from Ps. 456.3 million for the period ended June 30, 2009. The main reasons for this increase were the increase in the services due to the increase in the inflation rates during the year, higher expenses at salaries and social security contributions as a consequence of the under applicable regulations in Argentina and higher expenses on advertising and publicity related to actions adopted by Banco Hipotecario in developing its retail banking business.

**Miscellaneous Income**

The following table sets forth its miscellaneous income for the periods ended June 30, 2010 and 2009.

	<b>Periods ended June 30,</b>		<b>% Change</b>
	<b>2010</b>	<b>2009</b>	<b>2010/2009</b>
	<b>(in millions of pesos as, except for percentages)</b>		
Penalty interest	Ps. 9.8	Ps. 11.3	(12.9)
Reversal of provision for contingencies	0.3	10.9	(97.0)
Reversal of provision for STAR		6.8	NM
Reversal of provision for Lawsuits		18.5	NM
Reversal of Insurance Reserve		10.7	NM
Loan loss recoveries	87.1	78.7	10.5
Others	15.7	33.2	(52.8)
<b>Total Miscellaneous Income</b>	<b>Ps. 112.9</b>	<b>Ps. 170.1</b>	<b>(33.6)</b>

Banco Hipotecario's miscellaneous income decreased 33.6% to Ps. 112.9 million for the period ended June 30, 2010 from Ps. 170.1 million for the year ended June 30, 2009 of the reversal of the provision of lawsuits, insurance reverse on the STAR, that took place in 2009.

**Table of Contents****Miscellaneous Expenses**

The following table sets forth the principal components of its miscellaneous expenses for the periods ended June 30, 2010 and 2009:

	<b>Periods ended June 30,</b>		<b>% Change</b>
	<b>2010</b>	<b>2009</b>	<b>2010/2009</b>
	<b>(in millions of pesos, except for percentages)</b>		
Provision for lawsuits contingencies	Ps. 5.9	Ps. 22.2	(73.4)
Provision for other contingencies and miscellaneous receivables	17.0	8.7	96.6
Provision for administrative organization	26.8	13.8	93.9
BOGAR valuation adjustment		20.1	N/M
Other taxes	11.5	15.2	(24.0)
Benefits prepayments	28.8	4.2	590.9
Others	22.5	16.9	33.2
<b>Total Miscellaneous Expenses</b>	<b>Ps. 112.6</b>	<b>Ps. 101.0</b>	<b>11.5</b>

Banco Hipotecario SA's miscellaneous expenses increased 11.5% to Ps. 112.6 million for the period ended June 30, 2010 from Ps. 101.0 million for 2009 primarily as a result of higher provisions for contingencies and administrative organization and for higher benefits prepayments.

**Twelve month periods ended June 30, 2009 and 2008****General**

The following table sets forth the principal components of its net income for the periods ended June 30, 2009 and 2008.

	<b>Period ended June 30,</b>		<b>% Change</b>
	<b>2009</b>	<b>2008</b>	<b>2009/2008</b>
	<b>(in millions of pesos, except for percentages)</b>		
Financial income	Ps. 1016.2	Ps. 696.6	45.9
Financial expenses	(615.3)	(550.7)	11.7
Net financial income	400.9	145.9	174.7
Provision for loan losses	(209.8)	(149.9)	40.0
Net contribution from insurance <sup>(1)</sup>	97.4	90.0	8.2
Other income from services	280.9	191.5	46.7
Other expenses on services	(116.7)	(92.1)	26.8
Administrative expenses	(456.3)	(388.5)	17.5
<b>Net income from financial operations</b>	<b>(3.7)</b>	<b>(202.9)</b>	<b>(98.2)</b>
Miscellaneous income, net <sup>(2)</sup>	69.2	152.7	(54.7)
Minority interest	(3.5)	(5.6)	(36.6)
Income tax	(11.5)	(3.7)	208.3
<b>Net income</b>	<b>Ps. 50.5</b>	<b>Ps. (59.6)</b>	<b>(184.7)</b>

(1) Insurance premiums minus insurance claims paid.

(2) Miscellaneous income minus miscellaneous expenses.

**Net Income**

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Banco Hipotecario's net income for the period ended June 30, 2009 of Ps. 50.5 million was higher than Ps (59.6) for the period ended June 30, 2008, principally due to:

Higher financial income principally as a result of higher income from government and corporate securities and the increase of consumer products.

**Table of Contents**

Higher net contributions from insurance as a result of an expansion on insurance products offered.

Higher income from services as a result of higher bank activity

These factors were partially offset by:

Higher financial expenditures principally as a result of higher interest liabilities resulting from increased average balances on time deposits.

Higher administrative expenses mainly related to social security contributions, and fees related to actions adopted by Banco Hipotecario in developing its retail banking business.

Higher expenses on services mainly to commissions related to Visa Credit Cards.

*Financial Income*

The following table sets forth the principal components of its financial income for the periods ended June 30, 2009 and 2008.

	<b>Periods ended June 30,</b>	<b>2008</b>	<b>% Change</b>
	<b>2009</b>		<b>2009/2008</b>
	<b>(in millions of pesos, except for percentages)</b>		
Mortgage loans and other financial transactions	246.2	229.0	7.5
Compensatory and other BODEN	3.2	7.5	(57.4)
Buyback of restructured debt	30.9	31.3	(1.4)
Government and Private Securities	266.7	143.9	85.4
Effects of changes in exchange rates	(4.7)	61.7	(107.7)
Government guaranteed loans	6.3	11.2	(43.8)
Mortgage-backed securities	27.6	28.3	(2.6)
Cash and due from banks	2.2	5.7	(60.8)
Interbank loans	3.0	8.0	(62.1)
Other Loans	63.9	20.2	215.6
Credit cards Loans	204.7	91.4	123.8
Personal Loans	132.8	149.4	(11.1)
Advance Loans	46.8	34.8	34.5
Hedges	(24.5)	(137.6)	(82.2)
Others	10.9	11.5	(5.5)
Total Financial Income	1016.2	696.6	45.9

Banco Hipotecario's financial income increase 45.9 % to Ps.1.016,2 million for the period ended June 30, 2009 as compared to Ps.696,6 million for the period ended June 30, 2008 primarily as a result of:

Higher income from the accrued of internal rate of return of some government securities and trading incomes as a result of increase of market prices in the first semester of 2009;

**Table of Contents**

Higher income from credit cards loans and new consumer product as a result of a significant increase in the volume of such loans granted during this year.

These factors were partially offset by:

Lower income as a result of effects of changes in exchange rates.

**Financial Expenses**

The following table sets forth information regarding Banco Hipotecario's financial expenses for the periods ended June 30, 2009 and 2008.

	<b>Periods ended June 30,</b>	<b>2008</b>	<b>% Change</b>
	<b>2009</b>		<b>2009/2008</b>
	<b>(in millions of pesos, except for percentages)</b>		
Bonds and similar obligations	218.8	387.1	(43.5)
Borrowings from banks	(0.3)	8.0	(103.5)
Borrowings from Central Bank	18.9	20.3	(6.7)
Other <sup>(1)</sup>	1.4	1.5	(4.9)
Time deposits	334.7	111.0	201.5
Contributions and taxes on financial income	41.7	22.8	83.3
Total Financial expenses	615.3	550.7	11.7

(1) Includes interest and other amounts payable on savings accounts, checking accounts, and other deposits.

Banco Hipotecario's financial expenses for the period ended June 30, 2009 increased 11.7% to Ps.615,3 million from Ps. 550.7 million for the period ended June 30, 2008 primarily as a result of:

Higher interest liabilities as a result of increased average balances on time deposits

Higher interest liabilities resulting from increased of contributions and taxes on financial income.

This effect was partially offset by:

Lower financial expenditures as a result of the reduction of others banks borrowings.

Lower interest liabilities because Banco Hipotecario repurchased part of its debt during this year.

**Table of Contents*****Provision for Loan Losses***

The following table sets forth its provision for loan losses for the periods ended June 30, 2009 and 2008.

	<b>Periods ended June 30, 2009</b>	<b>2008</b>	<b>% Change 2009/2008</b>
	<b>(in millions of pesos, except for percentages)</b>		
Provision for loan losses	Ps. 209.8	Ps. 149.9	40.0
Charge-offs	Ps. 188.6	Ps. 71.4	164.2

Banco Hipotecario S.A.'s provision for loan losses for the period ended June 30, 2009 increased to Ps.209.8, million from Ps.149.9 million in the period ended on June 30, 2008 in connection with the increase in the delinquency of personal loans and credit cards.

The Risk and Credit Committee decided to maintain a maximum 100% coverage of the loan loss reserve, relative to the total amount of those loans classified as non-performing, Reserves and funds created by Risk and Credit Committee dated June 2, 2008, (Ex - Section 13 of Law 24,143) and the Special fund created by a resolution of the board of directors of Banco Hipotecario dated December 12, 2001, shall not be included in the total amount used for calculating such coverage.

**Table of Contents*****Net Contribution from Insurance***

The following table sets forth the principal components of Banco Hipotecario net contribution from insurance for the periods ended June 30, 2009 and 2008.

	<b>Periods ended June 30</b>		<b>% Change</b>
	<b>2009</b>	<b>2008</b>	<b>2009/2008</b>
	<b>(in millions of pesos, except for percentages)</b>		
<b>Insurance premiums earned</b>			
Life	67.4	73.7	(8.6)
Property damage	14.1	11.0	29.0
Unemployment	0.9	0.9	(7.3)
Others	25.6	12.3	107.8
<b>Total Premiums earned</b>	<b>107.9</b>	<b>97.9</b>	<b>10.3</b>
<b>Insurance claims paid</b>			
Life	8.3	5.8	42.6
Property damage	0.3	0.2	33.6
Unemployment	0.1	0.1	(14.1)
Others	1.9	1.8	6.0
<b>Total claims paid</b>	<b>10.5</b>	<b>7.9</b>	<b>33.6</b>
<b>Net contribution from insurance</b>	<b>97.4</b>	<b>90.0</b>	<b>8.2</b>

Banco Hipotecario's net contribution from insurance activities of Ps. 97.4 million during the period ended June 30, 2009 increased 8.2 % from Ps.90.0 million, compared to the period ended June 30, 2008. This increase was primarily a consequence of higher premiums resulted from a rise in new loan origination and an expansion of insurance products offered.



**Table of Contents*****Other Income from Services***

The following table includes the principal components of its other income from services for the periods ended June 30, 2009 and 2008.

	<b>Periods ended June 30, 2009</b>	<b>2008</b>	<b>% Change 2009/2008</b>
	<b>(in millions of pesos, except for percentages)</b>		
Loan servicing fees from third parties	9.3	2.6	258.4
FONAVI commissions	7.1	5.7	25.3
Credit Card Commissions	150.3	104.6	43.7
Other Commissions	1.8	18.2	(90.0)
<b>Total Commissions</b>	<b>168.6</b>	<b>131.1</b>	<b>28.6</b>
Saving accounts commissions	42.2	20.1	110.4
Reimbursement of loan expenses paid by third parties	65.5	33.2	97.3
Others	4.6	7.2	(36.1)
<b>Total Others</b>	<b>112.3</b>	<b>60.5</b>	<b>85.8</b>
<b>Total Income from Services</b>	<b>280.9</b>	<b>191.5</b>	<b>46.7</b>

Banco Hipotecario's income from services increased to Ps. 280.9 million for the period ended June 30, 2009 from Ps 191.5 million in the same period of 2008, as a result of higher commissions derived from credit cards and saving accounts and reimbursement of loan expenses paid by third parties.

***Other Expenses on Services***

The following table includes the principal components of its other expenses on services for the periods ended June 30, 2009 and 2008:

	<b>Periods ended June 30, 2009</b>	<b>2008</b>	<b>% Change 2009/2008</b>
	<b>(in millions of pesos, except for percentages)</b>		
Structuring and underwriting fees	6.4	8.2	(22.6)
Commission on third party originations	0.0	0.1	(21.2)
Collections	0.3	0.4	(18.1)
Banking services	14.9	6.0	148.4
Commissions On Visa	53.6	47.3	13.3
Commissions IFC - BACS	19.2	6.9	180.2
Commissions On Saving Accounts	3.8	2.9	32.1
Commissions On Scoring	6.8	12.4	(45.1)
Commissions paid to real estate agents	0.5	1.7	(67.0)
<b>Total</b>	<b>105.6</b>	<b>85.7</b>	<b>23.2</b>
<b>Contributions and taxes on income from services</b>	<b>11.1</b>	<b>6.4</b>	<b>75.0</b>
<b>Total Other expenses on services</b>	<b>116.7</b>	<b>92.1</b>	<b>26.8</b>

Banco Hipotecario's other expenses on services increased 26.8 % to Ps. 116.7 million for the period ended June 30, 2009 from Ps. 92.1 million in the period ended June 30, 2008. This increase was mainly to commissions recorded in other expenditures on services related to the VISA credit card, banking services and contributions and taxes on income from services.

**Table of Contents****Administrative Expenses**

The following table sets forth the principal components of its administrative expenses for the periods ended June 30, 2009 and 2008.

	<b>Periods ended June 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
	<b>(in millions of pesos, except for percentages)</b>			<b>2009/2008</b>
Salaries and social security contributions	222.6	160.6		38.6
Fees and external administrative services	86.2	80.3		7.3
Advertising and publicity	7.9	16.4		(51.8)
Nonrecoverable VAT and other taxes	19.8	21.8		(9.2)
Electricity and communications	18.8	16.6		13.3
Maintenance and repair	9.7	7.6		27.5
Depreciation of bank premises and equipment	14.4	11.5		24.9
Amortization of organizational expenses	12.1	7.3		66.3
Corporate personnel benefits	22.0	31.9		(31.0)
Rent	14.2	11.5		23.6
Others	28.7	23.1		24.4
Total	456.3	388.5		17.7

Administrative expenses for the period ended June 30, 2009 increased 17.7 % to Ps. 456.3 million from Ps. 388.5 million for the period ended June 30, 2008. The main reasons for this increase were higher salaries and social security contributions required under applicable regulations in Argentina.

**Miscellaneous Income**

The following table sets forth its miscellaneous income for the periods ended June 30, 2009 and 2008.

	<b>Periods ended June 30,</b>	<b>2009</b>	<b>2008</b>	<b>% Change</b>
	<b>(in millions of pesos as, except for percentages)</b>			<b>2009/2008</b>
Penalty interest	11.3	6.7		67.0
Reversal of provision for contingencies	10.9	11.6		(6.3)
Reversal of provision for STAR	6.8	21.4		(68.3)
Reversal of provision for Lawsuit	18.5	14.7		25.7
Reversal of Insurance Reserve	10.7			NM
Loan loss recoveries	78.7	106.3		(25.9)
Others	37.5	23.3		60.8
Total Miscellaneous Income	174.4	184.1		(5.3)

**Table of Contents**

Banco Hipotecario's miscellaneous income decreased 5.3 % to Ps. 174.4 million for the period ended June 30, 2009 from Ps.184.1 million for the year ended June 30, 2008 primarily as a result of:

Reversion of insurance technical reserves as a consequence of charges in certain regulations of the National Insurance Superintendency;

Decrease of loan recoveries previously charged off;

Reversion of the Stock Appreciation Rights ( STAR ) reserve as result of the decrease on the average share price.

**Miscellaneous Expenses**

The following table sets forth the principal components of its miscellaneous expenses for the periods ended June 30, 2009 and 2008:

	Periods ended June 30, 2009	2008	% Change 2009/2008
	(in millions of pesos, except for percentages)		
Provision for lawsuits contingencies	20.2		NM
Provision for other contingencies and miscellaneous receivables	8.7		NM
Provision for administrative organization	13.8	14.6	(5.1)
Bogar valuation adjustment	20.1		NM
Other taxes	12.5	7.6	64.8
Directors and syndics accrued fees	4.6	5.6	(17.4)
Benefits prepayments	9.5		NM
Others	15.8	3.7	328.4
<b>Total Miscellaneous Expenses</b>	<b>105.2</b>	<b>31.4</b>	<b>234.6</b>

Banco Hipotecario's miscellaneous expenses increased 234.6% to Ps. 105.2 million for the period ended June 30, 2009 from Ps. 31.4 million for 2008 primarily as a result of:

- a) higher provisions for lawsuits contingencies according with the opinion of the legal counsels;
- b) the adjustment of the valuation of Bogar Bonds as a consequence of the refusal from the Argentine Central Bank to deposit such bonds as collateral for the subscription of hedge bonds.

**B. Liquidity and Capital Resources****Liquidity**

Banco Hipotecario's general policy has been to maintain liquidity adequate to meet its operational needs and financial obligations. At June 30, 2010, its liquid assets consisted of:

Ps. 184.3 million of cash and due from banks;

Ps. 1,958.6 million of Argentine government securities classified as held,

Ps. 335.3 million of securities classified as trading, and

Ps. 1,039.9 million of Argentine Central Bank Bills.

**Table of Contents**

At June 30, 2009, its liquid assets consisted of:

Ps. 266.1 million of cash and due from banks,

Ps. 1,320.2 million of Argentine government securities classified as held

Ps. 162.9 million of securities classified as trading, and

Ps. 961.8 million of Argentine Central Bank Bills.

*Cash Flows from Operating Activities.* The changes in cash flows from operating activities were principally due to the change in:

(I) Provision for losses on loans and for contingencies and miscellaneous receivables, net of reversals,

(II) Net gain on government securities,

(III) Net changes in trading investment, and

(IV) Net change in other assets and liabilities.

*Cash Flows from Investing Activities.* The changes in cash flow from investing activities were due to the increase in loans and the proceeds from securitization of consumer loans.

*Cash Flows from Financing Activities.* The changes in cash flows from financing activities were principally due to the increase in deposits, partially offset by payments on Bonds.

***Funding***

Historically, Banco Hipotecario financed its lending operations mainly through:

the issuance of fixed and floating rate securities in the international capital markets,

other financing arrangements with international and domestic financial institutions,

securitizations of mortgage loans,

cash flow from existing loans,

deposits, and

Central Bank long term loans.

**Table of Contents**

At June 30, 2010 and 2009, Banco Hipotecario had four principal funding sources: bonds, Central Bank, other liabilities from financial institutions and deposits. The table below sets forth its liabilities outstanding with respect to each of its sources of funding as of the dates indicated.

	At June 30,		% Change
	2010	2009	2010/2009
Bonds <sup>(1)</sup>	Ps. 2,336.5	Ps. 2,989.2	(21.8)
Borrowings from Central Bank	17.1	20.7	(17.4)
Borrowings from banks and international entities	20.2	96.5	(79.1)
Deposits <sup>(1)</sup>	4,390.7	3,387.0	30.4
<b>Total</b>	<b>Ps. 6,764.5</b>	<b>Ps. 6,493.4</b>	<b>4.2</b>

(1) Excludes accrued interest.

*Bonds*

The principal amount values of the different series of notes Banco Hipotecario S.A. has issued and outstanding is as follows:

	Outstanding principal amount at June 30, 2010 (millions of pesos)	Date of issue	Maturity Date	Annual Interest rate (%)
Bonds issued prior to restructuring <sup>(1)</sup>	Ps. 44.4			
<b>GMTN (US\$1,200,000,000)</b>				
<b>Notes Issued in Restructuring:</b>				
Long term bonds (US\$449,880,000)	369.2	Sep. 15, 2003	Dec. 1, 2013	3.0 6.0
Long term bonds (Eur 278,367,000)	581.3	Sep. 15, 2003	Dec. 1, 2013	3.0 6.0
Series 4 - 9.75% Notes due 2010 (US\$250,000,000)	521.1	Nov. 16, 2005	Nov. 16, 2010	9.75
Series 5 (US\$250,000,000)	864.9	Apr. 27, 2006	Apr. 27, 2016	9.75
Total	Ps. 2,380.9			

(1) Banco Hipotecario SA has 6 series of bonds issued prior to the restructuring that have outstanding amounts that were not tendered in the restructuring process consummated in January 2004.

*Borrowings from Banks and International Entities*

We incurred the following indebtedness, which have been already fully paid with the proceeds obtained from other financings:

Banco Hipotecario obtained Interbank loans in pesos in an aggregate principal amount of Ps. 20.2 million.



## **Table of Contents**

### *Borrowings from the Central Bank*

On November 11 and December 1, 2004, Banco Hipotecario SA pre-paid the financial assistance loans granted by the Central Bank in amounts totaling Ps.10.0 million and Ps.30.0 million, respectively, in order to settle in advance restructured foreign debt. On January 20, 2005 and February 25, 2005, Banco Hipotecario SA took part in the tender offer established by the Central Bank in accordance with the guidelines of Communications A 4268 and 4282, the amount of Ps. 63.8 million and Ps.16.9 million, respectively, having been accepted in settlement of the previously refinanced debt. On May 3, 2005 Banco Hipotecario SA fully prepaid all outstanding balances due on this indebtedness of approximately Ps. 233.5 million. As of June 30, 2008, Banco Hipotecario SA recorded in its financial statements borrowings from the Central Bank totaling Ps. Ps. 239.1 million.

On June 26, 2009 the remaining subscription of hedge bonds and of their detached coupons took place and Banco Hipotecario and BACS subscribed an original nominal value of US\$ 72,196 thousand. As of June 30, 2010 there was no amount of hedge bond to be received pending of delivery. Loan Securitization Program

Banco Hipotecario has executed various financial trust agreements under which, as trustor, it has transferred the fiduciary ownership of mortgage and consumer loans to the loan portfolio to different financial institutions as trustee. Once the loans have been transferred to the trust fund it proceeds to issue the corresponding debt securities and participation certificates and to use the proceeds of the placement thereof for setting the amount of the loans ceded by Banco Hipotecario.

The trustee is responsible for the management of the trust funds previously set up in accordance with the specifications contained in the trust agreement.

In 2004, Banco Hipotecario created a Global Trust Program Cédulas Hipotecarias Argentinas Under this program eleven series of Argentine Mortgage Bonds Financial Funds (CHA) were created for the face value of Ps 50.0 million, Ps. 49.9 million, Ps 62.5 million, Ps 64.6 million, Ps 65.0 million, Ps. 69.1 million, Ps 71.4 million, Ps 74.5 million, Ps 202.6 million, US\$ 85.0 million, Ps. 17.2 million and Ps 215.0 million corresponding to Series I, II, III, IV, V, VI, VII, VIII, IX, X y XI respectively.

Under BACS s Global Trust Securities Program dated April 3, 2008, Series I of the Cédulas Personales Financial Trust was issued for an amount of Ps. 59.4 million

### *Deposits*

Banco Hipotecario did not historically rely upon deposits as a principal source of funding, Banco Hipotecario engaged in limited deposit taking activities. Its other deposits consist of checking accounts maintained by different provincial housing funds and agencies representing Argentine government contributions from the collection of federal taxes which have been set aside for use by the provinces for special purposes and transferred to these accounts.

**Table of Contents**

In December 2001 Banco Hipotecario received authorization from the Central Bank to accept time deposits for individuals as well as institutions and amended its bylaws accordingly, with approval of a majority of its shareholders as required by Argentine Corporate Law. At June 30, 2010 and 2009 its total deposits consisted of the following:

	At June 30,		% Change 2010/2009
	2010	2009	
Checking accounts	Ps. 106.6	Ps. 68.9	54.7
Saving accounts	313.6	215.6	45.5
Time deposits	3,910.5	3,019.8	29.5
Other deposits accounts	60.0	62.7	(4.3)
Accrued interest payable	54.5	45.3	20.3
Total	Ps. 4,445.2	Ps. 3,412.2	30.3

Its current strategy is to increase deposits significantly over time in order to achieve significant liquidity to maintain and further develop its financing activities.

*Contractual Obligations*

In connection with its operating activities, Banco Hipotecario enters into certain contractual obligations. The following table shows the principal amounts of its contractual obligations and their contractual interest rates as of June 30, 2009:

	Maturity	Annual interest rate	Total PS	Past due	Less than a year	3 to 5 years	Over 5 years
<b>BONDS</b>							
Defaulted bonds US\$ <sup>(1)</sup>			26.6	26,6			
Defaulted bonds Eur <sup>(1)</sup>			17.8	17,8			
Series 4	16-Nov-10	9.75%	521.1		521.1		
Series 5	27-Apr-16	9.75%	864.9				864.9
Long term bonds US\$	01-Dic-13	3% - 6%	369.2			369.2	
Long term Bonds EURO	01-Dic-13	3% - 6%	581.3			581.3	

(1) Includes debtors who did not accept the restructuring process

**B. Liquidity and Capital Resources**

Our principal sources of liquidity have historically been:

cash generated by operations;

cash generated by the issuance of debt securities;

cash from borrowings and financings arrangements; and

**Table of Contents**

cash proceeds from the sale of real estate.

Our principal cash requirements or uses (other than in connection with our operating activities) have historically been:

capital expenditures for acquisition or construction of property, plant and equipment;

interest payments and repayments of debt;

acquisition of shares in companies;

payments of dividends; and

acquisitions or purchases of real estate.

Our liquidity and capital resources include our cash and cash equivalents, proceeds from bank borrowings and long-term debt, capital financing and sales of real estate investments.

As of June 30, 2010, we had negative working capital of Ps.151.3 million. At the same date, we had cash and cash equivalents totaling Ps.151.4 million, a decrease of 18.6% from the Ps.185.9 million of cash and cash equivalents we held as of June 30, 2009.

As of June 30, 2009, we had negative working capital of Ps.83.0 million. At the same date, we had cash and cash equivalents totaling Ps.185.9 million, a decrease of 52.2% from the Ps.389.0 million of cash and cash equivalents held as of June 30, 2008.

As of June 30, 2008, we had working capital of Ps.151.6 million.

We believe our working capital (calculated by subtracting current liabilities from current assets) and our cash from operating activities are adequate for our present and future requirements. In the event that cash generated from our operations is at any time insufficient to finance our working capital, we believe that the issuance of IRSA 2020 Notes for a total amount of US\$ 150.0 million that took place on July 20th, 2010 allowed us to finance such working capital needs. For more information about liquidity please see *Risk Factors* and *Recent Developments*.

*Cash Flow Information*

***Operating Activities***

*2010 Fiscal Year.* Our operating activities resulted in net cash inflows of Ps.239.9 million for fiscal year 2010, primarily as a result of Ps.534.5 million of operating gains for such year and an increase in trade accounts payables of Ps.24.7 million, partially offset by an increase in inventories of Ps.28.8 million, an increase in accounts receivables of Ps.108.9 million, an increase in other receivables and prepaid expenses of Ps. 40.8 million, and a decrease in advances from customers, salaries and social security payable of Ps. 120.2 million.

*2009 Fiscal Year.* Our operating activities resulted in net cash inflows of Ps.310.9 million for fiscal year 2009, primarily as a result of operating gains of Ps.487.7 million, an increase in inventories of Ps.74.9 million and an increase in advances from customers, salaries and social security payable and taxes payable of Ps.86.1 million. These were partially offset by an increase

**Table of Contents**

in accounts receivable net of Ps.122.6 million, an increase in other receivables and prepaid expenses, net of Ps.133.7 million, a decrease in trade accounts payable of Ps.38.6 million and a decrease in other liabilities of Ps.27.5 million.

*2008 Fiscal Year.* Our operating activities resulted in net cash inflows of Ps.344.1 million for fiscal year 2008, primarily as a result of operating gains of Ps.368.7 million, a decrease in inventories of Ps. 129.7 million and an increase in trade accounts payable of Ps.40.8 million. These were partially offset by an increase in accounts receivable, net of Ps.121.1 million, an increase in other receivables and prepaid expenses net of Ps.51.1 million and a decrease in advance from customers, salaries and social security payable and taxes payable of Ps.30.4 million.

***Investing Activities***

*2010 Fiscal Year.* Our investing activities resulted in net cash outflows of Ps.456.0 million for fiscal year 2010, of which (i) Ps.253.1 million related to the increase of our interest in companies, mainly Ps.112.6 million in the acquisition of an additional 6.7% of Banco Hipotecario's capital stock during the fiscal year and Ps.180.7 million in the acquisition of our interest in Hersha; (ii) Ps.78.8 million related to our payment of liabilities in connection with our acquisition of shares of Banco Hipotecario during fiscal year 2009; (iii) Ps.156.5 million related to the acquisition of fixed assets (see Capital Expenditures); (iv) Ps.30.1 million related to loans we granted to our related companies, net; (v) Ps.23.4 million related to an advance payment for our acquisition of Parque Arauco's interest in APSA; and (vi) Ps.11.9 million related to the acquisition of land reserves, net.

*2009 Fiscal Year.* Our investing activities resulted in net cash outflows of Ps.455.0 million for fiscal year 2009, of which Ps.157.6 million were related to the acquisition of shares in companies and undeveloped parcels of land and other non-current investments primarily in the acquisition of an additional interest of 9.58% in Banco Hipotecario's equity, and in the acquisition of a 30% interest in Metropolitan, and Ps. 272.3 million were invested in the acquisition of fixed assets mainly in the partial construction at the Panamerican Mall Ps. 205.9 million and the construction at Dique IV.

*2008 Fiscal Year.* Our investing activities resulted in net cash outflows of Ps.812.7 million for fiscal year 2008, of which Ps.419.0 million were related to the acquisition of business and assets, mainly to the purchase of two buildings (including their in place leases) known as Edificio República and Torre Bank Boston for Ps.228.3 million and Ps.173.9 million, respectively. We also made investments in fixed assets of Ps. 332.5 million of which, Ps.257.7 million were invested through APSA primarily in the partial construction of the Panamerican Mall for Ps.114.4 million, improvements of shopping centers for Ps.50.0 million, in the initial payment for the transfer of Soleil Factory shopping center for Ps.25.6 million, and Ps.40.0 million in the Hotel segment of which Ps. 30.7 million were invested in Hotel L'ao L'ao. We also invested Ps. 23.1 million relating to Patio Olmos Building and Ps. 16.1 million were related to advance payment for a plot of land located at Beruti 3571. We also invested Ps.17.2 million in undeveloped parcels of land and Ps.24.1 million in current investments.

***Financing Activities***

*2010 Fiscal Year.* Our financing activities resulted in net cash *inflows* of Ps.181.4 million. Our net cash income from financing activities for fiscal year 2010 was primarily related to (i) the issuance by Alto Palermo of Ps.79.8 million of its Series III and IV Notes, (ii) our issuance of

**Table of Contents**

Ps.22.7 million of short-term notes, (iii) an increase in bank loans of Ps.146.5 million; (iv) an increase of Ps.223.6 million in bank overdraft advances, and (v) a capital contribution of Ps.46.2 million made by minority shareholders in certain subsidiaries, partially offset by (i) the payment of Ps.55.4 million of dividends, (ii) the repurchase of Alto Palermo's Series III Notes for Ps.12.0 million, (iii) the repayment of Ps.219.2 million principal of short-term and long-term debt, and (iv) the payments of seller financing of Ps.50.0 million.

*2009 Fiscal Year.* Our financing activities resulted in net cash *outflows* of Ps.58.9 million. Our net cash *spent on* financing activities for fiscal year 2009 was primarily related to (i) the payment of short-term and long-term debt for Ps.124.9 million, mainly due to the payment of Tarshop's debt, the cancellation of notes and the payment of Deutsche Bank loan, (ii) Ps.105.4 million related to the repurchase of APSA Notes Series I and II, (iii) the payment of dividends to minority shareholders of Ps.23.5 million, (iv) the payments of seller financing for Ps.31.4 million for the acquisition of Empalme and Mendoza Plaza, partially offset by (i) a capital contribution made by minority owners in related parties of Ps.48.0 million, and (ii) the increase of financial loans and bank overdraft of Ps.180.8 million.

*2008 Fiscal Year.* Our financing activities resulted in net cash inflows of Ps.149.1 million. Our net cash provided by financing activities for fiscal year 2008 was primarily related to (i) an increase in short-term and long-term debt of Ps.183.5 million, mainly due to the takeover of the Macro bank loan for the acquisition of Edificio República, (ii) our issuance of common shares as a result of the exercise of warrants for Ps.163.4 million, (iii) a capital contribution by minority owners in related parties of Ps.32.5 million. This was partially offset by (i) the repurchase of debt of Ps.138.6 million (ii) the payment of dividends by subsidiaries to minority shareholders of Ps.24.3 million, and (iii) the partial repayment of Ps.18.4 million of a mortgage obligation.

*Indebtedness*

The following table sets forth the scheduled maturities of our outstanding debt as of June 30, 2010:

**Schedule of Maturities or Amortization**

Currency	Less than 1 year (in million Pesos, constant currency, as of June 30, 2010) <sup>(2)</sup>	More than	More than	More than	More than 4 years	Total <sup>(1)</sup>	Annual Average Interest Rate %
		1 year and up to 2 years	2 years and up to 3 years	3 years and up to 4 years			
<b>Banking debt and other</b>							
Bank loans <sup>(3)</sup>	\$/US\$	429.0	26.3	26.3		481.6	
Hoteles Argentinos secured loan	US\$	19.0				19.0	9.7
Short-term debt	\$	23.0				23.0	
APSA's notes (Convertible Notes) <sup>(4)</sup>	US\$	2.7			60.9	63.6	10.0
APSA's Series II Notes due 2012 <sup>(4)</sup>	\$	26.7	26.5			53.2	11.0
APSA's Series I Notes due 2017 <sup>(4)</sup>	US\$	2.9	-0.5	-0.5	-0.5	295.8	7.9
IRSA's notes	US\$	20.0	-0.9	-0.9	-0.9	587.4	8.5
Seller financing	\$/US\$	15.9	5.4	1.8	1.8	3.5	28.4
APSA's Series III Notes due 2011	\$	44.2				44.2	12.75
APSA's Series IV Notes due 2011	US\$	25.8				25.8	6.75
<b>Total banking debt and other</b>		<b>609.2</b>	<b>56.8</b>	<b>26.7</b>	<b>0.4</b>	<b>947.6</b>	<b>1,640.7</b>
<b>Total debt</b>		<b>609.2</b>	<b>56.8</b>	<b>26.7</b>	<b>0.4</b>	<b>947.6</b>	<b>1,640.7</b>

(1) Figures may not sum due to rounding.

(2) Exchange rate as of June 30, 2010 US\$1.00 = Ps.3.931.

(3) Includes bank overdrafts.

(4) Disclosed net of the notes held by the Company

**Table of Contents****Hoteles Argentinos Loan**

On March 15, 2010 we entered into a loan agreement 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. is repayable in a single payment that falls due on the first anniversary of the agreement's execution date, and accrues interest at a fixed rate of 16.25% payable every three months in arrears.

***Alto Palermo 10% Convertible Notes due 2014***

On July 19, 2002, Alto Palermo issued US\$50 million unsecured convertible notes in exchange for cash and settlement of certain liabilities with our shareholders. The proceeds of the issue were used to settle short-term bank loans in the sum of Ps.27.3 million, and to redeem secured corporate notes issued by Alto Palermo in the principal amount of Ps.52.8 million. These notes accrue interest (payable semi-annually) at a 10.0% fixed annual rate, and are convertible, at any time, at the holder's option into common shares at a par value of Ps.0.10 per share. The translation rate per U.S. Dollar is the lower of (i) Ps.3.08642 and (ii) the exchange rate effective at translation date divided by the par value of Alto Palermo's common shares. The maturity date of these notes was July 19, 2006, but at a noteholders' meeting held on May 2, 2006, the noteholders approved the extension of the maturity date of these notes to July 19, 2014. The other terms and conditions remained unchanged. During fiscal years 2007, 2006, 2005, 2004 and 2003, holders of approximately US\$2.77 million of Alto Palermo's convertible notes exercised their conversion rights; consequently, Alto Palermo issued 101,582; 52,741,373; 22,852,514 and 4,829,745 common shares, respectively. If all bondholders exercise their conversion rights, Alto Palermo's common shares would increase from Ps.782.1 million to Ps.2,239.7 million. For more information please see *Recent Developments*.

As of June 30, 2010, we held US\$31.7 million principal amount of Convertible Notes.

***Alto Palermo Series I and Series II Notes***

On May 11, 2007, Alto Palermo issued two new series of notes under its global note program. The Series I Notes were issued in an aggregate principal amount of US\$120 million, bear interest at a fixed rate equal to 7.875% per annum payable semi-annually and mature on May 11, 2017. The Series II Notes were issued in an aggregate principal amount of Ps.154 million (equivalent to US\$50 million), bear interest at a fixed rate equal to 11% per annum payable semi-annually and mature in seven equal, consecutive semi-annual installments commencing on June 11, 2009.

*Purchases of Alto Palermo's Series I Notes.* During fiscal year 2009 we acquired US\$39.6 million principal amount of Alto Palermo's Series I Notes for a total of US\$19.3 million, representing a weighted average price paid of US\$0.488, as the so-called "dirty price" we paid includes accrued interest. During fiscal year 2009 our subsidiary Alto Palermo acquired US\$5.0 million principal amount of its Series I notes for a total purchase price of US\$2.0 million, representing a weighted average price paid of US\$0.3978. As of June 30, 2010, our consolidated holdings of Alto Palermo's Series I notes were US\$44.6 million principal amount. See *Recent Developments* and *Significant Changes*.

**Table of Contents**

*Purchases of Alto Palermo's Series II Notes.* During fiscal year 2009 we acquired US\$15.1 million principal amount of Alto Palermo's Series II Notes for a total of US\$8.2 million, representing a weighted average price paid of US\$0.5513. During fiscal year 2009 our subsidiary Alto Palermo acquired US\$3.0 million principal amount of its Series II Notes for a total of US\$2.3 million, representing a weighted average price paid of US\$0.75. As of June 30, 2010, our consolidated holdings of Alto Palermo Series II notes were US\$19.9 million principal amount.

***Alto Palermo Series III and Series IV Notes***

On November 13, 2009 Alto Palermo issued two new series of notes under its global note program. The Series III Notes were issued in an aggregate principal amount of Ps.55.8 million, bear interest at a variable rate equal to the Badlar Privada rate plus 3%; payable quarterly; and mature in a single installment on May 12, 2011. The Series IV Notes were issued in an aggregate principal amount of US\$6.6 million (equivalent to Ps.25.0 million), bear interest accrued on the principal amount denominated in U.S. Dollars at a fixed rate equal to 6.75% per annum; payable semi-annually; and mature on May 12, 2011, to be paid in a single installment.

The use of proceeds of both the Series III and Series IV notes was the refinancing of short term debt and working capital in Argentina.

***Our 8.5% Notes due 2017***

On February 2, 2007, we issued our 8.5% Notes due 2017 in an aggregate principal amount of US\$150.0 million, which bear interest at a fixed rate equal to 8.5% per annum payable semi-annually and mature in a single installment on February 2, 2017.

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

50% of our cumulative consolidated net income; or

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

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

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

## **Table of Contents**

### ***Our 11.5% Series II notes due 2020***

On July 20, 2010, we issued fixed-rate notes due 2020 for a total amount of US\$ 150.0 million, which accrue interest at an annual interest rate of 11.5% payable semi-annually. These Series II notes are subject to the same covenants as described for Series I notes due 2017. See *Recent Developments* and *Significant changes* .

### **Debt for the acquisition of Edificio República**

On April 28, 2008, we entered into a loan agreement with Banco Macro S.A. secured by mortgage, pursuant to which Banco Macro loaned us US\$33.6 million which we used to repay the outstanding debt owing to *Fideicomiso República*, which we had incurred in connection with our acquisition of Edificio República. The principal amount of the Banco Macro loan matures in five equal, consecutive installments due on April 28 each year, and accrues interest at a fixed rate of 12% per annum, payable semi-annually on April 28 and October 28 of each year. The Banco Macro loan is secured by a mortgage on the Edificio República.

### ***Capital Expenditures***

*Fiscal Year 2010.* During the fiscal year ended June 30, 2010 we invested Ps.168.5 million, of which (i) Ps.156.5 million was related to acquisitions and improvements of fixed assets, mainly in connection with the acquisition of the Catalinas Norte plot of land (Ps.100.8 million), improvements in our Shopping Centers (Ps.32.5 million), completion of the Dot Baires Shopping and the construction of the adjacent office building (Ps.7.4 million), and improvements in our Sheraton Libertador, Llao Llao and Intercontinental hotels (Ps.1.8 million, Ps.1.2 million and Ps.0.8 million, respectively), and (ii) Ps.11.9 million were invested in the acquisition of undeveloped parcels of land, mainly the Zetol and Vista al Muelle plots of land.

*2009 Fiscal Year.* During the fiscal year ended June 30, 2009 we invested Ps.323.1 million, of which (i) Ps.313.3 million were related to acquisitions and improvements in fixed assets, mainly in the construction of Dot Baires shopping ( Ps.246.9 million) and the construction of Dique IV, and (ii) Ps.9.8 million were invested in the acquisition of undeveloped parcels of land.

*2008 Fiscal Year.* During the fiscal year ended June 30, 2008, we invested Ps.768.7 million of which Ps.419.0 million were related to the acquisition of businesses and assets, mainly the purchase of two buildings (including their in place leases) known as Edificio República and Torre Bank Boston for Ps.228.3 million and Ps.173.9 million, respectively. We also made investments in fixed assets of Ps.332.5 million of which Ps.257.7 million were invested through Alto Palermo primarily in the partial construction of the Dot Baires shopping for Ps.114.4 million, in improvements of shopping centers for Ps.50.0 million, in the initial payment for the transfer of Soleil Factory shopping center for Ps.25.6 million, and Ps.40.0 million in our Hotel segment of which Ps.30.7 million were invested in Hotel Llao Llao. We also invested Ps.23.1 million relating to Patio Olmos Building and Ps.16.9 million were related to advance payment for a plot of land located at Beruti 3571. We also invested Ps.17.2 million in undeveloped parcels of land.



**Table of Contents**

*Principal differences between Argentine GAAP and U.S. GAAP*

The principal differences, other than inflation accounting, between Argentine GAAP and U.S. GAAP are related to the following:

the impact of certain U.S. GAAP adjustments on equity investees;

the accounting for marketable securities;

the application of different useful lives for depreciation purposes;

the deferral of certain pre-operating and organization expenses under Argentine GAAP which are expensed as incurred under U.S. GAAP;

the accounting for a mortgage payable with no stated interest;

the accounting for securitization programs;

the application of certain U.S. GAAP adjustments to the estimation of the fair value of net assets acquired;

the present-value accounting;

the effect of the reversal of previously recognized impairment losses;

the accounting for convertible notes;

the accounting for troubled debt restructuring;

the accounting for real estate barter transactions;

the accounting for the appraisal revaluation of fixed assets;

the revenue recognition of deferred brokerage commissions over the term of the respective leases;

the escalation rental revenue under straight-line method over the term of the leases;

the deferral of certain revenues from life and disability insurance and origination fees;

the amortization of fees related to the Senior Notes;

the accounting for software obtained for internal use;

the accounting for increasing rate debt;

the derecognition of the put option for the sale of shares of Metropolitan

The effect of the reversal of gain from valuation of inventories at net realizable value.

## **Table of Contents**

the effect of the reversal of capitalized exchange differences.

the effects on deferred income tax of the foregoing taxes of the above-mentioned reconciling items, as appropriate;

the effect on minority interest of the above-mentioned reconciling items, as appropriate; and

The accounting for the investment in Hersha Hospitality Trust

In addition, certain other disclosures required under U.S. GAAP have been included in the U.S. GAAP reconciliation. See note 27 to our Audited Consolidated Financial Statements included elsewhere in this annual report.

Net income under Argentine GAAP for the years ended June 30, 2008, 2009 and 2010 was approximately a gain of Ps.54.9 million, Ps.158.6 million and Ps.334.5 million, respectively, compared to approximately a gain of Ps.122.1 million Ps.6.6 million and Ps.382.8 million, respectively, under U.S. GAAP. Shareholders' equity under Argentine GAAP as of June 30, 2009 and 2010, was Ps.2,095.7 million and Ps.2,403.0 million, respectively, compared to Ps.1,588.1 million and Ps.2,196.5 million, respectively, under U.S. GAAP.

### ***C. Research and Development, Patents and Licenses, etc.***

We do not have any research, development, patents or licenses that are material for the conduct of our business.

### ***D. Trend Information***

The global economy has started to show signals of recovery after the recent financial crisis. In the year 2009, at the global level, Gross Domestic Product ( GDP ) decreased slightly, with a -0.6% change according to the International Monetary Fund ( IMF ), a situation without precedents in the past 30 years. However, this figure conceals major inequalities among the groups of countries. GDP in the most developed markets dropped by 3.2% whereas in the developing countries' markets, it rose by 2.4%.

The recovery seen in the second half of 2009 could not offset the shrinkage sustained in the first half of the year. International financial markets posted minimum figures in early 2009; but exhibited profits at year end. At the global level, the MSCI All Countries index picked up a 31.5% change when measured in US Dollars; the MSCI World (representative of developed markets) posted a 27.0% variation whilst the MSCI Emerging Markets climbed a significant 74.5%. Furthermore, it must be highlighted that economic activity in developing countries was higher than in the developed world. In this regard, performance at the local market levels also picked up the trend (in local currency). Whereas the S&P500 rose by 23.45%; the Eurostoxx 50, by 21.14% and the Nikkei by 17.82%, the Bovespa rose by 74.05% and Argentina's Merval rose by 108.56%.

Given this international context, the Argentine GDP has maintained its upward trend, though at a slower pace than in previous years, with a 0.9% variation in 2009 according to the Argentine Institute of Statistics and Censuses ( INDEC ). In the year to date, the level of activity has shown significant acceleration. For the first 6 months of 2010, the Monthly Economic Activity Estimator, as reported by INDEC and known as EMAE, picked up rises ranging from 4.9% to 19.8% compared to the same month in the previous fiscal year, with an upward trend. This indicator is usually used to predict GDP. Therefore, if the trend were to be maintained, GDP for 2010 could be expected to have risen by close to 8%.

## **Table of Contents**

During 2009, total consumption has been the most significant component in the aggregate demand, with a 77.7% share.

Sales in the shopping center sector have grown significantly in the first half of 2010; primarily due to the decline experienced in 2009 due to the international financial crisis that had had considerable bearing on shopping centers' revenues, but mainly in the recovery in consumption compared to the previous fiscal year, against a backdrop of high inflation in which salaries went hand in hand with retail price raises. Based on INDEC's most recently released figures, when measured year-on-year, the sales for the first half of 2010 rose by 41.6% compared to the same period a year earlier.

When it comes to retailer activity and according to CAME, the Confederation of Argentine Medium-Sized Enterprises, retail sales volumes grew by 11.9% in June 2010 compared to June 2009, driven by consumers' good mood and the tangible improvements in household nominal income. Most of the items offered by retailers performed with outstanding dynamism in June. Although demand continues to be driven by Household appliances, where the manifold credit facilities offered and promotional campaigns for some products led to yet another jump in sales, some other captions, such as Apparel, Sporting Items and Household Wares and Gifts posted, at the close of June, year-on-year ups in sales close to 20% (a growth rate not seen in quite a long time). With the end-of-month results for June included, the first half of the year came to a close with a 5.4% increase in the volumes sold compared to the same period a year earlier.

As regards the office market, according to Colliers Argentina, the stock of A+ and A office buildings on the market for the first semester of calendar 2010 grew by 107,000 sqm. Furthermore, during fiscal year 2010, the market had an expansion in occupied surface area of 83,000 sqm, exceeding the average of the last 10 years. Thus, the difference between the occupied surface area and the space demand determined an increase in the vacancy rate, which was 7.8% in A+ and A office buildings. On the other hand, the general level of market rental prices, measured in US dollars, was stabilized after a downward subsequent to the global financial crisis of 2008.

As regards the residential market, in the first half of calendar 2010, the number of deeds filed with the Registry of Real Property of the Autonomous City of Buenos Aires for title conveyance totaled 40,249, representative of a 22.67% increase compared to the deeds filed during the first half of 2009. The current figure reflects a recovery compared to the levels of activity seen a year earlier, mostly considering that the first half of 2009 was the worst in the past 12 years. The mortgage deeds filed with the Registry of Real Property of the Autonomous City of Buenos Aires in the first half of the year represent an 8.2% increase compared to the same period in 2009, up from the 2,302 filed in the first half of 2009 to the 2,491 filed this year between January and June. This notwithstanding, access to credit for housing continues to be quite limited in Argentina, as it remains at less than 2% of the country's GDP.

When it comes to the hotel sector, the global financial crisis and the outbreak of the H1N1 influenza had a considerable bearing on the arrival of foreign tourists in Argentina in 2009. However, starting in November 2009, the trend of foreign tourist inflows reverted, with the 7.2%, 12% and 9% increases seen in January, February and March, respectively, warranting special mention. The foreign exchange rate, favorable to foreign tourists, continues to give Argentina a competitive edge as a tourist destination. Based on this outlook, hotel occupancy for 2010 is

**Table of Contents**

estimated to be in the region of 73% for 4-star and 5-star hotels. In turn, the corporate market has been showing significant growth, with Argentina being the venue of major events, congresses and conventions that generate large investments and favor hotel profitability

**E. Off-Balance Sheet Arrangements**

At June 30, 2010, we did not have any off-balance sheet transactions, arrangements or obligations with unconsolidated entities or others that are reasonably likely to have a material effect on our financial condition, results of operations or liquidity.

**F. Tabular Disclosure of Contractual Obligations**

The following table sets forth our contractual obligations as of June 30, 2010:

**Payments due by period (2)**

(in thousands of Pesos)

Contractual Obligations	Total	Less than	1-3 years	3-5 years	More than
		1 year			5 years
Long-term debt obligations	1,859,496	338,266	274,695	127,427	1,119,108
Purchase obligations	82,336	69,478	6,410	2,631	3,817
Other long-term obligations	53,838	12,078	19,427	21,468	865
Total (1)	1,995,670	419,822	300,532	151,526	1,123,790

(1) Includes our main financial and related parties debts, foreign suppliers and tax amnesty plan for gross sales tax payable.

(2) Includes accrued interest and prospective interest.

**G. Safe Harbor**

See the discussion at the beginning of this Item 5 and Forward Looking Statements in the introduction of this annual report for the forward looking safe harbor provisions.

**ITEM 6. Directors, Senior Management and Employees****A. Directors and Senior Management***Composition of the 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 full directors and an equal or minor number of alternate directors. Currently our board of directors is composed of thirteen directors and five alternate directors. Our directors and alternate directors are elected for three-year terms by a majority vote of our shareholders at a general ordinary shareholders meeting. Our directors and alternate directors may be reelected indefinitely.

Alternate directors will be summoned to exercise their functions in case of absence, vacancy of death of a full director up to a new director were designated.



**Table of Contents**

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

Name	Date of birth	Position	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	2010	2013	2001
Fernando A. Elsztain	01/04/1961	Director	2008	2011	1999
Carlos Ricardo Esteves	05/25/1949	Director	2008	2011	2005
Cedric D. Bridger	11/09/1935	Director	2009	2012	2003
Marcos Fischman	04/09/1960	Director	2009	2012	2003
Fernando Rubín	06/20/1966	Director	2010	2013	2004
Gary S. Gladstein	07/07/1944	Director	2010	2013	2004
Mario Blejer	06/07/1948	Director	2008	2011	2005
Mauricio Wior	10/23/1956	Director	2009	2012	2006
Gabriel A. G. Reznik	11/18/1958	Director	2008	2011	2008
Ricardo Liberman	12/18/1959	Director	2008	2011	2008
Emilio Cárdenas	08/13/1942	Alternate director	2006	2009	2003
Salvador D. Bergel	04/17/1932	Alternate director	2008	2011	1996
Enrique Antonini	03/16/1950	Alternate director	2010	2013	2007
Daniel Ricardo Elsztain	12/22/1972	Alternate director	2010	2013	2007

Carlos Ricardo Esteves, Cedric Bridger, Mario Blejer, Emilio Cárdenas, Ricardo H. Liberman and Enrique Antonini are independent directors, pursuant to *Comisión Nacional de Valores* 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 the University of Buenos Aires. He has been engaged in the real estate business for more than twenty years. He is the chairman of the board of directors of Alto Palermo, Cresud S.A.C.I.F. y A, Consultores Asset Management S.A., Banco Hipotecario S.A., Tarshop, BACS Banco de Crédito & Securitización and BrasilAgro - Companhia Brasileira de Propriedades Agrícolas, among others. He is also a member of the board of trustees of Hersha Hospitality Trust. He is Fernando A. Elsztain's cousin and Alejandro G. Elsztain's and Daniel R. Elsztain's brother.

**Saúl Zang.** Mr. Zang obtained a law degree from the 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 law firm. He is also first vice-chairman of Alto Palermo, the first vice-chairman of Cresud and he is also the chairman of Puerto Retiro S.A., vice-chairman of Fibesa S.A. and Tarshop and director of Banco Hipotecario S.A., Nuevas Fronteras S.A and Palermo Invest S.A., among others.

**Alejandro G. Elsztain.** Mr. Elsztain obtained a degree in agricultural engineering from the University of Buenos Aires. He is currently chairman of Fibesa S.A., Agrology S.A., vice-chairman of Alto Palermo, Cresud, Nuevas Fronteras S.A. and Inversora Bolivar S.A. and director of BrasilAgro - Companhia Brasileira de Propriedades Agrícolas, among others. Alejandro G. Elsztain is Eduardo S. Elsztain's and Daniel R. Elsztain's brother and Fernando A. Elsztain's cousin.

**Fernando A. Elsztain.** Mr. Elsztain studied architecture at the University of 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 a director of Alto Palermo, and Emprendimiento Recoleta y Hoteles Argentinos S.A., among others. Mr. Fernando A. Elsztain is Eduardo S. Elsztain's and Alejandro G. Elsztain's cousin.

**Table of Contents**

**Carlos Ricardo Esteves.** He has a degree in Political Science from the 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 studied at the Hebrew University of Jerusalem. He is a pioneer in individual and corporate coaching in Argentina. He provides consulting services to businessmen, scholars and artists. Since 1993, he has provided us with consulting services in organizational communication and development.

**Fernando Rubín.** Mr. Rubin has a degree in psychology from the University of Buenos Aires and attended a post-graduate course in human resources and organizational analysis at E.P.S.O. He has been the manager of organizational development at Banco Hipotecario where, currently serves as its CEO. He served as corporate manager of human resources for us, director of human resources for Moet Hennessy Louis Vuitton 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 & Partners-International Management Consultants, currently Mr. Rubín is also director of Tarshop.

**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 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 the *Asociación Latinoamericana de Celulares (ALCACEL)*; 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.



## **Table of Contents**

**Gabriel A. G. Reznik.** Mr. Reznik obtained a degree in Civil Engineering from University of Buenos Aires (*Universidad de Buenos Aires*). He worked for IRSA from 1992 until May 2005 when he resigned. He has also 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 Banco Hipotecario, and a number of other companies.

**Ricardo Liberman.** Mr. Liberman obtained a degree in accounting from the Universidad de Buenos Aires. He is an independent consultant, specialized in the areas of auditing and taxes.

**Emilio J. Cárdenas.** Mr. Cárdenas obtained a law degree from the Universidad de Buenos Aires and a Ph.D. from University of Michigan. He has been a member of our board of directors since 1996. He was chairman of ABRA, founding partner of Cárdenas, Cassagne & Asociados law firm, Argentina's Permanent Representative to the United Nations, member of United Nations Security Council and is currently a member of the board of directors of HSBC Bank S.A (Bank Roberts).

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

**Enrique Antonini.** Mr. Antonini holds a degree in law from the University of Buenos Aires. He is currently a member of the board of directors of Banco Mariva S.A. (since 1992), Mariva Bursátil S.A. (since 1997). He also served as a director of Inversiones y Representaciones S.A. from 1993 to 2002. He is a member of the Banking Lawyers Committee and the International Bar Association.

**Daniel Ricardo Elzstain.** Mr. Elzstain graduated with a major in Economic Sciences from the Torcuato Di Tella University and has a Master in Business Administration. He has been our Commercial Director since 1998. Mr. Elzstain is the brother of both the Chairman of the Board of Directors, Mr. Eduardo S. Elzstain, and of the Vice-Chairman, Alejandro G. Elzstain and cousin of the Director Fernando A. Elzstain.

### *Executive Committee*

Pursuant to our by-laws, our day-to-day business is managed by an executive committee consisting of a minimum of five and a maximum of nine directors, 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. Elzstain, Saúl Zang, Alejandro Elzstain and Fernando Elzstain as 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 day to day business delegated by the Board of Directors in accordance with applicable law and our by-laws. Our by-laws authorize the executive committee to:

designate the managers and establish the duties and compensation of such managers;

grant and revoke powers of attorney on behalf of us;

**Table of Contents**

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.

*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 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 ordinary and extraordinary shareholders' meeting, held on October 29, 2009:

Name	Date of birth	Position	Expiration Date	Current position held since
José D. Abelovich	07/20/1956	Member	2013	1992
Marcelo H. Fuxman	11/30/1955	Member	2013	1992
Noemi Cohn	05/20/1959	Member	2013	2010
Roberto Murmis	04/07/1959	Alternate Member	2013	2005
Silvia De Feo	10/07/1958	Alternate member	2013	2003
Alicia Graciela Rigueira	12/02/1951	Alternate member	2013	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 the Universidad de Buenos Aires. He is a founding member and partner of Abelovich, Polano & Asociados S.R.L. / 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 Alto Palermo, Cresud, Hoteles Argentinos, Inversora Bolívar and Banco Hipotecario S.A., among other companies.

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

**Table of Contents**

**Noemí Cohn.** Mrs. Cohn obtained a degree in accounting from the University of Buenos Aires. Mrs. Cohn is a partner at Abelovich, Polano & Asociados S.R.L. / Nexia International a public accounting firm in Argentina, and works in the audit area. Mrs. Cohn worked in the audit area in Harteneck, Lopez and Company., Coopers & Lybrand in Argentina and in Los Angeles California.

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

**Silvia De Feo.** Mrs. De Feo obtained a degree in accounting from the University of Belgrano. She is a manager at Abelovich, Polano & Asociados S.R.L. / 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, Cresud, Inversora Bolivar S.A. and Baldovinos S.A.

**Alicia Graciela Rigueira.** Mrs. Rigueira holds a degree in accounting from the Universidad de Buenos Aires. Since 1998 she has been a manager at Estudio Abelovich, Polano & Asociados S.R.L./ Nexia International. From 1974 to 1998, Mrs. Rigueira performed several functions in Harteneck, Lopez y Cia affiliated with Coopers & Lybrand. Mrs. Rigueira lectured at the Facultad de Ciencias Económicas de la Universidad de Lomas de Zamora.

*Senior Management*

The Board of Directors appoints and removes senior management. Senior management performs its duties in accordance with the instructions of the Board of Directors. The following table shows information about our current senior management:

Name	Date of birth	Position	Current position held since
Eduardo S. Elsztain	01/26/1960	Chief Executive Officer	1991
Gabriel Blasi	11/22/1960	Chief Financial Officer	2004
Jorge Cruces	11/07/1966	Chief Real Estate Officer	2007
Daniel R. Elsztain	12/22/1972	Chief Real Estate Business Officer	2007
David A. Perednik	11/15/1957	Chief Administrative Officer	2002

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

**Gabriel Blasi.** Mr. Blasi obtained a degree in business administration and carried out post graduate studies in Finance at CEMA University (*Universidad del CEMA Centro de Estudios Macroeconómicos Argentinos*) and in the IAE (*Universidad Austral*). He formerly worked as a senior securities trader in Citibank. He also held several management positions related to investment banking and capital markets at Banco Río (BSCH) and was financial director of the Argentine Carrefour Group and Goyaique SACIFIA (Grupo Perez Companc). Currently, he also serves as chief financial officer of Alto Palermo and Cresud. He currently serves as director of BrasilAgro-Companhia Brasileira de Propriedades Agrícolas and as alternate director of Banco Hipotecario.

## **Table of Contents**

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

**David A. Perednik.** Mr. Perednik obtained a degree in accounting from the 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 financial manager from 1986 to 1997. He also worked as a senior consultant in the administration and systems department of Deloitte & Touche. He also serves as chief administrative officer of Alto Palermo and Cresud.

### ***B. Compensation***

#### *Directors*

Under Argentine law, if the compensation of the members of the board of directors 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, 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 proportionally to the distribution.

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 Argentine Law and taking into consideration whether the directors performed technical or administrative activities and our fiscal year's results. Once the amount is determined, they are considered at the shareholders meeting.

At our shareholders meeting held on October 29, 2010, the shareholders approved an aggregate compensation of Ps. 27.8 million for all of our directors for the fiscal year ended June 30, 2010.

We do not have written contracts with our directors. However, Mr. Eduardo Elsztain, Saúl Zang, Alejandro Elsztain, Fernando Elsztain, and Fernando Rubín are employed by us under the Labor Contract Law No. 20.744. This law 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.

#### *Senior Management*

We pay our senior management 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 cash compensation of our senior management for the fiscal year ended June 30, 2010 was Ps.9.6 million.

## **Table of Contents**

### *Supervisory Committee*

The shareholders meeting held on October 29, 2010, approved by majority vote the decision not to pay any compensation to our Supervisory Committee.

### *Compensation plan for executive management*

We have a defined contribution plan covering its key managers in Argentina. The Plan was effective from January 1, 2006. Employees may begin participation voluntarily on monthly enrollment dates. Participants may make pre-tax contributions to the Plan of up to 2.5% of their monthly salary (Base Contributions) and pre-tax contributions of up to 15% of their annual bonuses (Extraordinary Contributions). Under the Plan, we match employee contributions to the plan at a rate of 200% for Base Contributions and 300% for Extraordinary Contributions. Contribution expense was Ps. 1.0 million, Ps.0.6 million, and Ps.1.2 million for the years ended June 30, 2010, June 30, 2009, and June 30, 2008, respectively. Participant contributions are held in trust as required by law. Individual participants may direct the trustee to invest their accounts in authorized investment alternatives. Our contributions are also held in trust. Participants or their assignees, as the case may be, may have access to the 100% of our contributions 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 good cause, the manager may redeem the amounts contributed by us only if he or she has participated in the Plan for at least 5 years.

### ***C. Board Practices***

#### *Audit Committee*

Pursuant to the System governing the Transparency of Public Offers established through Decree No. 677/2001, the rules of the *Comisión Nacional de Valores*, its Resolution No. 400 and 402, the board of directors established that the Audit Committee shall be a committee of the board of directors. The main function of the Audit Committee is to assist the board of directors in performing its duty of exercising due care, diligence and competence in issues relating to us, specifically in the enforcement of the accounting policy and in the issue of accounting and financial information, the management of business risk and of internal control systems, the conduct and ethical soundness of the company's business, the supervision of the integrity of our financial statements, the compliance by our company with the legal provisions, the independence and capability of the independent auditor and the performance of the internal audit function of our company and of the external auditors. Also, the audit committee may be requested by the board of directors to report if the conditions of a related party transaction may be reasonably considered adequate according to normal market conditions.

On November 3, 2008, our board of directors appointed Ricardo Liberman as member of the audit committee. As of the date of this annual report, the members of the audit committee are Cedric Bridger, Ricardo Liberman and Mario Blejer, all of them independent members. Cedric Bridger is the financial expert in accordance with the relevant SEC rules. We have a fully independent audit committee as per the standard provided in Rule 10(A)-3(b)(1).

**Table of Contents****Compensation of 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.

**D. Employees**

As of June 30, 2010, we had 2,263 employees. Our Development and Sale of Properties and Offices and Other Non-Shopping Center Rental Properties segments had 88 employees, of which 32 were represented by the Commerce Union (*Sindicato de Empleados de Comercio*, or *SEC*) and 6 were represented by the Horizontal Property Union (*SUTERH*). Our Shopping Centers and Consumer Financing segments had 1,493 employees, of which 956 were under collective labor agreements. Our Hotels segment had 682 employees, all of which are represented by the Tourism, Hotel and Gastronomy Workers Union (*Unión de Trabajadores del Turismo, Hoteleros y Gastronómicos de la República Argentina*, or *UTHGRA*).

The following table sets forth the number of employees divided by business segment as of each year end :

	<b>Development and sale of properties and other non-shopping center retail properties</b>	<b>Shopping Centers<sup>(2)</sup></b>	<b>Hotels<sup>(3)</sup></b>	<b>Consumer Financing<sup>(4)</sup></b>	<b>Total</b>
As of June 30, 2006	185	966	1,024	979	3,154
As of June 30, 2007	228	983	785	1,302	3,298
As of June 30, 2008	243	1,043	764	1,298	3,348
As of June 30, 2009	209	1,001	694	689	2,593
As of June 30, 2010	88	774	682	719	2,263

(1) Argentine Real Estate includes IRSA, Inversora Bolívar, Baldovinos, Madero, Libertador 498.

(2) Starting June 2000, Shopping Centers includes Altocity (e-commerce) and does not include Mendoza Plaza prior to fiscal year 2005.

(3) Hotels include Intercontinental, Sheraton Libertador and Llao Llao.

(4) Credit cards include Tarshop.

**E. Share Ownership**

**Share ownership of directors, members of the supervisory committee, members of the executive committee and senior management as of November 30, 2010.**

**Table of Contents**

The following table sets forth the amount and percentage of our shares beneficially owned by our directors, members of the executive committee, supervisory committee and senior management as of November 30, 2010:

<b>Name</b>	<b>Position</b>	<b>Number of Shares</b>	<b>Percentage</b>
<b>Directors</b>			
Eduardo S. Elsztain <sup>(1)</sup>	Chairman	333,296,672	57.60%
Saúl Zang	First Vice-Chairman	1,502,923	0.26%
Alejandro G. Elsztain	Second Vice- Chairman	2,713,680	0.47%
Fernando A. Elsztain	Director		
Carlos Ricardo Esteves	Director		
Cedric D. Bridger	Director		
Marcos Fischman	Director	20,000	
Fernando Rubín	Director	200,000	0.03%
Gary S. Gladstein	Director	21,003	
Mario Blejer	Director	60,220	0.01%
Mauricio Wior	Director		
Gabriel Adolfo Gregorio Reznik	Director		
Ricardo Liberman	Director	10,199	
Emilio Cárdenas	Alternate Director		
Salvador D. Bergel	Alternate director		
Enrique Antonini	Alternate Director		
Daniel Ricardo Elsztain	Alternate director	98,610	0.02%
<b>Senior Management</b>			
Gabriel Blasi	Chief financial officer	422,360	0.07%
Jorge Cruces	Chief real estate officer	58,851	0.01%
David A. Perednik	Chief administrative officer	115,040	0.02%
<b>Supervisory Committee</b>			
José D. Abelovich	Member		
Marcelo H. Fuxman	Member		
Noemí Cohn	Member		
Roberto Murmis	Alternate member		
Silvia C. De Feo	Alternate member		
Alicia Rigueira	Alternate member		

<sup>(1)</sup> Includes (i) 292,811,013 common shares beneficially owned by Cresud S.A., (ii) 39,855,739 common shares beneficially owned by Agrology S.A., (iii) 628,070 common shares beneficially owned by Consultores Assets Management S.A., and (v) 1,850 common shares owned directly by Eduardo S. Elsztain.

**Table of Contents****ITEM 7. Major Shareholders and Related Party Transactions****A. Major Shareholders***Information about Major Shareholders***Share Ownership**

The following table sets forth information regarding ownership of our capital stock by each person known to us to own beneficially at least 5% of our common shares and all our directors and officers as a group.

Shareholder	Share Ownership as of November 30, 2010	
	Number of Shares	Percentage <sup>(4)</sup>
Cresud <sup>(1)</sup>	292,811,013	57.60%
D.E. Shaw & Co. Inc.	44,301,050	7.66%
Directors and officers excluding Eduardo Elsztain <sup>(3)</sup>	5,222,886	0.90%
Social Security National Agency ( ANSES )	25,855,221	4.47%
<b>Total</b>	<b>368,190,170</b>	<b>70.63%</b>

- (1) Eduardo S. Elsztain is the beneficial owner of 187,361,550 common shares and 84,408,115 warrants of Cresud, representing 38.48% (on a fully diluted basis) of its total share capital. Although Mr. Elsztain does not own a majority of the shares of Cresud, he is its largest shareholder and exercises substantial influence over Cresud. If Mr. Elsztain were considered the beneficial owner of Cresud due to his substantial influence over it, he would be the beneficial owner of 57.60% of our shares by virtue of his investment in Cresud.
- (2) Eduardo S. Elsztain is the Chairman of the board of directors of IFIS Limited ( IFIS ), a corporation organized under the laws of Bermuda and IFISA, a corporation organized under the laws of Uruguay. Mr. Elsztain, is the beneficial owner of 29.41% of IFIS capital stock, which owns 100% of IFISA
- (3) As described in notes (1) and (2) above, Mr. Elsztain may be deemed to be the beneficial owner of 57.49% of our outstanding shares consisting of (i) 292,811,013 shares held by Cresud (ii) 39,855,739 shares held by Agrology. In addition, Mr. Elsztain is the beneficial owner of an additional 0.11% of our outstanding shares consisting of (i) 628,070 shares held by Consultores Assets Management S.A., and (ii) 1,850 shares held directly by Eduardo Elsztain. As a result, Mr. Elsztain's aggregate beneficial ownership of our outstanding shares may be as high as 333,296,672 common shares, representing 57.60% of our outstanding shares.
- (4) As of November 30, 2010, the number of outstanding shares was 578,676,460.

Cresud is a leading Argentine producer of basic agricultural products. Cresud's shares began trading on the *Bolsa de Comercio de Buenos Aires* on December 12, 1960, under the trading symbol CRES and on March 1997 its ADSs began trading on the Nasdaq Stock Market under the trading symbol CRESY.

Between June 30, 2007 and November 30, 2007, Cresud converted all of our 8% convertible notes that it owned and exercised all of its warrants entitling it to purchase additional common shares. As a result of these conversions and exercises, Cresud's shareholding in us increased from 25.0% at June 30, 2007 to 34.4%.

As of November 30, 2007, IFISA had exercised all of its warrants and owned 1.4% of our shares. As of November 30, 2008, IFISA's shareholding in us decreased to 0.3%. As of November 30, 2009 IFISA shareholding in us decreased to 0.09%

Parque Arauco is a significant shareholder in our subsidiary APSA. Parque Arauco is a Chilean commercial real estate developer engaged in the acquisition, development and operation of shopping centers, and its shares are listed and traded on the Santiago Stock Exchange. For more information about Parque Arauco, please see Recent Developments .



**Table of Contents****Changes in Share Ownership**

	November 30,		As of <sup>(5)</sup>		
	2010 (%)	June 30, 2010 (%)	June 30, 2009	June 30, 2008 (%)	June 30, 2007 (%)
Cresud <sup>(1)</sup>	57,5	57,6	50,2	38,4	25
IFISA <sup>(2) (3)</sup>	0	0	0,4	1,6	1,2
D.E. Shaw & Co. Inc.	7,7	7,7	7,7	6,7	0,2
Directors and Senior Management <sup>(4)</sup>	1,7	1,7	0,9	0,5	0,3
ANSES	4,5	4,5	4,3	4,1	4,8
Total	71,5	71,5	63,5	51,3	31,5

- (1) Eduardo S. Elsztain is the beneficial owner of 187,361,550 common shares and 84,408,115 of Cresud, representing 38.48% of its total share capital. Although Mr. Elsztain does not own a majority of the shares of Cresud, he is its largest shareholder and exercises substantial influence over Cresud. If Mr. Elsztain were considered the beneficial owner of Cresud due to his substantial influence over it, he would be the beneficial owner of 57.60% of our shares by virtue of his investment in Cresud.
- (2) Eduardo S. Elsztain is the Chairman of the board of directors of IFIS Limited ( IFIS ), a corporation organized under the laws of Bermuda and IFISA, a corporation organized under the laws of Uruguay. Mr. Elsztain, is the beneficial owner of 29.41% of IFIS capital stock, which owns 100% of IFISA.
- (3) As described in notes (1) and (2) above, Mr. Elsztain may be deemed to be the beneficial owner of 57.48% of our outstanding shares consisting of (i) 292,811,013 shares held by Cresud (ii) 39,855,739 shares held by Agrology. In addition, Mr. Elsztain is the beneficial owner of an additional 0.11% of our outstanding shares consisting of (i) 628,070 shares held by Consultores Assets Management S.A., and (ii) 1,850 shares held directly by Eduardo Elsztain. As a result, Mr. Elsztain's aggregate beneficial ownership of our outstanding shares may be as high as 333,296,672 common shares, representing 57.60% of our outstanding shares.
- (4) Includes only direct ownership of our Directors and Senior Management.
- (5) As of November 30, 2010, the number of outstanding shares was 578,676,460.

Except as set forth above, we are not aware of the existence of other shareholders owning more than 5% of our capital stock. The voting rights of our principal shareholders are not different from those of the remaining shareholders.

**Differences in Voting Rights**

Our major shareholders do not have different voting rights.

**Arrangements for change in control**

There are no arrangements that may at a subsequent date result in a change in control.

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**Table of Contents**

***Securities held in the host country***

As of November 30, 2010, the Company's total issued outstanding capital stock outstanding consisted of 578,676,460 common shares. As of November 30, 2010, there were approximately 34,544,766 Global Depository Shares (representing 345,447,660 of our common shares, or 59.7% of all of our outstanding shares) held in the United States by approximately 86 registered holders of Global Depository Shares.

As of November 30, 2010 our directors and senior officers controlled, directly or indirectly, approximately 59.3% of our common shares. As a result, these shareholders have, and will continue to have, significant influence on the election of our directors and the outcome of any action requiring shareholder approval.

***B. Related Party Transactions***

***We increased our investment in Banco Hipotecario***

In 1999, we acquired 2.9% of Banco Hipotecario for Ps.30.2 million in connection with its privatization. Over the years, we have gradually increased our ownership interest in Banco Hipotecario. In fiscal year 2002, we increased our ownership interest to 5.7%. During 2003 and 2004, we increased our investment in Banco Hipotecario to 11.8% by acquiring additional shares, and by acquiring and exercising warrants, for an aggregate purchase price of Ps.33.4 million. In May 2004, we sold Class D shares representing 1.9% of Banco Hipotecario to IFISA, one of our controlling shareholders, for Ps.6.0 million. In 2009, we acquired additional shares of Banco Hipotecario S.A. for an aggregate purchase price of US\$107.5 million, bringing our ownership interest to 21.34%. In fiscal year 2010, we acquired additional shares of Banco Hipotecario for an aggregate purchase price of Ps.118.7 million, bringing our ownership interest in Banco Hipotecario to 28.03% (without considering treasury shares). See *Recent Development and Significant Changes* .

***Sale of Tarshop***

On December 29, 2009, our subsidiary Alto Palermo entered into a stock purchase agreement with our affiliate Banco Hipotecario pursuant to which Alto Palermo agreed to sell voting shares representing 80% of Tarshop's capital stock to Banco Hipotecario. On May 21, 2010, and as part of the above mentioned agreement, we and Tarshop entered into an agreement pursuant to which Tarshop sold us 50% of Metroshop's capital stock. On August 30, 2010, the Banco Central de la República Argentina gave notice to Banco Hipotecario of the transaction's approval. On September 13, 2010, APSA transferred 107,037,152 common shares of Tarshop. The total purchase price paid was US\$ 26.8 million. Immediately after the sale our equity interest in Tarshop was 20% of its capital stock. For more information please see *Recent Developments* and *Significant Changes*

***Space for Fundación IRSA and Fundación Museo de los Niños at No Cost***

In October 1997, our subsidiary Alto Palermo granted Fundación IRSA the right to use 3,800 square meters of constructed area in the Abasto Shopping Center free of charge for a 30-year period. In November 2005, Alto Palermo granted Fundación Museo de los Niños the right to use approximately 2,670 square meters of constructed area in the Shopping Rosario free of charge for a 30-year period.

## **Table of Contents**

Fundación IRSA is a charitable, non-profit organization whose Chairman is Eduardo S. Elsztain and whose Secretary is Mariana Carmona de Elsztain, Mr. Elsztain's wife. Fundación IRSA has used the available area to house a museum called Museo de los Niños, Abasto, an interactive learning center for children and adults, which opened to the public in April 1999. On September 27, 1999, Fundación IRSA assigned and transferred at no cost, the entirety of Museo de los Niños, as well as Abasto's rights and obligations to Fundación Museo de los Niños.

Fundación Museo de los Niños is a charitable non-profit organization established by the same founders of Fundación IRSA and run by the same members of the administration committee as Fundación IRSA. Fundación Museo de los Niños acts as special vehicle for the development of Museo de los Niños, Abasto and Museo de los Niños, Rosario. In October 1999, Alto Palermo approved the assignment of Museo de los Niños, Abasto's agreement to Fundación Museo de los Niños. In addition, on December 12, 2005, an agreement granting the right to use of the space designated for Museo de los Niños, Rosario, at no cost, was signed.

### *Donations for Fundación IRSA and Fundación Museo de los Niños*

During the fiscal years ended June 30, 2010, 2009 and 2008, we made donations to Fundación IRSA and Fundación Museo de los Niños for a total amount of Ps.2.6 million, Ps.4.0 million and Ps.4.8 million, respectively. Eduardo S. Elsztain is the chairman of Fundación IRSA and Fundación Museo de los Niños.

### *Purchase of our shares and convertible notes by Cresud*

Eduardo S. Elsztain and Saúl Zang are, respectively, Chairman and Vice Chairman of our board of directors and are also shareholders of our company. They are also, respectively, chairman and vice-chairman of the board of directors of Cresud and are also shareholders of Cresud.

During November and December 2002, Cresud purchased US\$49.7 million of our 8% convertible notes due 2007 and during July and November 2003, Cresud purchased an additional US\$0.25 million of such convertible notes. Our convertible notes, which were offered on October 15, 2002 for 100.0 million units consisting of US\$100.0 million of 8% convertible notes due 2007, were convertible at any time, at the option of the holder, into a fixed number of common shares. Once converted, the holder had the right to acquire an additional equal number of shares at the exercise price of the warrant.

Between June 2007 and November 2007, 12.0 million convertible notes were converted and 33.0 million warrants were exercised. After this exercise of warrants and conversion of convertible notes, Cresud had no outstanding warrants or convertible notes of our Company. As of November 30, 2007 Cresud owned 34.4% of our common shares and as of June 30, 2008 Cresud increased its participation in us to 38.4% of our common shares by acquisitions in the open market.

As of June 30, 2009, Cresud increased its participation in us to 55.6% of our common shares by acquisitions in the open market. As of June 30, 2010, Cresud's ownership of us was 57.49%.

## **Table of Contents**

### *Headquarters Lease*

Our headquarters are located at Bolívar 108, 1st floor, City of Buenos Aires. We lease this property from Elsztain e Hijos S.C.A., a company controlled by relatives of Eduardo S. Elsztain, and from Hamonet S.A., a company controlled by Fernando A. Elsztain, one of our directors, and several of his relatives. A lease agreement was signed among us, Alto Palermo, Cresud and Isaac Elsztain e Hijos S.C.A., in March 2004. This lease establishes a term of 120 months and monthly rental payments of Ps.8,490. We, Alto Palermo and Cresud each pay one-third, or Ps.2.830, of such rent.

### *Office Space Lease*

On November 1, 2008, we entered into a 36-month lease of the 22<sup>nd</sup> floor of the Intercontinental Plaza Tower from Inversora Bolivar pursuant to a lease agreement relating to such floor and ten parking spaces. This lease expires October 31, 2011. We pay a monthly rent of US\$23,234.

In June 2009, we entered into a lease of the 24<sup>th</sup> floor of the Intercontinental Plaza Tower from Inversora Bolivar pursuant to a lease agreement related to such floor and eight parking spaces. This lease expires August 31, 2011. We pay a monthly rent of US\$7,745.

### *Legal Services*

During the fiscal years ended June 30, 2010, 2009 and 2008 we paid the law firm Zang, Bergel & Viñes an aggregate amount of Ps.5.0 million, Ps.3.2 million and Ps.3.8 million, respectively, as payments for legal services. Our director, Saúl Zang, and our alternate director, Salvador D. Bergel, are partners of this law firm. Ernesto Manuel Viñes, a partner of the firm, is a member of the board of directors of our equity investee Banco Hipotecario.

### *Dolphin Fund*

Since 1996, we have invested in Dolphin Fund Plc, an open-ended investment fund which is related to our director Eduardo Elsztain. These investments are carried at market value as of year-end. Unrealized gains and losses relating to investment funds are included in financial results, net, in the consolidated statements of income. The amounts relating to our net (loss) gain on holding Dolphin Fund Plc. for fiscal years 2010, 2009 and 2008, respectively, were a Ps.3.2 million gain, a Ps.12.1 million loss and a Ps.38.6 million loss, respectively.

### *Loan agreements with members of the Senior Management of Banco Hipotecario*

As of June 30, 2010, several members of the senior management of Banco Hipotecario had loans from Banco Hipotecario for a total amount of approximately Ps.1.3 million with an average interest rate of 13%. We believe that each of these loans was made by Banco Hipotecario in the ordinary course of its consumer credit business, is of a type generally made available by Banco Hipotecario to the public and was made on market terms.

### *Agreement for the Exchange of Corporate Service between Alto Palermo and Cresud*

Considering that each of our Company, Alto Palermo and Cresud have operating areas which are somewhat similar, the Board of Directors deemed it advisable to implement alternatives aimed at reducing certain fixed costs of its activities and to lessen their impact on operating results while seizing and optimizing the individual efficiencies of each of them in the different areas comprising the management of operations.

**Table of Contents**

In this regard, on June 30, 2004, we, Cresud and Alto Palermo (hereinafter, the Parties ) entered into an agreement for the exchange of corporate services, which was amended on August 23, 2007, August 14, 2008, and November 27, 2009.

The agreement for the exchange of corporate services among Alto Palermo, Cresud and us, currently provides for the exchange of services among the following areas: human resources, finance, institutional relationships, management and control, systems and technology, insurance, errands running service, contracts, technical, infrastructure and services, purchases, architecture and design and development and works department, internal audit, real estate, hotels and tourism and risks and processes.

The exchange of services consists in the provision of services for value in relation to any of the aforementioned areas by one or more of the parties to the agreement for the benefit of the other party or parties, which are invoiced and paid primarily by an offset against the services provided by any of the areas and, secondarily, in case of a difference between the value of the services rendered, in cash.

Under said agreement the companies have entrusted to an external consultant the review and evaluation, on a semiannual basis, of the criteria applied in the corporate service settlement process and of the distribution bases and supporting documentation used in such process, through the issuance of a semiannual report.

On March 12, 2010, an amendment to the agreement for the exchange of corporate services was entered into to simplify issues originating from the consolidation of financial statements as a result of the increase in Cresud s equity interest in us. Our board of directors has deemed it convenient and advisable for this simplification to transfer the employment agreements of Alto Palermo s and our corporate employees to Cresud. Effective January 1, 2010, the labor costs of those employees will be transferred to Cresud s payroll, and they will render services to us and Alto Palermo, which services will continue to be distributed in accordance with the terms of the agreement for the exchange of corporate services entered into with Cresud and Alto Palermo.

In the future and in order to continue with the policy of generating the most efficient distribution of corporate resources among the different areas, this agreement may be extended to other areas shared by us with Cresud and Alto Palermo.

In spite of the above, the Company, Cresud and Alto Palermo continue to be independent as regards the execution of their business and strategic decisions. Costs and benefits are allocated on the basis of operating efficiency and fairness without pursuing economic benefits for the companies. The implementation of this project does not impair the identification of the economic transactions or services involved, nor does it affect the efficiency of the internal control systems or the internal and external auditors tasks of each of the companies or the possibility of presenting the transactions related to the agreement in the manner provided in FACPCE Technical Resolution No. 21. Mr. Alejandro Gustavo Elsztain is acting as General Coordinator while Mr. Cedric Bridger is in charge of its operation and implementation, in his capacity as individual responsible person on behalf of our and member of the Audit Committee.

## **Table of Contents**

The Agreement for the exchange of Corporate Service was filed with the SEC in a report on Form 6-K dated July 1, 2004, and amendments to this agreement were filed in reports on Form 6-K dated September 19, 2007, the Second Agreement for Shared Corporate Services was filed on Form 6-K dated August 19, 2008, the Third Agreement was filed on December 15, 2009 and the Addendum to Corporate Services Master Agreement, was filed on Form 6-K dated March 17, 2010.

See Exhibit 4.4 of this Annual Report and 27. II.e) to our Audited Consolidated Financial Statements contained elsewhere in this annual report.

### *Convertible Notes of Alto Palermo*

At a noteholders' meeting held on May 2, 2006, the holders of Alto Palermo's Series I convertible notes unanimously approved an extension of the maturity date thereof to July 19, 2014, which had initially been scheduled to mature in July 2006.

On October 7, 2010, Alto Palermo reported that two holders of the Alto Palermo's Convertible Notes exercised their conversion rights. Hence, Alto Palermo issued 477,544,197 common shares, of nominal value Ps. 0.1 each, and cancel 50 Convertible Notes for an amount of US\$ 15.5 million.

As a result of the conversion, Alto Palermo's capital stock increased from Ps.78.2 million to Ps. 126 million and the amount of outstanding shares of Alto Palermo increased from 782.1 million to 1.3 billion. After the conversion, the amount of Convertible Notes outstanding was US\$ 31.8 million.

### *Purchase of Alto Palermo's Series I Notes*

During the fiscal year ended on June 30, 2009, we acquired US\$39.6 million nominal value Series I fixed-rate Alto Palermo notes due June 2017 issued under Alto Palermo's global note program. The average weighted price was US\$0.4628, totaling US\$18.3 million.

On October 12, 2010, we sold in the secondary market, treasury held Class I Notes of Alto Palermo, due 2017, for a nominal value of US\$ 39.6 million.- As a result of such sale, we received a total income of US\$ 38.1 million.

### *Purchase of Alto Palermo's Series II Notes*

During the fiscal year ended on June 30, 2009, we acquired US\$15.1 million nominal value of Alto Palermo's Series II fixed-rate Notes due June 2012 (Argentine Peso-Linked Note) issued under Alto Palermo's global note program. The average weighted price was US\$0.5447, totaling US\$8.2 million.

### *Purchase of Shares in Alto Palermo*

During fiscal year ended June 30, 2010 and as of the date of this annual report, we purchased 38,400 shares issued by Alto Palermo for an average price per share of US\$ 0.1350 and for an aggregate amount of US\$ 0.005 million. For more information see *Recent Developments* and *Significant Changes* .

On October 12, 2010, the Company reported that it had sold in the secondary market its Alto Palermo Class I Notes due 2017, for a nominal value of US\$ 39.6 million. As a result of such sale, the Company received a total income of US\$ 38.1 million.

## **Table of Contents**

### *Elsztain Managing Partners Limited*

In March 2010, we entered into a master agreement (the *Master Agreement*) with Elsztain Managing Partners Limited, a limited liability company formed under the laws of the British Virgin Islands which serves as manager of Elsztain Realty Partners Master Fund LP ( *Elsztain RP* ), a limited partnership formed under the laws of Bermuda. The Master Agreement establishes guidelines that govern the relationship between us and Elsztain RP regarding investment opportunities that, due to the recent international financial crisis, have become available in the housing market in the United States, and is based on the understanding that such investment opportunities may exceed our economic and financial possibilities.

Pursuant to the Master Agreement, our board of directors will review each business opportunity that Elsztain RP or Elsztain Managing Partners Limited offers to us. Elsztain RP will offer each potential real estate transaction to us first, and will give us a reasonable period of time to analyze the transaction and choose one of the following alternatives: (i) participate in a percentage of the enterprise, (ii) participate jointly with Elsztain RP, (iii) participate with Elsztain RP and others or (iv) opt not to pursue the transaction, allowing Elsztain RP to proceed with the transaction. We will not be obligated under any circumstance to pay Elsztain RP any commission or fee including, without limitation, any payment, commission or fee for management or success. In some cases, we may receive commissions or fees for management or success, depending on the nature of the business opportunity.

The decisions of our board of directors relating to the participation in each business opportunity and payment of commissions or fees will be by majority of votes present. Mr. Eduardo Sergio Elsztain and other interested parties will abstain from participating in the deliberation and vote in accordance with Section 272 of the Argentine Corporations Law. The Master Agreement was reviewed and approved by our Audit Committee.

### *Sale of our Notes by Cresud.*

On December 3, 2010, Cresud sold in the secondary market US\$ 33.1 million of our 8.5% notes due 2017 at an average price of 100.09%.

### ***C. Interests of Experts and Counsel***

This section is not applicable

## **ITEM 8. Financial information**

### ***A. Consolidated Statements and Other Financial Information***

See Item 18 for our consolidated financial statements.

## **Table of Contents**

### *Legal or Arbitration Proceedings*

#### ***Legal Proceedings***

Set forth below is a description of certain material legal proceedings to which we are a party. We are not engaged in any other material litigation or arbitration and no other material litigation or claim is known to us to be pending or threatened against us or our subsidiaries. Nevertheless, we may be involved in other litigation from time to time in the ordinary course of business.

#### *Puerto Retiro*

On November 18, 1997, in connection with our acquisition of our subsidiary Inversora Bolívar, we indirectly acquired 35.2% of the capital stock of Puerto Retiro. Inversora Bolívar had purchased such shares of Puerto Retiro from Redona Investments Ltd. N.V. in 1996. In 1999, we, through Inversora Bolívar, increased our interest in Puerto Retiro to 50.0% of its capital stock. On April 18, 2000, Puerto Retiro received notice of a complaint filed by the Argentine government, through the Ministry of Defense, seeking to extend the bankruptcy of Indarsa. Upon filing of the complaint, the bankruptcy court issued an order restraining the ability of Puerto Retiro to dispose of, in any manner, the real property it had purchased in 1993 from Tandanor. Puerto Retiro appealed the restraining order which was confirmed by the Court on December 14, 2000.

In 1991, Indarsa had purchased 90% of Tandanor, a former government-owned company, which owned a piece of land near Puerto Madero of approximately 8 hectares, divided into two parcels: Planta 1 and 2. After the purchase of Tandanor by Indarsa, in June 1993, Tandanor sold Planta 1 to Puerto Retiro, for a sum of US\$18 million pursuant to a valuation performed by J.L. Ramos, a well-known real estate brokerage firm in Argentina. Indarsa failed to pay to the Argentine government the price for its purchase of the stock of Tandanor, and as a result the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa was its holding in Tandanor, the Argentine government is seeking to extend Indarsa's bankruptcy to other companies or individuals which, according to its view, acted as a single economic group. In particular, the Argentine government has requested the extension of Indarsa's bankruptcy to Puerto Retiro which acquired Planta 1 from Tandanor.

The deadline for producing evidence in relation to these legal proceedings has expired. The parties have submitted their closing arguments and are awaiting a final judgment. However, the judge has delayed his decision until a final judgment in the criminal proceedings against the former Defense Minister and former directors of Indarsa has been delivered. We cannot give you any assurance that we will prevail in this proceeding, and if the plaintiff's claim is upheld by the courts, all of the assets of Puerto Retiro would likely be used to pay Indarsa's debts and our investment in Puerto Retiro, valued at Ps.54.6 million, as of June 30, 2010, would be lost. As of June 30, 2010, we had not established any reserve with respect of this contingency.

#### *Llao Llao Holding*

Llao Llao Holding S.A. purchased Hotel Llao Llao in November 1997, from the Argentine National Parks Administration. Llao Llao Holding S.A., the predecessor of Llao Llao Resorts S.A., was sued in 1997 by the National Parks Administration to collect the unpaid balance of the purchase price in Argentine sovereign debt securities amounting to US\$2.9 million. The trial court ruled in favor of the plaintiff. The ruling was appealed, and the court of appeals confirmed the judgment ordering the payment of US\$2.9 million in Argentine sovereign debt securities available at the date of the ruling, plus compensatory and punitive interest and attorneys' fees. On March, 2004, Llao Llao Resorts S.A. paid an amount of Ps.9.2 million.



## **Table of Contents**

On June 30, 2004, the plaintiff filed a brief rejecting Llao Llao Resorts S. A. payment on the grounds that it was a partial payment and requesting the court to determine the term for the deposit of funds amounting to final payment of the total debt. The trial court pesified the outstanding amount of plaintiff s ruling against Llao Llao Resorts S.A., as well as the unpaid fee of the plaintiff s attorneys. The plaintiff appealed this decision. The court of appeals ruled in favor of the plaintiff maintaining the unpaid amounts were payable in U.S. Dollars. Llao Llao Resorts S.A. filed an appeal, which was rejected. Llao Llao Resorts S.A. subsequently filed with the National Supreme Court an additional appeal in response to the refusal to allow the appeal.

The plaintiff requested the court of original jurisdiction to initiate an incidental proceeding for the execution of the judgment. Llao Llao Resorts S.A. contested this settlement and requested to the plaintiff to provide additional information in order to evaluate the amount of the settlement. Also Llao Llao Resorts S.A. requested that the execution be suspended until there is a final judgement in the appeal filed with the Supreme Court.

Llao Llao Resorts S.A. s request was denied and on July 14, 2008, the court of appeals announced by means of a decree dated June 18, 2008, that it had confirmed the settlement approved by the court of original jurisdiction. On March 17, 2009, the National Supreme Court admitted the appeal against the decree and decided to suspend the enforcement of the judgment. On March 9, 2010, by means of an order dated February 28, 2010, the National Supreme Court announced the rejection of the extraordinary appeal.

In accordance with the information provided by the attorneys in respect of this lawsuit, the amount to be recorded by virtue of the Court sentence amounts to Ps.10.2 million as of June 30, 2010, which as of the date of this annual report such payment was fulfilled.

### *Other Litigation*

As of July 5, 2006, the *Administración Federal de Ingresos Públicos* or AFIP filed a preliminary injunction with the Federal Court for Administrative Proceedings against Alto Palermo for an aggregate amount of Ps.3.7 million, plus an added amount, estimated at Ps.0.9 million for legal fees and interest. The main dispute is about the income tax due for admission rights. In the first instance, AFIP pleaded for a general restraining order. On November 29, 2006, the Federal Court issued an order substituting such restraining order for an attachment on the plot of land located in Caballito neighborhood, City of Buenos Aires, where Alto Palermo is planning to develop a shopping center. We filed a new request for the Antitrust Authority s opinion regarding our acquisition of Bank Boston Tower on August 30, 2007. On November 22, 2007, the Antitrust Authority issued an advisory opinion in which it established that we were in fact required to so notify it, and the competent court ratified such decision. On November 3, 2010, the transaction was filed with the Antitrust Authority.

After we sold the Reconquista 823/41 on April 27, 2009, we asked the Antitrust Authority if it was necessary to notify this operation. On August 14, 2009, the Antitrust Authority informed us that it was not necessary to report this sale.

After our acquisition of Bouchard 557, we asked the Argentine Antitrust Authority whether it was necessary to notify it of such acquisition. The Antitrust Authority advised us that we were in fact required to notify it, and the competent court ratified such decision.

## **Table of Contents**

Consequently, on April 22, 2008, the notice of the operation was filed with the Antitrust Authority. On June 10, 2009, the Antitrust Authority authorized the acquisition of Bouchard 557. After we sold our 29.85% interest in Bouchard 557 to Techint Compañía Técnica Internacional Sociedad Anónima Comercial e Industrial, we asked the Antitrust Authority if it was necessary to notify this operation. On July 4, 2008, the Antitrust Authority informed us that it was not necessary to report this sale.

On May 6, 2008, we filed with the Antitrust Authority a request for its opinion as to the need to notify it of our acquisition of Edificio República. On August 12, 2008, the Antitrust Authority advised us that we were in fact required to so notify it. We challenged this opinion in the local courts. On December 28, 2009, we were notified that our appeal had been rejected. As a consequence, on February 10, 2010 we notify the acquisition abovementioned. On November 3, 2010 the Antitrust Authority authorized the acquisition of *Edificio Republica*. On January 15, 2007 we were notified of two claims filed against us before the Antitrust Authority, one by a private individual and the other one by the licensee of a shopping center, both opposing the acquisition from the province of Córdoba of a property known as Ex-Escuela Gobernador Vicente de Olmos. On February 1, 2007 we responded the claims. On June 26, 2007, the Antitrust Authority notified us that it has initiated a summary proceeding to determine whether the completion of the transaction breaches the Antitrust Law. As of the date of this annual report, the result of this proceeding has not been determined.

On November 20, 2009, subsequently to the sale of Edificio Costeros Building (Dock II) in the City of Buenos Aires, we requested to the Antitrust Authority its advisory opinion regarding whether we were obliged to notify such transaction or not. The Antitrust Authority advised that IRSA was in fact required to notify it, and IRSA challenged this opinion in the local courts.

On January 22, 2008, Alto Palermo requested to the Antitrust Authority's clearance for the transfer of the Soleil Factory shopping center. On July 1, 2010 Alto Palermo executed the final documents of the transaction and the received the possession of the property, Subsequently to the aforementioned, we made a new request to the Antitrust Authority; the Antitrust Authority decided to consolidate the new request with the previous file. As the date of this filing, the Antitrust Authority has not reached a decision. On December 3, 2009, Alto Palermo filed a request for the Antitrust Authority's opinion regarding Alto Palermo's acquisition of shares of Arcos del Gourmet S.A. The Antitrust Authority advised the parties that the transaction has to be notified. On December 16, 2011 the transaction was filed with the Antitrust Authority.

On September 21, 2010, after Alto Palermo sold 80 % of its shares of Tarshop, Alto Palermo requested the Antitrust Authority's clearance for such transfer.

We are involved in other litigation which derives from arising in the ordinary course of our business. We accrue liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, our estimates of the outcomes of these matters and the lawyers' experience in contesting, litigating and settling similar matters. As the scope of the liabilities becomes better defined, there will be changes in the estimates of future costs, which could have a material effect on our future which we believe is not likely to have a material adverse effect on our financial conditions or results of operations and financial condition or liquidity.

## Table of Contents

For more information see Item 4 *Regulation and Government Supervision* and Item 3 *Risk Factors- Risk related to our Business- Our business is subject to extensive regulation and additional regulations may be imposed in the future* .

### *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 the shareholders. The approval, amount and payment of dividends are subject to the approval by our shareholders at our annual ordinary shareholders meeting. The approval of dividends requires the affirmative vote of a majority of the shares entitled to vote at the meeting.

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

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

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

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

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

Our Dividend policy consist in the pro-rata distribution of an amount up to the highest of (a) 20% of the revenues from our Offices and other Non-Shopping Center Rental Properties segment as of June 30 each year, or (b) 20% of income as defined in our consolidated statements of income as of June 30 of each year. This policy requires that the Company must at all times comply with the covenants imposed by its financial obligations.

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

50% of our cumulative consolidated net income; or

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

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

**Table of Contents**

100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by us or by its restricted subsidiaries from (a) any contribution to our equity capital or to the capital stock of its restricted subsidiaries or issuance and sale of our qualified capital stock or the qualified capital stock of its restricted subsidiaries subsequent to the issue of our notes due 2017, or (b) issuance and sale subsequent to the issuance of our notes due 2017 of our indebtedness or of the indebtedness of its restricted subsidiaries that has been converted into or exchanged for its qualified capital stock.

On July 20, 2010, we issued fixed-rate notes due 2020 for a total amount of US\$ 150.0 million, which accrue interest at an annual interest rate of 11.5% payable semi-annually.

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

The dividend policy consists in the distribution of an amount up to the highest of (a) twenty percent (20%) of the revenues of Offices and Other Non-Shopping Centers Rental Properties segment, defined in Segment information (Note 6 to the consolidated financial statements) 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.

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

Year declared	Cash dividends <sup>(1)</sup>	Stock dividends <sup>(1)</sup> (in Pesos)	Total per common share
1996	0.092		0.092
1997	0.110		0.110
1998	0.060	0.05	0.110
1999	0.076	0.04	0.116
2000		0.20	0.204
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			
2009	0.055		0.055
2010	0.207		0.207

(1) Corresponds to payments per common share.

**B. Significant Changes.*****Building located at 183 Madison Avenue, New York, NY.***

On August 26, 2010, IRSA and other U.S. partners entered into a conditional purchase agreement to acquire a 18-story building located at 183 Madison Avenue, New York, NY, in one of Manhattan's most prominent neighborhoods known as Midtown South. The building has approximately 22,893 square meters of leasable area and, as of September 30, 2010, its occupancy rate was approximately 72%.

## **Table of Contents**

On August 30, 2010, we transferred US\$7.3 million to the seller as deposit for the execution of the purchase agreement.

On December 15, 2010 we reported that the acquisition transaction was closed through our subsidiary Rigby 183 LLC ( Rigby 183 ), in which we have an 8% indirect interest through Real Estate Strategies ( RES ) and a 49% indirect interest through IMadison LLC. The purchase price paid by Rigby 183 was US\$85.1 million, of which US\$45.1 million was paid in cash and the balance of US\$40.0 million was financed through seller's financing. Rigby 183 has obtained an additional financing of US\$10.0 million from a third party, which has not been disbursed yet, in order to perform refurbishments and improvements on the building.

On December 17, 2010, we informed that we were negotiating the sale of the 8% interest in Rigby 183 held by RES.

### ***Investment in Lipstick Building, New York, United States***

On August 4, 2010, we transferred US\$15.0 million into an escrow account in order to facilitate negotiations with our creditors. As a result of such negotiations, the parties involved reached an agreement in order to restructure our debt as follows: (i) mortgage debt would be reduced from US\$210 million to US\$130 million at a rate of Libor + 400 basis points, with a maximum rate of 6.25% and a maturity term of 7 years; (ii) junior debt of US\$45.0 million (not including accrued interest) would be canceled by the payment of approximately US\$ 2.25 million in cash, and (iii) we will keep two ground leases, on the same terms and conditions they were originally granted, for a remaining term of 66 years. This restructuring has been approved by both creditors and the court.

### ***Payment of Cash Dividend***

On November 19, 2010, we paid to our shareholders a cash dividend for the fiscal year ended June 30, 2010 of the sum of Ps.120 million equivalent to 20,796976237% of our outstanding capital.

### ***Sale of Alto Palermo's Notes***

On October 12, 2010, we reported that we had sold in the secondary market, treasury held Class I Notes of Alto Palermo, due 2017, for a nominal value of US\$ 39.6 million.- As a result of such sale, we received a total income of US\$ 38.07 million.

### ***Solares de Santa María, Ciudad de Buenos Aires, (formerly Santa María del Plata)***

In early September 2010, we acquired (through E-Commerce Latina S.A.) 100% of the capital stock of Unicity S.A. for the sum of US\$ 2.5 million. Unicity's main asset is a 10% interest in the capital stock of Solares de Santa María S.A. , which acquisition was partially financed with funds we lend to Unicity S.A. On September 28, 2010 such debt's outstanding balance of US\$ 9.1 million was capitalized and we received 36,036,000 shares representing 88.61% of Unicity S.A.'s Capital Stock, being held by E-Commerce the remaining 11.39%.

## **Table of Contents**

### ***Exercise of purchase option for acquiring Parque Arauco S.A.'s direct and indirect interest in Alto Palermo***

On October 15, 2010, we executed our option to acquire Parque Arauco S.A.'s direct and indirect stake in Alto Palermo S.A. (APSA) ( Alto Palermo or APSA ). The purchase price was US\$ 126.0 million, of which US\$ 6 million was paid by the Company at the time the option was granted. According to the terms of the option granted on January 13, 2010, the dividends corresponding to the fiscal year ended on June 30, 2010 were deducted from the purchase price. As a consequence of this transaction, we increased our equity interest in Alto Palermo from 63.35% to 94.9% of its capital stock.

### ***Investment in Hersha Hospitality Trust***

On October 22, 2010, through REIG, a company indirectly controlled and managed by us, we acquired 2,952,625 ordinary shares of Hersha at a price of US\$ 5.80 per share, totaling US\$ 17.1 million. Following this acquisition, our interest in Hersha increased to 10.72% of Hersha's outstanding capital.

### ***Issue of Notes***

On July 20, 2010, we issued US\$ 150 million of our 11.5 % non-convertibles notes due 2020 under our Global Note Program for the issuance of notes in one or more series up to an aggregate principal amount of US\$ 400 million . The issue price was 97.838% of the nominal value. For more , please see *Recent Developments* and *Significant Changes* .

### ***Sofora Offer***

During 2010 fiscal year, we participated, together with other bidders, in a tender process for acquiring the 50% interest held by Telecom Italia SpA. and Telecom Italia International N.V. ( Telecom Italia Group ) in Sofora Telecomunicaciones S.A. ( Sofora ) and a call option in respect of the remaining 50% in Sofora, the company that indirectly owns the majority common stock capital of Telecom Argentina. To such end, on June 4, 2010, we submitted a binding offer and a letter of credit for US\$ 50.0 million to the Telecom Italia Group. As security for the reimbursement obligations under the referred letter of credit, a pledge was set up over approximately 11% of Hersha's shares and approximately US\$ 43.5 million of Alto Palermo's Notes purchased by us.

In late July, 2010, Telecom Italia resolved not to continue with the sale of Telecom Argentina, and concluded the process. Therefore, the pledges set up as security for the above mentioned letter of credit were released.

### ***Acquisition of TGLT Shares***

On November 4, 2010, our subsidiary Alto Palermo acquired 5,214,662 registered non-endorsable common shares, of TGLT S.A. ( TGLT ) for a total consideration of Ps.47.1 million.

### ***Sale of Beruti Plot to TGLT***

On October 13, 2010, our subsidiary Alto Palermo entered into a sale and purchase agreement with TGLT in order to transfer a property located at 3351/3359 Beruti street, between Bulnes street and Coronel Diaz avenue in the City of Buenos Aires . In the

## **Table of Contents**

aforementioned property, TGLT intends to build an apartment building with both residential and commercial parking spaces. The agreed price for this transaction was US\$ 18.8 million. As a consideration for the transfer of the Property, TGLT has agreed to transfer to the Alto Palermo: (i) a number of residential units to be determined, representing 17.33% of the total square meters of residential units to be constructed in the building; (ii) a number of residential parking spaces to be determined, representing 15.82% of the total square meters of residential parking spaces to be constructed in the building; (iii) all of the commercial parking spaces to be constructed in the building; and (iv) the amount of US\$ 10.7 million to be paid simultaneously with the signing of the deed of the property in favor of TGLT.

On October 29, 2010, TGLT S.A. completed the initial public offering of its shares on the Buenos Aires Stock Exchange, thus complying with the condition to which the operation was subject.

On November 5, 2010, TGLT advanced payment of US\$ 10.7 million. On December 16, 2010, it was executed the title deed to the Beruti plot of land.

### ***Alto Palermo's early dividend***

On October 7, 2010, Alto Palermo's board of directors approved the payment of an early dividend in cash for an amount of Ps. 113 million of Ps. 0,08971042033 per share (Ps. 3,588416813 per ADR) and was paid in Argentina on October 15, 2010.

### ***Conversion of Alto Palermo's Convertible Notes***

On October 7, 2010, Alto Palermo reported that two holders of the Alto Palermo's Convertible Notes exercised their conversion rights. Hence, Alto Palermo issued 477,544,197 common shares, with nominal value of Ps. 0.1 each, and cancel Convertible Notes for an amount of US\$ 15,472,432.

As a result of the conversion, Alto Palermo's capital stock increased from Ps.78,206,421.4 to Ps. 125,960,841.1 and the amount of outstanding shares of Alto Palermo increased from Ps. 782,064,214 to Ps.1,259,608,411. On the other hand, the amount of Convertible Notes outstanding is US\$ 31,755,502.

### ***Purchase of Shares in Alto Palermo***

During fiscal year ended June 30, 2010 and as of the date of this annual report, we purchased 38,400 shares issued by Alto Palermo for an average price per share of US\$ 0.1350 and for an aggregate amount of US\$ 0.005 million.

On October 12, 2010, the Company reported that it has sold in the secondary market, its Class I Notes of Alto Palermo, due 2017, for a nominal value of US\$ 39.6 million.- As a result of such sale, the Company received a total income of US\$ 38.1 million.-

It is important to clarify that as the Notes were issued pursuant to the Regulation S of the U.S. Securities Act, the transaction was made in accordance with the requirements specified in the above regulation.

## **Table of Contents**

### ***Sale of Tarshop***

On December 29, 2009 Alto Palermo and Banco Hipotecario signed an agreement to sell the 80% of Tarshop's shares, the aforementioned was subject to the approval of the Banco Central de la República Argentina. On May 21, 2010, and as part of the above mentioned agreement, we and Tarshop entered into an agreement pursuant to which Tarshop sold us 50% of Metroshop's capital stock.

On August 30, 2010, the Argentine Central Bank approved Alto Palermo's sale of 80% of Tarshop's capital stock to Banco Hipotecario. As a result, on September 13, 2010, Alto Palermo transferred 107,037,152 common shares of Tarshop to Banco Hipotecario. The total purchase price was US\$ 26.8 million. Immediately after the sale, Alto Palermo's interest in Tarshop was 20 % of its capital stock.

### ***Paraná Plot***

On August 12, 2010 we executed the preliminary purchase agreement to acquire a plot of land in Paraná, Entre Ríos, through our subsidiary Alto Palermo. The purchase price was US\$ 0.5 million, payable as follows: i) US\$ 0.05 million was paid as advance payment on July 14, 2009; ii) US\$ 0.1 million was paid upon execution of the preliminary agreement; and iii) US\$ 0.35 million will be paid upon execution of the title deed of conveyance of property.

### ***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. We, through our subsidiary Alto Palermo and Coto Centro Integral de Comercialización S.A. (Coto) executed and delivered a deed dated September 24, 1997 whereby we 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. In the course of fiscal 2009, a conditional barter agreement was executed, pursuant to which Alto Palermo would transfer to Cyrsa S.A. (Cyrsa) 112 parking units and the rights to erect on top of the hypermarket two building towers in so far as a number of conditions are met. In exchange, Cyrsa would deliver to Alto Palermo an as of yet undefined number of units in the building to be erected equivalent to 25% of the square meters that as a whole do not total less than four thousand and fifty-three square meters, with fifty square centimeters of own square meters to be built on the whole. Additionally, in the event there were any, Cyrsa would deliver to Alto Palermo a number of storage spaces equivalent to 25% of the storage spaces in the building to be erected. In addition, in the event of meeting the conditions precedent applicable to the transaction, Cyrsa would pay to Alto Palermo US\$ 88,815 and would proceed with the works in the parking lots that we would receive from Coto. This payment would be made within 30 running days as from the execution of the barter deed. For this barter to be consummated, the conditions precedent require Coto, the current owner of the real estate mentioned above that currently hosts a hypermarket, retail stores and parking spaces, to provide certain essential services. Possession over the real estate shall be conveyed upon executing the title deed, scheduled to take place within 30 days counted as from the date on which Alto Palermo notifies Cyrsa of compliance with the conditions precedent. The transaction between Cyrsa and Alto Palermo totals US\$ 5.9 million.

On December 17, 2010, Alto Palermo and CYRSA signed an instrument which rendered the abovementioned agreement ineffectual.



## **Table of Contents**

### ***San Miguel de Tucumán Plot***

On March 15, 2010 we executed, through our subsidiary Alto Palermo, an offer to purchase, build and operate a shopping center in a plot of land owned by INCSA, located in the City of San Miguel de Tucumán, Province of Tucumán. The transaction was subject to certain conditions precedent that were fulfilled on July 1, 2010 as a result of the execution of the final instrument for the partial transfer of business with INCSA.

### ***Shopping Neuquén Project.***

Alto Palermo's subsidiary, Shopping Neuquén S.A. s ( Shopping Neuquén ) sole asset is a 50,000 square meter undeveloped parcel of land located in Neuquén, Argentina, where we intend to develop a commercial project including the construction of a shopping center, a hypermarket and other developments.

On December 13, 2006, Shopping Neuquén entered into an agreement with the Municipality of Neuquén and with the Province of Neuquén by which, , the terms to carry out the commercial and residential venture were rescheduled and authorized Shopping Neuquén to transfer to third parties the title to the plots of land into which the property is divided, provided that it is not the plot of land on which the shopping center will be built. Such Agreement was subject to two conditions; both already complied with, (i) the ratification of the agreement by means of an ordinance of the legislative body of the Municipality of Neuquén, and (ii) the approval by the Municipality of Neuquén of the new project and the extension of the environmental impact study.

On June 12, 2009, Shopping Neuquén and the Municipality of Neuquén agreed on a revised project to consider certain road access plans and modify general terms as necessary (the New Agreement ). The revised plan was to be submitted within 90 days from the signing date of the New Agreement. Upon submission, the Municipality would have 30 days for comment. On January 18, 2010, the Municipality of Neuquén requested changes to the plans filed, granting a 30-day term to be filed. Finally, Shopping Neuquén S.A. was notified about the registration of the architectural project, so on April 8, 2010 the term of 90 running days to commence the committed works has started. Works would have to commence within 90 days as from the registration date of the new plan.

The construction of the shopping center and the hypermarket will have to be completed within 22 months as from commencement of the works. The Municipality has the right to revoke the New Agreement and initiate actions in case of breach of contract by Shopping Neuquén.

Shopping Neuquén filed the work plans for the first stage of the project (which includes the construction of the shopping center and hypermarket), obtained the consents required for commencing works, and on July 5, 2010, it started the works committed.

The first stage of the project must be completed within 22 months as from the date of commencement of works. In case of default of the conditions set forth in the agreement, the Municipality of Neuquén is entitled to terminate the agreement and take such actions as deemed necessary in such regard, including, inter alia, request reimbursement of the parcels of Shopping Neuquén S.A. sold by the Municipality of Neuquén.

On November 8, 2010, Shopping Neuquén was served notice of a resolution issued from the trial styled Shopping Neuquén S.A. vs. Municipalidad de Neuquén in re: Administrative Procedural Action lodged at the High Court of Justice of Neuquén, by which certain pending fees to be borne by Shopping Neuquén were established. Such resolution is not firm and Shopping Neuquén is currently evaluating the procedural recourse to be filed.

## **Table of Contents**

### ***Acquisition of Soleil Factory Shopping Center s.***

On July 1, 2010, APSA and INC S.A. ( INCSA ), an unrelated party, executed the final instrument for the partial transfer of the business of the commercial center known as Soleil Factory , becoming operational on such date. The business mainly includes a building, other fixed assets, lease agreements, titles to the brand names and rights to build certain number of square meters.

The transaction was filed with the Argentine Antitrust Authority, which has not rendered a decision yet.

### ***Torres Rosario Project, City of Rosario, Province of Santa Fe.***

Alto Palermo owns a block of land of approximately 50,000 square meters divided into 8 smaller plots in the City of Rosario, near the Alto Rosario Shopping Center. At June 30, 2010, two of the plots had been bartered (plots 2-G and 2-H). During fiscal year 2010 Alto Palermo sold the lots designated as 2 A and 2 E.

As consideration for the barter of parcel 2-G (totaling a surface of 10,128 sqm for sale), Condominios de Alto S.A. will transfer 15 apartments, with a total constructed area of 1,504 sqm (which represent 14.85% of the total building to be constructed in this parcel) and 15 parking spaces (which represent 15% of the total parking surface to be constructed in this property). As of the end of fiscal 2010, Alto Palermo executed with Condominios del Alto S.A. a supplementary deed that specifically determines the units involved in the barter that should be transferred to us and the deed of possession of the 15 functional units corresponding to parking spaces. These units are already for sale since May, 2010. The degree of completion in parcel 2-G is 100% and the execution of its deeds of sale is imminent.

As consideration for the barter of parcel 2-H (totaling a surface area of 14,500 sqm for sale), Condominios de Alto S.A. will transfer 42 apartments, with a total constructed surface of 3,188 sqm (which represent 22% of the total building to be constructed in this parcel) and 47 parking spaces (which represent 22% of the total parking surface to be constructed in this property). The degree of completion of parcel 2-H is 45% and the works are expected to conclude during the first half of 2011.

During fiscal year 2010, Alto Palermo sold the lots designated as 2-A and 2-E. For more information, please see *Significant acquisitions, dispositions and development of businesses* .

## **ITEM 9. The Offer and Listing**

### ***A. Offer and Listing Details***

The following summary provides information concerning our share capital.

#### *Stock Exchanges in which our securities are listed*

Our common shares are listed on the *Buenos Aires Stock Exchange* and our Global Depositary Shares on the NYSE.

**Table of Contents**

The following description of the material terms of our capital stock is subject to our certificate of incorporation and bylaws, which are included as exhibits to this Form 20-F, and the provisions of applicable Argentine Law.

*Price history of our stock on the Bolsa de Comercio de Buenos Aires and NYSE*

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

The table below shows the high and low daily closing prices of our common shares in Pesos and the quarterly trading volume of our common shares on the Buenos Aires Stock Exchange for the first quarter of 2002 through December 17, 2009. The table also shows the high and low daily closing prices of our GDSs in U.S. dollars and the quarterly trading volume of our GDSs on the NYSE for the first quarter of 2002 through December 15, 2010. Each GDS represents ten common shares.

**Table of Contents**

	Buenos Aires Stock Exchange			NYSE		
	Share Volume	Ps. per Share High Low		GDS Volume	US\$ per GDS High Low	
<b>2006</b>						
1st Quarter	3,229,234	4.13	3.35	11,372,300	13.35	10.80
2nd Quarter	11,204,101	4.20	3.35	13,396,000	13.96	10.74
3rd Quarter	5,154,760	3.96	3.26	8,678,100	12.86	10.60
4th Quarter	3,619,656	5.20	4.00	15,941,800	16.98	12.90
Annual	23,207,751	5.20	3.26		16.98	10.60
<b>2007</b>						
1st Quarter	3,403,858	5.90	4.84	10,414,573	19.13	15.75
2nd Quarter	11,349,045	6.60	5.70	12,487,722	21.52	18.50
3rd Quarter	8,409,557	6.45	4.68	12,302,000	20.84	14.45
4th Quarter	11,105,417	6.60	5.70	12,073,872	21.52	18.5
Annual	34,267,877	6.60	4.68	47,278,167	21.52	14.45
<b>2008</b>						
1st Quarter	8,223,304	6.45	4.68	12,236,600	20.84	14.45
2nd Quarter	7,824,963	5.75	4.60	11,040,908	18.05	14.43
3rd Quarter	14,655,868	4.65	3.98	12,673,507	14.31	12.54
4th Quarter	4,415,141	4.78	3.62	13,062,516	15.10	11.19
Annual	35,119,276	6.45	3.62	49,013,531	20.84	11.19
<b>2009</b>						
1st Quarter	3,762,169	3.57	2.26	8,494,740	12.00	7.27
2nd Quarter	10,154,077	2.25	1.15	11,729,450	7.11	3.08
3rd Quarter	2,806,623	1.50	1.10	2,515,185	4.53	3.01
4th Quarter	4,308,241	1.95	1.40	3,352,171	5.00	3.54
Annual	21,031,110	3.57	1.10	26,091,546	12.00	3.01
<b>2010</b>						
1st Quarter	4,860,106	3.15	1.87	4,150,441	8.3	4.75
2nd Quarter	4,233,548	3.75	2.89	3,108,017	9.87	7.85
3rd Quarter	2,946,428	4.24	3.4	2,564,299	10.83	9.05
4th Quarter	3,799,325	5.23	4.18	4,055,650	13.23	10.22
Annual	15,839,407	5.23	1.87	13,878,407	13.23	4.75
June 2010	876,780	4.43	4.18	687,469	11.03	10.22
July 2010	905,600	4.38	4.12	1,053,446	11	10.41
August 2010	2,677,423	5.13	4.35	1,121,466	13.05	11
September 2010	1,697,850	5.8	5.05	1,041,942	14.79	12.9
October 2010	1,060,459	5.93	5.52	1,865,394	15.32	13.92
November 2010	3,656,553	6.97	6.04	3,044,187	17.56	15.23
December 2010 (through December 15, 2010)	757,100	6.54	6.29	1,062,927	16.42	15.76

Source: Bloomberg

**B. Plan of Distribution**

This item is not applicable.

**C. Markets***Argentine Securities Markets*

The CNV is a separate governmental entity with jurisdiction covering the territory of Argentina. Its main purpose is to ensure transparency of Argentina's securities markets, to watch over the market price formation process and to protect investors. The CNV supervises corporations authorized to issue securities to the public, the secondary markets where these



## **Table of Contents**

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

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

### ***Securities Exchanges in Argentina***

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

#### ***Buenos Aires Stock Exchange***

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

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

## **Table of Contents**

### *MERVAL*

The MERVAL is a corporation whose 134 shareholder members are the only individuals and entities authorized to trade, either as principal or as agent, in the securities listed on the Buenos Aires Stock Exchange. Trading on the Buenos Aires Stock Exchange is conducted by continuous open outcry, or the traditional auction system, from 11:00 a.m. to 5:00 p.m. each business trading day of the year. Trading on the Buenos Aires Stock Exchange is also conducted through the automated trading platform, *Sistema Integrado de Negociación Asistida por Computación* ( SINAC ). SINAC is a computer trading system that permits trading in debt securities and equity securities. SINAC is accessed by brokers directly from workstations located at their offices. Currently, all transactions relating to listed notes and listed government securities can be effected through SINAC.

### *Over the Counter Market*

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

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

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

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

### *Securities Central Depositary*

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

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

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

**Table of Contents***Information regarding the Buenos Aires Stock Exchange*

	As of June 30,	
	2009	2010
Market capitalization (Ps.billion)	1,751.13	1,607.88
Average daily trading volume (Ps.million)	39.97	45.59
Number of listed companies	110	105

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

As of June 30, 2010, approximately 105 companies had equity securities listed on the Buenos Aires Stock Exchange. As of June 30, 2010, approximately 7.50% of the total market capitalization of the Buenos Aires Stock Exchange was represented by the securities of the ten largest national companies.

The Argentine securities markets are substantially more volatile than the securities markets in the United States and certain other developed countries. The Merval experienced a 13% increase in 1995, a 25% increase in 1996, a 6% increase in 1997, a 37% decrease in 1998, a 28% increase in 1999, a 24% decrease in 2000, a 29% decrease in 2001, a 77% increase in 2002, a 104% increase in 2003, a 28% increase in 2004, a 13% increase in 2005, a 34% increase in 2006, a 2.93% increase in 2007, a 0.59% increase in 2008, 102.98% increase in 2009 and a 8.36% decrease for the six month period ended June 30, 2010. In order to control price volatility, the Merval operates a system pursuant to which the negotiation of a particular stock or debt security is suspended for a 15 minute period when the price of the security registers a variation on its price between 10% and 15% and between 15% and 20%. Any additional 5% variation on the price of the security after that results in additional 10 minute successive suspension periods.

*The New York Stock Exchange*

Our Global Depositary Shares are listed on the New York Stock Exchange under the trading symbol *IRS* .

***D. Selling Shareholders***

This item is not applicable.

***E. Dilution***

This item is not applicable.

***F. Expenses of the Issue***

This item is not applicable.

**ITEM 10. Additional Information*****A. Share Capital***

This item is not applicable.



**Table of Contents**

***B. Memorandum and Articles of Association***

*Our corporate purpose*

Our legal name is IRSA Inversiones y Representaciones Sociedad Anónima. We were incorporated under the laws of Argentina on April 30, 1943 as a *sociedad anónima* (stock corporation) and were registered with the Public Registry of Commerce of the City of Buenos Aires (*Inspección General de Justicia* or IGJ ) on June 23, 1943 under number 284, on page 291, book 46 of volume A. Pursuant to our by-laws, our term of duration expires on April 5, 2043.

Pursuant to article 4 of our by-laws our purpose is to perform the following activities:

Invest, develop and operate real estate developments;

Invest, develop and operate personal property, including securities;

Construct and operate works, services and public property;

Manage real or personal property, whether owned by us or by third parties;

Build, recycle, or repair real property whether owned by us or by third parties;

Advise third parties with respect to the aforementioned activities;

Finance projects, undertakings, works and/or real estate transactions of third parties;

Finance, create, develop and operate projects related to Internet.

*Board of Directors*

***Voting on proposals in which directors have material interest***

Decree No. 677/01 establishes in Section 8 that the directors, administrators and members of the supervisory committee of companies whose securities are publicly offered, shall act in a loyal and diligent manner when exercising their functions. In that sense, they must:

place the corporate interests of the company and the common interest of the shareholders above any other interest, including the controlling shareholder's interests;

refrain from obtaining a personal benefit from the issuer other than the compensation paid for their functions;

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organize and implement preventive systems and mechanisms to protect corporate interests, reducing the risk of conflicts of interests, either permanent or temporary, in their personal relationships with the company or with persons related to the company. This duty specifically refers to competition with the company, the use or imposition of a lien on corporate assets, the determination of compensation or proposals related thereto, the use of non public information, the use of business opportunities for their own benefit or for the benefit of third parties and, in general, any situation that may generate a conflict of interests affecting the issuer;

## **Table of Contents**

make the necessary arrangements to perform the company's activities and implement the necessary internal control to ensure a careful management and avoid breaches of the duties established by the applicable regulations; and

act with due diligence when preparing and disclosing the information to the market, and maintain the independence of external auditors.

The Argentine Corporations Law No. 19,550 establishes in Section 271 that directors may contract with the company when the contract is related to the regular activities of the company and its terms and conditions are established on market terms. All other contracts with directors should be approved by the shareholders.

Further, Section 73 of Decree No. 677/01 establishes a specific procedure for transactions of a company whose securities are publicly offered, entered into with its directors, members of the supervisory committee, or senior managers and which involve a relevant amount. The transaction is considered to have a relevant amount when it exceeds: (i) one percent (1%) of the corporate capital, measured pursuant to the last approved financial statements, and (ii) the equivalent of three hundred thousand Pesos (Ps. 300,000).

The related person with an interest in the transaction should submit all the relevant documentation to the approval of the board of directors. The directors shall request a report of the audit committee stating if the conditions of the operation may be reasonably considered adequate according to normal market conditions and additionally, they may request a report of two independent evaluating firms that shall have informed about the same matter and about the other operation conditions. Immediately after being approved by the board of directors the transaction has to be informed to the *Comisión Nacional de Valores*.

Notwithstanding that, Section 272 of the Corporations Law No.19,550 provides that when a director has an opposite interest to the one of the company, he or she should notify that situation to the board of directors and the supervisory committee and abstain to vote in that respect. The violation of this provision results in the director being jointly and severally unlimitedly liable.

In the event that the results of the reports are not favorable to the transaction, its approval should be considered by the shareholders' meeting.

### **Approval of compensation of the members of the Board of Directors, Senior Management and Supervisory Committee**

Our bylaws do not establish the compensation to be paid to members of the board of directors and the supervisory committee, and therefore pursuant to Section 261 of the Corporations Law No.19,550, it should be approved by the shareholders. The maximum amount that may be paid as compensation to members of the board of directors and the supervisory committee should not exceed 25% of the realized and net earnings of the company and 5% when there is no distribution of dividends. If the company does not distribute the total earnings, the amount of the compensation should be proportional to that distribution and within the mentioned limits. These limits may only be surpassed by express approval of the shareholders.

## **Table of Contents**

At our shareholders meeting held on October 29, 2010, the shareholders approved an aggregate compensation of Ps. 27.8 million for all of our directors for the fiscal year ended June 30, 2010.

The total and aggregate cash compensation of our senior management for the fiscal year ended June 30, 2010 was Ps.9.6 million.

The shareholders meeting held on October 29, 2010, approved by majority vote the decision not to pay any compensation to our Supervisory Committee.

### ***Powers of directors***

Our bylaws establish, in Section 18, that the board of directors has full and broad powers to organize, manage and direct us to fulfilling the corporate purpose.

### ***Retirement of directors***

Our bylaws do not establish any requirements or provisions regarding age limits for director's retirement, nor do they require a number of shares a director must own to qualify for the position.

### ***Rights, preferences and restrictions attaching to the common shares***

### ***Dividend rights***

The Argentine Corporation Law No. 19,550 establishes that the distribution and payment of dividends to shareholders is valid only if they result from realized and net earnings of the company pursuant to an annual balance sheet approved by the shareholders. Our board of directors submits our financial statements for the previous financial year, together with the reports of our Supervisory Committee, to the Annual Ordinary Shareholders Meeting. This meeting must be held by October 30 of each year to approve the financial statements and decide on the allocation of our net income for the year under review. The distribution, amount and payment of dividends, if any, must be approved by the affirmative vote of the majority of the present votes with right to vote at the meeting.

The shareholders meeting may authorize payment of dividends on a quarterly basis provided no applicable regulations are violated. In that case, all and each of the members of the board of directors and the supervisory committee will be jointly and severally unlimitedly liable for the refund of those dividends if, as of the end of the respective fiscal year, the realized and net earnings of the Company are not sufficient to allow the payment of dividends.

When we declare and pay dividends on the common shares, the holders of our GDRs, each representing the right to receive ten ordinary shares, outstanding on the corresponding registration date, are entitled to receive the dividends due on the common shares underlying the GDRs, subject to the terms of the Deposit Agreement dated as of May 24, 1994, as amended and restated as of December 12, 1994, as further amended and restated as of November 15, 2000, executed by and between us, The Bank of New York Mellon, as depositary and the eventual holders of GDRs. The cash dividends are to be paid in Pesos and, except under certain circumstances, are to be converted by the Depositary into U.S. dollars at the exchange rate prevailing at the conversion date and are to be paid to the holders of the GDRs net of any applicable fee on the dividend distribution, costs and conversion expenses, taxes and public charges. Since January 2002 and due to the devaluation of the Peso, the exchange rate for the dividends will occur at a floating market rate, which, as of the date of this annual report is Ps.3.406 for each U.S. dollar.

## **Table of Contents**

Our dividend policy is proposed from time to time by our board of directors and is subject to shareholders' approval at an ordinary shareholders meeting. Declarations of dividends are based upon our results of operations, financial condition, cash requirements and future prospects, as well as restrictions under debt obligations and other factors deemed relevant by our board of directors and our shareholders.

Dividends may be lawfully paid only out of our retained earnings determined by reference to the financial statements prepared in accordance with Argentine GAAP. In accordance with the Argentine Companies Law, net income is allocated in the following order: (i) 5% is retained in a legal reserve until the amount of such reserve equals 20% of the Company's outstanding capital; (ii) dividends on preferred stock or common shares or other amounts may be retained as a voluntary reserve, contingency reserve or new account, or (iii) for any other purpose as determined by the Company's shareholders at an ordinary shareholders' meeting.

Our legal reserve is not available for distribution. Under the applicable regulations of the *Comisión Nacional de Valores*, dividends are distributed pro rata in accordance with the number of shares held by each holder within 30 days of being declared by the shareholders for cash dividends and within 90 days of approval in the case of dividends distributed as shares. The right to receive payment of dividends expires three years after the date on which they were made available to shareholders. The shareholders' meeting may authorize payment of dividends on a quarterly basis provided no applicable regulations are violated. In such case, all and each of the members of the board of directors and the supervisory committee will be jointly and severally liable for the refund of those dividends if, at the end of the respective fiscal year, the realized and net earnings of the Company are not sufficient to allow for the payment of dividends.

### ***Voting rights and staggered elections***

Our stock capital is composed by book-entry common shares with face value of Ps. 1 per share and entitled to one vote each.

All directors and alternate directors are elected for a three-year term.

Our by laws do not consider staggered elections.

### ***Rights to share in IRSA's profits***

The holders of our common shares have the right to participate in our net and realized profits on a *pro rata* basis of their respective interests.

Pursuant to the Corporations Law and Section 29 of our bylaws, liquidated and realized profits of each fiscal year shall be distributed as follows:

allocate 5% of such net profits to legal reserve, until the amount of such reserve equals 20% of our capital stock;

the sum established by the shareholders' meeting as remuneration of the board of Directors and the supervisory committee; and

**Table of Contents**

dividends, additional dividends to preferred shares if any, or to optional reserve funds or contingency reserves or to a new account, or for whatever purpose the shareholders determine at the shareholders meeting.

***Rights to share in any surplus in the event of liquidation***

In the event of liquidation, dissolution or winding-up of our company, our assets are:

to be applied to satisfy our liabilities; and

to be proportionally distributed among holders of preferred stock in accordance with the terms of the preferred stock. If any surplus remains, our shareholders are entitled to receive and share proportionally in all net assets available for distribution to our shareholders, subject to the order of preference established by our by-laws.

***Provisions related to a shareholder's ownership of certain amount of shares***

Section 9 of our by-laws provides that the acquisition by any person or group, directly or indirectly of our shares, convertible securities, rights to receive any of those securities that may grant that person the control of our company or 35% or more of our capital stock may only be done by complying with certain tender offer rules for all of our shares, except for:

acquisitions by persons holding or controlling shares or convertible securities in accordance to Decree No. 677/2001, notwithstanding the provisions of the *Comisión Nacional de Valores*; and

holdings of more than 35%, which derive from the distribution of shares or dividends paid in shares approved by the shareholders, or the issuance of shares as a result of a merger approved by the shareholders; in both cases, the excess holding shall be disposed of within 180 days of its registration in the relevant shareholder's account, or prior to the holding of our shareholders meeting, whatever occurs first.

Our shareholders modified the first of the above exceptions in their shareholder meeting on October 10, 2007, to include the control concept under Decree No. 677/2001, which provides for the effective control regularly held in addition to the legal control.

Directors, senior managers, executive officers, members of the supervisory committee, and controlling shareholders of an Argentine company whose securities are publicly listed, should notify the CNV on a monthly basis, of their beneficial ownership of shares, debt securities, and call and put options related to securities of such companies and their controlling, controlled or affiliated companies.

In addition, the CNV must be immediately notified of transactions which cause a person's holdings of capital stock of an Argentine company whose securities are publicly listed to hold 5% or more of the voting power and of every change in the holdings of such person that represents a multiple of 5% of the voting power. Holders of more than 50% of the common shares of a company or who otherwise have voting control of a company, as well as directors, officers and members of the supervisory committee, must provide the CNV with annual reports setting forth their holdings in the capital stock of such companies and monthly reports of any change in their holdings.

## Table of Contents

### *Procedure to change the rights of stockholders*

The rights of holders of stock are established in the Corporations Law and in the bylaws. The rights of shareholders provided for by the Corporations Law may not be diminished by the bylaws. Section 235 of the Corporations Law establishes that the amendment of the bylaws should be approved by the absolute majority of our shareholders at an extraordinary shareholders meeting.

On October 31, 2003 in the ordinary and extraordinary annual shareholders meeting, shareholders decided not to adhere to the *Régimen Estatutario Optativo de Oferta Pública de Adquisición Obligatoria* (Optional Statutory Body of Public Offering of Compulsory Acquisition) provided under Decree No. 677/2001, consequently, shareholders decided to incorporate that provision under Section 1 of the by-laws.

### *Ordinary and extraordinary shareholders meetings*

Our by-laws provide that shareholders meetings may be called by our board of directors or by our Supervisory Committee or at the request of the holders of shares representing no less than 5% of the common shares. Any meetings called at the request of shareholders must be held within 30 days after the request is made. Any shareholder may appoint any person as its duly authorized representative at a shareholders meeting, by granting a proxy. Co-owners of shares must have single representation.

In general, the following matters can be considered only at a special shareholders meeting (*asamblea extraordinaria*):

matters that may not be approved at an ordinary shareholders meeting;

the amendment of our by-laws;

reductions in our share capital;

redemption, reimbursement and amortization of our shares;

mergers, and other corporate changes, including dissolution and winding-up;

limitations or suspensions to preemptive rights to the subscription of the new shares; and

issuance of debentures, convertible negotiable obligations and bonds that not qualify as notes (*obligaciones negociables*).

In addition, pursuant to Decree 677/2001, at an ordinary shareholders meeting, our shareholders must consider (i) the disposition of, or creation of any lien over, our assets as long as such decision has not been performed under the ordinary course of business; (ii) the execution of administration or management agreements; and (iii) whether to approve the payment of any agreement providing assets or services to us as long as such payment is material when measured against the volume of the ordinary course of business and our shareholders equity.

## Table of Contents

In accordance with our by-laws, ordinary and special shareholders' meetings (*asamblea extraordinaria*) are subject to a first and second quorum call, the second to occur upon the failure of the first. The first and second notice of ordinary shareholders' meetings may be made simultaneously. In the event that both are made on the same day, the second must occur at least one hour after the first. If simultaneous notice was not given, the second notice must be given within 30 days after the failure to reach quorum at the first. Such notices must be given in compliance with applicable regulations.

A quorum for an ordinary shareholders' meeting on the first call requires the presence of a number of shareholders holding a majority of the shares entitled to vote and, on the second call, the quorum consists of the number of shareholders present, whatever that number. Decisions at ordinary shareholders' meetings must be approved by a majority of the votes validly exercised by the shareholders.

A quorum for a special shareholders' meeting (*asamblea extraordinaria*) on the first call requires the presence of persons holding 60% of the shares entitled to vote and, on the second call, the quorum consists of the number of shareholders present, whatever that number. Decisions at special shareholders' meetings (*asamblea extraordinaria*) generally must be approved by a majority of the votes validly exercised.

However, pursuant to the Argentine Corporations Law No. 19,550, all shareholders' meetings, whether convened on a first or second quorum call, require the affirmative vote of the majority of shares with right to vote in order to approve the following decisions:

advanced winding-up of the company;

transfer of the domicile of the company outside of Argentina;

fundamental change in the purpose of the company;

total or partial mandatory repayment by the shareholders of the paid-in capital; and

a merger or a spin-off, when our company will not be the surviving company.

Holders of common shares are entitled to one vote per share. Owners of common shares represented by GDRs exercise their voting rights through the GDR Depositary, who acts upon instructions received from such shareholders and, in the absence of instructions, votes in accordance with the instructions given to the GDR Depositary by the board of directors as set forth in a written notice delivered to the GDR Depositary prior to the meeting.

The holders of preferred stock are not entitled to voting rights. However, in the event that no dividends are paid to such holders for their preferred stock, the holders of preferred stock are entitled to voting rights. Holders of preferred stock are also entitled to vote on certain special matters, such as a transformation of the corporate type, early dissolution, change to a foreign domicile, fundamental change in the corporate purposes, total or partial replacement of capital losses, mergers in which our company is not the surviving entity, and spin-offs. The same exemption will apply in the event the preferred stock is traded on any stock exchange and such trading is suspended or canceled.



## **Table of Contents**

### *Limitations to own securities by non-resident or foreign shareholders*

There are no legal limitations on ownership of securities or exercise of voting rights, by non-resident or foreign shareholders. However, foreign shareholders must fulfill certain requirements with the IGJ ( *Inspección General de Justicia* ) in order to assure that they will be able to properly exercise their voting rights. General Resolution No. 7 passed in September 2003 by the IGJ, and other related regulations set forth certain requirements for foreign entities registered with the IGJ. It provides, among other requirements, disclosure of information related to their proprietary interests in assets located outside Argentina to be at least equivalent in value to those located inside Argentina. The entities must comply with these requirements in order to (1) perform activities on a regular basis through their Argentine branches (Section 118 Argentine Corporate Law), or (2) exercise their ownership rights in Argentine Companies (Section 123 Argentine Corporate Law). In cases where the IGJ has concluded that the entities (a) do not have assets outside Argentina; or (b) have non-current assets that are not materially significant compared to those non-current assets which are owned by them and located in Argentina; or (c) the entity's address in Argentina becomes the place where this entity makes a majority of its decisions, corporate or otherwise, the entities may be required to amend and register their by-laws to comply with Argentine law, thereby becoming an Argentine entity subject to Argentine law according to Section 124 of Argentine Corporate Law. In addition, Argentine companies with shareholders consisting of such entities that fail to comply with these requirements may be subject to the following sanctions: (1) the IGJ may not register corporate decisions adopted by the Argentine Company when its off-shore shareholder votes as a shareholder and when that vote is essential in attaining a majority. Any decisions made pursuant to such vote related to the approval of its annual balance sheet may be declared null and void for administrative purposes; (2) whether or not the vote of the off-shore entity is necessary for purposes of determining quorum or majority, the IGJ may register the decision without considering that vote; and (3) the directors of the Argentine Company may be held personally liable for actions taken by the Argentine Company.

### *Ownership threshold above which ownership should be disclosed*

Directors, senior managers, executive officers, members of the supervisory committee, and controlling shareholders of an Argentine company whose securities are publicly listed, should notify the CNV on a monthly basis, of their beneficial ownership of shares, debt securities, and call and put options related to securities of such companies and their controlling, controlled or affiliated companies.

In addition, the CNV must be immediately notified of transactions which cause a person's holdings of capital stock of an Argentine company whose securities are publicly listed to hold 5% or more of the voting power and of every change in the holdings of such person that represents a multiple of 5% of the voting power. Holders of more than 50% of the common shares of a company or who otherwise have voting control of a company, as well as directors, officers and members of the supervisory committee, must provide the CNV with annual reports setting forth their holdings in the capital stock of such companies and monthly reports of any change in their holdings.

### *Amendments to our by-laws*

On the shareholders' meeting held on October 10, 2007, our shareholders decided to amend the following sections of the by-laws: (i) Section Thirteen in order to adapt the performance bonds granted by directors to current rules and regulations, and (ii) Section Sixteen in order to incorporate the possibility of holding remote board meetings pursuant the provisions of section 65 of Decree 677/01.

## **Table of Contents**

### ***C. Material Contracts***

We do not have any material contract entered into outside the ordinary course of business other than some of the operations previously described under the sections Related Party Transactions, Recent Developments, and Our Indebtedness.

### ***D. Exchange Controls***

#### *Currency Exchange Regulation*

All foreign currency exchange transactions must be carried out in the free exchange market, in which the Argentine Central Bank participates by purchasing and selling foreign currency.

#### *Import and Export of Capital*

##### *Import of Capital*

Currently, there are no laws, executive orders or regulations nor any exchange controls in force in Argentina which limits the import of capital.

Pursuant to the Argentine Foreign Investment Law No. 21,382, and Decree No. 1,853/93, enacted in 1993, the purchase by foreign investors (any natural or legal person domiciled out of Argentina or an Argentine company of foreign capital ) of capital participation in a company existing in Argentina (according to the Foreign Investment Act) shall constitute a foreign investment.

At present there are no restrictions on foreign investments in industries other than public broadcasting media, and no prior authorization is required to make foreign investments.

Therefore, no prior authorization is required in order to purchase our securities.

See Item 3: Key Information Exchange Rates

#### *Export of Capital, including the availability of cash or cash equivalents*

From 1989 to December 3, 2001, there were no exchange controls restricting the peso-U.S. Dollar translation or the remittance of U.S. Dollars abroad. In compliance with the economic measures set forth by the Government by means of Decree No. 1570/01 dated December 3, 2001 and subsequent amendments thereto, aimed at protecting the integrity of the Argentine financial system, money could not be transferred abroad, unless expressly authorized by the Argentine Central Bank.

For purposes of accessing the funds deposited with financial institutions, clients were allowed to make electronic transfers between accounts of the same institution or others and in favor of the same holder or other persons; pay expenses by means of debit cards, checks, automatic debits and credit cards. Additionally, the Decree declared that new foreign currency deposits can only be received as time deposits, and no demand accounts denominated in foreign currency may be opened. Such restrictions were later relaxed and deposits of foreign currency in

**Table of Contents**

savings accounts ( cajas de ahorro ) by residents were allowed. Law No. 25,561 declared a public emergency in social, economic, administrative, financial and foreign exchange market matters, delegating to the Argentine executive branch until December 10, 2003, the powers to reorganize the financial, banking and foreign exchange system, reactivate the performance of the economy and improve the employment level and distribution of income, focusing on a program for the development of regional economies, creating the conditions for a sustainable economic growth, consistent with the public debt restructuring, and restructuring outstanding obligations affected by the new foreign exchange system. Such period was extended until December 31, 2006 by Law No. 26,077. Among other provisions, this law put an end to the convertibility system that had been in effect since April 1991, whereby pesos were convertible to U.S. Dollars at a rate of Ps. 1.0 per U.S Dollar.

As a consequence of the enactment of Decree 260/02, as of February 8, 2002 a single and free exchange market was implemented, through which all foreign currency exchange transactions are made. Exchange transactions are freely entered into by parties, but subject to the regulations and requirements set forth by the Central Bank. The Central Bank issued Communication A 3471, as amended, establishing restrictions or special requirements for exchange transactions. Lack of compliance with requirements and conditions shall result in the application of sanctions established by the Criminal Law Exchange Regime.

Such regulation has been modified several times and, therefore, only the most important provisions currently in force are mentioned below:

Argentine individuals and companies are authorized to buy up to US\$ 2,000,000 per month;

the sale of foreign currency to non-residents, with the exception of international organizations, in an aggregate monthly amount exceeding US\$ 5,000 shall also be previously authorized by the Central Bank, except when it is evidenced that the amounts used to purchase foreign currency (i) come from the payment of a resident to the non-resident which orders the transfer; and (ii) the payment is performed in relation to import, services, revenues or other commercial transfers for which the resident should have accessed to the exchange market in accordance to the exchange rules that regulated payments abroad to commercial account;

foreign currency exchange or arbitrage transactions with financial institutions located abroad must be previously authorized by the Central Bank, except where such financial institutions are located in countries which are members of the Basel Committee and have an international credit rating not lower than A granted by international rating agencies registered with the Central Bank, or where such transactions are entered into with branches of Argentine official banks located abroad;

future operations in regulated markets, options or forwards transactions and any other type of derivatives entered into and cancelled in Argentina and settled in local currency are not subject to any restriction, provided, however, that: (i) such operations do not contemplate any payment or transfer obligation of a resident to a foreign country; (ii) any inflow of foreign currency into the local exchange market for the purposes of such an operation by a non resident who is party to such a transaction is subject to a non-transferable deposit denominated in U.S. Dollars for an amount equal to 30% of the relevant transaction for a period of 365 days in accordance to

**Table of Contents**

such further conditions as indicated bellow (the Non- Transferable Deposit ); and (iii) transfer of foreign currency abroad by a non resident derived from such transactions involving an aggregate monthly amount exceeding US\$ 5,000 shall also be previously authorized by the Central Bank.

Communication A 4285 dated January 17, 2005, relaxed restrictions on foreign currency transactions by abrogating the requirement of prior approval of the Central Bank for the execution of certain future and forward operations and for the access to the foreign exchange market for their cancellation. These operations include: (i) transactions executed by the financial system for the acquisition of certain time deposits having variable retribution; (ii) agreements for the coverage of foreign currencies and interest rates, (iii) agreements executed by exporters or importers for the coverage of commodity prices, as long as they are related to argentine foreign trade transactions; and (iv) the execution of external transactions in the form of Repos provided that they are executed for a term of at least 180 days. With the exception of inflows related to the external transactions in the form of Repos mentioned in (iv), any other inflow of foreign currency devoted to future or forward operations mentioned in (i) to (iii) is exempted from the obligation to constitute the Non- Transferable Deposit.

financial institutions must obtain prior authorization of the Central Bank in order to purchase any kind of asset, where the payment for such a transaction is made against delivery of foreign currency or any other kind of foreign denominated asset that is part of the General Exchange Position (Posición General de Cambios) (the GEP ) of these financial institutions;

new imports of goods may be fully paid in advance, without consideration of the kind of good, as well as debts for imports with any maturity date;

access to the free and sole exchange market is allowed for payment of expired capital services originated in financial debts, except for financial entities subject to advance refinancings and rediscounts granted by the Central Bank and restructuring of its foreign debt (Decree No. 739/03 and Communication A 3940);

non-residents may have access to the exchange market for purposes of transferring funds in foreign currency collected in Argentina, originated from the amortization installments from national public bonds issued in foreign currency, to accounts in foreign banks;

there are no restrictions to make payments abroad for services rendered by non-residents on any basis (freight, insurance, royalties, technical advise, fees, etc.);

transfers abroad for the payment of indebtedness of private entities (comprising both financial and non-financial institutions) and government owned entities; provided that they fulfill certain regulatory requirements among others such as (i) a sworn statement affirming the fulfillment of Communication A 3602 informative requirements; (ii) the possession of documents which evidence the genuineness of the operation being cancelled, i.e., the entry into the country of the finance proceed and/or its use to cancel the financial or commercial debt, etc.; (iii) the amounts to be transferred have been adjusted, as the case may be, in accordance to Decree 214/02 as amended; and (iv) the fact that the inflows have remained in the county for the legal minimum term (180 days until May 26, 2005 or 365 for funds entered into after that date) has been verified;

**Table of Contents**

effective as of January 8, 2003, Argentine companies may freely transfer corporate profits and dividends corresponding to audited financial statements of local companies without prior Central Bank approval and transfers of funds abroad in order to pay reinsurance premiums will be subject only to the issuance of a statement from the regulatory authority on insurance matters Superintendencia de Seguros de la Nación ( Superintendent of Insurance Board ), with respect to the reason and amount to be transferred;

there is an obligation to enter the funds received as payment for the export of goods and services into the exchange market and to convert them into local currency within a time limit established by the Ministry of Economy and Production;

foreign currency obtained from the collection of exports corresponding to bills of lading shall be sold at the reference exchange rate when the foreign currency so obtained was not clear at the exchange market within the applicable legal terms, in accordance with applicable regulation.

before September 2005, inflows of foreign currency which would be applied to export advances and prefinancing were allowed into the local exchange market avoiding the non-transferable deposit requirement established by Decree No. 616/05, issued on June 10, 2005 by providing a sworn statement stating that foreign funds would be used for a specific purchase transaction entered into with the buyer. Subsequently, the BCRA by means of the Communication A 4415 substituted the sworn statement requirement with the exhibition of the shipping contract involved in said transaction. Later, on November 22, 2005 BCRA's Communication A 4443 relaxed this requirement exempting exporters from providing such documentary evidence if they proved that the inflow of funds would not exceed more than 25% of the amount they received during the last year for similar transactions.

The Government, through the Central Bank, holds control over capital inflows and outflows, enacting the applicable rules in this regard. Decree No. 616/05, issued on June 10, 2005, established that inflows and outflows of foreign currency into the local exchange market, and indebtedness transactions incurred by local residents that may result in a foreign currency-denominated payment to non-residents, need to be registered with the Central Bank. Furthermore, as from May 26, 2005, the following situations will be subject to certain requirements and conditions:

- (a) inflows of funds derived from foreign borrowing by the private financial and non financial sector, and (b) inflows of foreign currency by non-residents for the purpose of (i) holding a position in local currency, (ii) purchasing financial debt or assets and (iii) investing in government bonds in the secondary market. In these situations, the following requirements must be met: (i) inflows must remain in Argentina for 365 days to be computed as from the day they were negotiated in the local exchange market; (ii) the funds involved in the transactions covered by this decree must be deposited in a local bank account; (iii) a non-transferable deposit denominated in U.S. Dollars for an amount equal to 30% of the relevant transaction has to be made with the resulting proceeds. This deposit will only be reimbursed after the expiration of a 365 term, cannot bear interest (nor yield any other type of profit) and may not be used as collateral in any credit transaction. Such requirements do not apply to: (a) foreign direct investment, (b) primary placement of publicly traded debt or equity securities listed in one or more exchange markets, and (c) foreign trade and export finance debt related transactions.

## **Table of Contents**

Subsequently, Resolution No. 365/2005 from the Ministry of Economy and Production established that non-resident capital inflows destined for the primary subscription of Argentine Central Bank notes and income derived from the sale by residents of foreign assets for an amount greater than US\$ 2 million per month, will also be subject to the aforementioned requirements.

Moreover, said resolution provided certain exemptions to the requirement of making the non-transferable deposit requirement such as: (i) inflows derived from borrowings extended by multilateral and bilateral financial institutions and official credit agencies, and (ii) inflows derived from financial borrowings extended by foreign creditors, so long as they are devoted to investments in non-financial assets and the borrowed amounts are repaid at least 24 months after they were granted.

In that sense, non-financial assets include:

- (i) investments recorded in the category PP&E of the financial statements (Notice 42303);
- (ii) intangible assets related to mine cost and/or research, prospection and exploration expenses (Notice 42884);
- (iii) acquisition of rights to use that had been recorded for accounting purposes in the category intangible assets of the company's financial statements (Notice 44670); and
- (iv) investments in assets that are comparable to intellectual property rights, which are commercialized through the assignment of rights to use and should be recorded for accounting purposes in the category intangible assets of the company's financial statements (Notice 46394).

This exemption automatically expires when the reported use is modified. In that case, the deposit established in item 6 of Communication A 4359 must be made within 10 business days of such event.

Communications A 4554 and A 4711, both dated September 24, 2007, established certain requirements and terms to file the documentation evidencing the correct classification of the transaction under the above mentioned exemption.

By contrast, according to Communication C 43075 dated September 26, 2005, inflows of foreign currency caused by a non-resident and devoted to the cancellation of payment obligations under a purchase agreement (including installment payments thereof) concerning a real estate property under construction may be registered as foreign direct investments provided that certain conditions are met.

Finally, Resolution No. 637/2005 from the Ministry of Economy and Production dated November 16, 2005 established that any inflow of foreign currency to the local exchange market devoted to the primary subscription of notes, bonds or participation certificates issued by the trustee of a trust, regardless of the channels in which they are traded (public or private offerings, or listings in self-regulated markets) is subject to the non-transferable deposit requirement established by Decree 616/05 if such requirement would be deemed applicable to the acquisition of the underlying assets of the trust.

## **Table of Contents**

### ***Reporting requirements on Direct Investments***

On March 4, 2005 the Argentine Central Bank issued Communication A 4305 that regulates the reporting system of direct investments and real estate investments carried out by non-residents in Argentina and by Argentine residents abroad, which had been implemented through Communication A 4237 dated November 10, 2004.

### ***Direct investments in Argentina of non-Argentine residents***

Non-Argentine residents are compelled to comply with the reporting regime if the value of their investments in Argentina reaches or surpasses the equivalent of US\$ 500,000 measured in terms of the net worth of the company in which they participate or fiscal value of the real estate owned. If the investments do not reach such amount, the compliance with such regime is optional.

According to Communication A 4237, companies in which non-Argentine residents participate in and administrators of real estate pertaining to non-Argentine residents are those obliged to comply with the reporting regime.

### ***Direct investments made abroad by Argentine residents***

Argentine investors are compelled to comply with the reporting regime if the value of their investments abroad reaches or surpasses the equivalent of US\$ 1,000,000 measured in terms of net worth of the company in which they participate or the fiscal value of the real estate they own.

If the value of those investments abroad does not exceed the equivalent of US\$ 5,000,000, the declaration could be carried out annually instead of semiannually. If the investments do not reach the equivalent of US\$ 1,000,000, the compliance with such regime is optional.

The first declarations will correspond to the semester ended on December 31, 2004, and will have to be filed within 90 calendar days as of such date.

### ***Conclusions:***

While the foreign exchange market system in Argentina has become increasingly flexible under recent regulations, Decree No. 616/05 severely deters short term inflows of foreign currency which are presumed to be of a speculative nature. Such determination on the part of the government is associated also to another short term economic policy goal and combined measures aimed at pegging or reasonably adjusting the United States Dollar value around Ps. 3.10 per U.S. Dollar. We cannot assess whether these policies will be maintained in the longer run and how changes made therein may affect the economy and our business perspectives. Furthermore, we cannot predict how changes in the evolution of the world economy and commodity prices which constitutes an important part of Argentina's exports may influence exchange rates and control policies. Moreover, failure of the government to comply with financial commitments with the IMF or failure to reach an agreement with said institution may have an impact on the foreign exchange system. No assurance can be made as to the extent to which all such factors may lead to future restrictions that might further tighten foreign exchange controls or otherwise change the current foreign exchange system.

### ***Money Laundering***

Argentine Law No. 25,246, as amended, categorizes money laundering as a crime, which is defined as the exchange, transfer, management, sale or any other use of money or other assets obtained through a crime, by a person who did not take part in such original crime, with the

## **Table of Contents**

potential result that such original assets (or new assets resulting from such original assets) have the appearance of having been obtained through legitimate means, provided that the aggregate value of the assets involved exceeded in the aggregate (through one or more related transactions) \$50,000.

The money laundering legal framework in Argentina also assigns information and control duties to certain private sector entities, such as banks, agents, stock exchanges, insurance companies, according to the regulations of the Financial Information Unit, and for financial entities, the Central Bank. These regulations apply to many Argentine companies, including us. These obligations consist mainly of maintaining internal policies and procedures aimed at money laundering prevention and financing of terrorism, especially through the application of the policy know your client .

On May 8, 2005, the CNV enacted Resolution No. 554 which establishes that broker-dealers and other intermediaries that are subject to its supervision can only take part in securities transactions if they are ordered or executed by parties that are registered or domiciled in jurisdictions that are not included in the list of tax heavens included in Decree No 1344/98. Furthermore, the Resolution provides that securities transactions made by parties registered or domiciled in jurisdictions that are not included in such list, but that act as intermediaries of securities markets under the supervision of an agency similar to the CNV, are allowed only if such agency has signed a memorandum of mutual understanding with the CNV. Regarding the listed companies under the supervision of the CNV, the Resolution No. 554 states that they shall identify any entity or individual (whether or not a shareholder at that time), that makes a capital contribution or a significant loan, and comply with the same obligations established in the previous paragraph for the brokers-dealers and other intermediaries.

In connection with Resolution No. 554, the Central Bank issued *Comunicación A 4940*, as amended, which rules that non-residents of Argentina must obtain the prior approval of the Central Bank in order to purchase foreign currency in the exchange market to repatriate investments when the beneficiary of such repatriation is an individual or an entity registered or domiciled in a jurisdiction listed as a tax heaven in Decree No 1344/98.

### ***E. Taxation***

#### *United States Taxation*

The following summary describes certain United States federal income tax consequences of the ownership of common shares and GDSs by U.S. Holders (as defined below) as of the date hereof. Except where noted, it deals only with U.S. Holders that hold common shares or GDSs as capital assets. This summary does not represent a detailed description of the United States federal income tax consequences applicable to U.S. Holders that are subject to special treatment under the United States federal income tax laws, such as dealers in securities or currencies, financial institutions, regulated investment companies, real estate investments trusts, tax-exempt entities, insurance companies, traders in securities that elect to use the mark-to-market method of accounting for their securities, persons holding common shares or GDSs as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, persons owning (or being deemed to own) 10% or more of our voting stock, persons liable for alternative minimum tax, investors in pass-through entities or persons whose functional currency is not the U.S. dollar.



**Table of Contents**

As used herein, the term "U.S. Holder" means a beneficial owner of common shares or GDSs that is for United States federal income tax purposes:

an individual citizen or resident of the United States;

a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the GDS depository to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

**PERSONS CONSIDERING THE PURCHASE, OWNERSHIP OR DISPOSITION OF OUR COMMON SHARES OR GDSS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IN LIGHT OF THEIR PARTICULAR SITUATIONS AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION.**

If a partnership holds common shares or GDSs, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. U.S. Holders that are partners of a partnership holding common shares or GDSs should consult their own tax advisors.

***GDSs***

If you hold GDSs, for United States federal income tax purposes, you generally will be treated as the owner of the underlying common shares that are represented by such GDSs. Accordingly, deposits or withdrawals of common shares for GDSs by U.S. Holders will not be subject to United States federal income tax.

***Distributions on Common Shares or GDSs***

Subject to the discussion under "Passive Foreign Investment Company" below, the gross amount of distributions on our common shares or GDSs (including amounts withheld to reflect Argentinean withholding taxes, if any) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such dividends will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of our common shares, or by the depository, in the case of our GDSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations.

## Table of Contents

With respect to United States non-corporate investors, certain dividends received before January 1, 2013 from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on common shares (or GDSs backed by such common shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our GDSs (which are listed on the NYSE), but not our common shares, are readily tradable on an established securities market in the United States. Thus, we do not believe that dividends that we pay on our common shares that do not underlie GDSs currently meet the conditions required for these reduced tax rates. Furthermore, there can be no assurance that our GDSs will be considered readily tradable on an established securities market in later years. Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as investment income pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. Non-corporate U.S. Holders should consult their own tax advisors regarding the application of these rules given their particular circumstances.

The amount of any dividend paid in Pesos will equal the U.S. dollar value of the Pesos received calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by you, in the case of our common shares, or by the depository, in the case of our GDSs, regardless of whether the Pesos are converted into U.S. dollars. If the Pesos received as a dividend are not converted into U.S. dollars on the date of receipt, you will have a tax basis in the Pesos equal to their U.S. dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the Pesos will be treated as United States source ordinary income or loss.

Subject to certain complex conditions and limitations, Argentinean withholding taxes on dividends, if any, may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on our common shares or GDSs will be treated as income from sources outside the United States and will generally constitute passive category income. If you do not elect to claim a credit for any foreign taxes paid during a taxable year, you may instead claim a deduction in respect of such foreign taxes. Further, in certain circumstances, if you have held our common shares or GDSs for less than a specified minimum period during which you are not protected from risk of loss, or are obligated to make payments related to the dividends, you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on our common shares or GDSs. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution (including amounts withheld to reflect Argentinean withholding taxes, if any) exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of our common shares or GDSs, and thereafter as capital gain recognized on a sale or exchange (as discussed below under Taxation of Capital Gains ). However, we do not expect to keep earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

## Table of Contents

Distributions of our common shares that are received as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income taxes.

### *Passive Foreign Investment Company*

Based on the current and projected composition of our income and the valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company ( PFIC ) for United States federal income tax purposes for the taxable year ending June 30, 2010, and we do not currently expect to become a PFIC, although there can be no assurance in this regard. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition or if our projections are not accurate. The volatility and instability of Argentina's economic and financial system may substantially affect the composition of our income and assets and the accuracy of our projections. In addition, this determination is based on the interpretation of certain U.S. Treasury regulations relating to rental income, which regulations are potentially subject to differing interpretation.

In general, we will be a PFIC for any taxable year in which:

at least 75% of our gross income is passive income; or

at least 50% of the value (determined based on a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, cash is a passive asset and passive income generally includes dividends, interest, royalties, and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). If we own at least 25% by value of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of that other corporation's assets and receiving our proportionate share of its income. If we are a PFIC for any taxable year during which you hold our common shares or GDSs, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our common shares or GDSs, you will be subject to special tax rules with respect to any excess distributions received and any gain realized from a sale or other disposition, including a pledge, of such common shares or GDSs. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the common shares or GDSs will be treated as excess distributions. Under these special tax rules:

the excess distribution or gain will be allocated ratably over your holding period for the common shares or GDSs;

the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we become a PFIC, will be treated as ordinary income; and

the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

## **Table of Contents**

If we are a PFIC for any taxable year during which you hold our common shares or GDSs and any of our non- United States subsidiaries is also a PFIC, a U.S. Holder would be treated as owning a proportionate amount (by value) of the common shares of the lower tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

In addition, non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us prior to January 1, 2013, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. You will be required to file Internal Revenue Service Form 8621 if you hold our common shares or GDSs in any year in which we are classified as a PFIC.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on our common shares and GDSs as ordinary income under a mark-to-market method, provided that our common shares or GDSs are regularly traded on a qualified exchange. Under current law, the mark-to-market election is only available for stock traded on certain designated United States exchanges and foreign exchanges which meet certain trading, listing, financial disclosure and other requirements to be treated as a qualified exchange under applicable United States Treasury regulations. Our common shares are listed on the Buenos Aires Stock Exchange , which must meet the trading, listing, financial disclosure and other requirements under applicable United States Treasury regulations for purposes of the mark-to-market election, and no assurance can be given that the common shares are or will be regularly traded for purposes of the mark-to-market election. Our GDSs are currently listed on the NYSE, which constitutes a qualified exchange under the United States Treasury regulations, although there can be no assurance that the GDSs are or will be regularly traded.

If you make an effective mark-to-market election, you will include in ordinary income each year that we are a PFIC the excess of the fair market value of our common shares or GDSs at the end of the year over your adjusted tax basis in our common shares or GDSs. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in our common shares or GDSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. Your basis in the common shares or GDSs will be adjusted to reflect any such income or loss amounts. Any gain or loss on the sale of the common shares or GDSs will be ordinary income or loss, except that such loss will be ordinary loss only to the extent of the previously included net mark-to-market gain.

Your adjusted tax basis in our common shares or GDSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless our common shares or GDSs are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election. You are urged to consult your tax advisors about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

In some cases, holders of common shares or GDSs in a PFIC may be able to avoid the rules described above by electing to treat the PFIC as a qualified electing fund under Section 1295 of the Code. This option will not be available to you because we do not intend to comply with certain calculation and reporting requirements necessary to permit you to make this election.

## **Table of Contents**

You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding our common shares or GDSs if we are considered a PFIC in any taxable year.

### ***Taxation of Capital Gains***

Subject to the discussion under *Passive Foreign Investment Company* above, for United States federal income tax purposes, you will generally recognize gain or loss on any sale, exchange, redemption or other taxable disposition of our common shares or GDSs in an amount equal to the difference between the U.S. dollar value of the amount realized for the common shares or GDSs and your tax basis in the common shares or GDSs determined in U.S. dollars. Such gain or loss will generally be treated as capital gain or loss. Capital gains of non-corporate U.S. Holders derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations under the Code. Any gain or loss recognized by you will generally be treated as United States source gain or loss for United States foreign tax credit purposes. Consequently, you may not be able to use the foreign tax credit arising from any Argentinean tax imposed on the disposition of our common shares or GDSs unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

### ***Information Reporting and Backup Withholding***

In general, information reporting will apply to dividends in respect of our common shares or GDSs and the proceeds from the sale, exchange or redemption of our common shares or GDSs that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. A backup withholding tax may apply to such payments if you fail to provide a correct taxpayer identification number or certification of other exempt status or fail to report in full dividend and interest income.

**Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.**

### ***Argentine Taxation***

The following discussion is a summary of certain Argentine tax considerations associated with an investment in, ownership or disposition of, the shares or the GDSs by (i) an individual holder that is resident in Argentina, (ii) an individual holder that is neither domiciled nor resident in Argentina, (iii) a legal entity organized under the laws of Argentina (iv) a permanent business establishment in Argentina owned by a foreign entity and (v) a legal entity that is not organized under the laws of Argentina, that does not have a permanent establishment in Argentina and is not otherwise doing business in Argentina on a regular basis. The discussion is for general information only and is based on current Argentine tax laws. Moreover, while this summary is considered to be a correct interpretation of existing laws in force as of the date of this 20-F Form, no assurance can be given that the courts or administrative authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws or interpretations will not occur.

**PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES ARISING UNDER ANY TAXING JURISDICTION.**

## **Table of Contents**

### *Taxation of Dividends*

Dividends, either in cash, shares or kind approved by our shareholders are currently exempt from Argentine withholding or other taxes.

Notwithstanding the foregoing, according to Argentine law, income tax will be applied to the amount of dividends distributed in excess of a company's net taxable income determined in accordance with general income tax regulations for the fiscal years preceding the date of the distribution of such dividends. The legislation requires that companies withhold 35% of the amount of distributed dividends in excess of the net taxable income of such distribution, as determined in accordance with the income tax law. The withholding would not be applied to the payment of future dividends derived out of retained earnings obtained in the fiscal years ended prior to December 30, 1998. Dividends distributed by an Argentine company are not subject to this tax to the extent that those dividends arise from dividend income or other distributions received by such company from other Argentine companies.

### *Taxation of Capital Gains*

Due to certain amendments made to the Argentine Income Tax Law, it is not entirely clear whether certain amendments concerning payment of income tax on capital gains arising from the sale, exchange or other disposition of shares are in effect or not. Although Opinion No. 351 of the National Treasury General Attorney Office clarified the legal status of certain matters affecting the tax treatment of capital gains certain issues still remain unclear.

### *Resident individuals*

Under what we believe to be a reasonable interpretation of existing applicable tax laws and regulations: (i) income derived from the sale, exchange or other disposition of shares or GDSs by resident individuals who do not sell or dispose of Argentine shares on a regular basis would not be subject to Argentine income tax, and (ii) although there still exists uncertainty regarding this issue, income derived from the sale, exchange or other disposition of shares or GDSs by resident individuals who sell or disposes of Argentine shares on a regular basis should be exempt from Argentine income tax.

### *Foreign beneficiaries*

Capital gains obtained by non residents or foreign entities from the sale, exchange or other disposition of shares or GDSs are exempt from income tax. Pursuant to a reasonable interpretation of existing applicable laws and regulations, and although the matter is not completely free from doubt, such treatment should also apply to those foreign beneficiaries that qualify as offshore entities for Argentine tax law purposes, when the shares are not listed in Argentina or in other jurisdictions. For this purpose, an offshore entity is any foreign legal entity which pursuant to its by-laws or to the applicable regulatory framework: (i) its principal activity is to invest outside the jurisdiction of its incorporation and/or (ii) cannot perform in such jurisdiction certain transactions.

### *Local entities*

Capital gains obtained by Argentine entities (generally entities organized or incorporated under Argentine law, certain traders and intermediaries, local branches of non Argentine entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina) derived from the sale, exchange or other disposition of shares or GDSs are subject to income tax at the rate of 35%.

## **Table of Contents**

Losses arising from the sale, exchange or other disposition of shares or GDSs can be applied only to offset such capital gains arising from the sale, exchange or other disposition of these securities.

## **WE RECOMMEND PROSPECTIVE INVESTORS TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES CONCERNING THE SALE OR OTHER DISPOSITIONS OF SHARES AND GDSs.**

### ***Value Added Tax***

The sale, exchange, disposition, or transfer of shares or GDSs is not subject to Value Added Tax.

### ***Personal Assets Tax***

Law No. 25,585 issued on April 24, 2002 and published in the Official Gazette on May 15, 2002 (and applicable to personal assets held as of December 31, 2002) introduces amendments to Law No. 23,966 and imposes the personal assets tax on shares and GDSs held by individuals and undivided estates domiciled or located in Argentina or abroad and legal entities not domiciled in Argentina, separately from other assets.

This amendment imposes the obligation to pay the personal assets tax on the Argentine private issuer of the shares and GDSs, and authorizes it to seek recovery of the amount so paid, without limitation, by way of withholding or by foreclosing on the assets that gave rise to such payment. The tax is levied on the proportional equity value of the shares as reflected in the most recent balance sheet closed as of December 31 of the taxable year, at the rate of 0.5% without any non-taxable minimum being applicable.

Our shareholders approved the absorption of personal asset tax by the Company for the years 2002 to 2010. There can be no assurance that in the future this tax will be absorbed by the Company.

### ***Tax on Minimum Notional Income (Impuesto a la Ganancia Mínima Presunta, IGMP)***

Companies domiciled in Argentina, partnerships, foundations, sole proprietorships, trusts, certain mutual funds organized in Argentina, and permanent business establishments owned by foreign persons, among other taxpayers, shall apply a 1% rate to the total value of assets held by such persons, above an aggregate nominal amount of Ps. 200,000. Nevertheless, shares and GDSs issued by entities subject to such tax are exempt from paying the IGMP.

### ***Gross Income Tax***

The gross income tax is a local tax; therefore, the rules of the relevant provincial jurisdiction should be considered, which may levy this tax on the customary purchase and sale, exchange or other disposition of shares and GDSs, and/or the collection of dividends at an average rate of 3%, unless an exemption is applicable. In the particular case of the City of Buenos Aires, any transaction involving shares and/or the collection of dividends and revaluations is exempt from this tax.

## **Table of Contents**

There is no gross income tax withholding system applicable to the payments made to foreign beneficiaries.

### ***Stamp Tax***

The stamp tax is a local tax that is generally levied on the instrumentation of onerous acts executed within a certain provincial jurisdiction or outside a certain provincial jurisdiction but with effects in such jurisdiction; therefore, the rules of the relevant provincial jurisdiction should be considered for the issuance of instruments which implement onerous transactions (including issuance, subscription, placement and transfer) involving the shares or GDSs, executed in those jurisdictions, or with effects in those jurisdictions, could be deemed to be subject to this tax.

Notwithstanding, for the City of Buenos Aires, any instrument related to the transfer of shares which public offering is authorized by CNV is exempt from this tax. *Tax on Credits and Debits in Bank Accounts*

This tax is levied upon debits and credits in bank accounts and upon other transactions which, due to their special nature and characteristics, are similar or could be used in substitution for a checking account, such as payments on behalf of or in the name of third parties, procedures for the collection of securities or documents, drafts and transfers of funds made by any means, when these transactions are performed by local banks.

The tax law and its regulations provide several exemptions to this tax. For example, it does not apply to entities recognized as exempt from income tax, to debits and credits relating to salaries, to retirement and pension emoluments credited directly by banking means and withdrawals made in connection with such credits, to credits in checking accounts originated from bank loans, and to transfers of checks by endorsement.

The general rate of the tax is 0.6%. An increased rate of 1.2% applies in cases in which there has been a substitution for the use of a checking account.

Pursuant to Argentine Regulatory Decree 380/2001, as amended, 34% of the tax paid on credits levied at the 0.6% rate and 17% of the tax paid on transactions levied at the 1.2% tax rate can be used, to its exhaustion, as a credit against income tax, tax on minimum notional income and/or the special contribution on cooperatives capital.

### ***Court and Other Taxes***

In the event that it becomes necessary to institute legal actions in relation to the shares or GDSs in Argentina, a court tax (currently at a rate of 3.0%) will be imposed on the amount of any claim brought before the Argentine courts sitting in the City of Buenos Aires.

Argentina imposes neither an estate nor gift tax on a decedent, donor, legatee or donee. Notwithstanding the foregoing, Law No. 14.044 of Buenos Aires Province, issued on September 23, 2009 and published in the Official Gazette on October 16, 2009, imposes an estate and gift tax on a legatee or donee domiciled in Buenos Aires Province or over rights and goods located in this jurisdiction. This tax is applicable since January 1, 2010 and has not been regulated by any fiscal authority yet.

No Argentine tax is imposed on the deposit or withdrawal of shares in exchange for GDSs. Other than the taxes discussed above, no other Argentine taxes are applicable to an investment in shares or GDSs. At present, there is no national tax specifically applicable to the transfer of securities.



## **Table of Contents**

### ***Tax Treaties***

Argentina has entered into tax treaties with several countries. There is currently no tax treaty or convention in effect between Argentina and the United States.

### ***F. Dividends and Paying Agents***

This Section is not applicable.

### ***G. Statement by Experts***

This section is not applicable.

### ***H. Documents on display***

We file annual, quarterly and other information with the SEC. You may read and copy any document that we file at the public reference rooms of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549; and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may obtain information on the operation of the Public Reference Rooms by calling the SEC at 1-800-SEC-0330. Our Internet address is <http://www.irsa.com.ar>. It should be noted that nothing on our website should be considered part of this Annual Report. You may request a copy of these filings at no cost, by writing or calling the offices of IRSA, Moreno 877, (C1091AAQ) Buenos Aires, Argentina. Our telephone number is +54-11-4323-7400.

### ***I. Subsidiary Information***

This section is not applicable.

## **ITEM 11. Quantitative and qualitative disclosures about market risk**

In the normal course of business, we are exposed to interest rate and exchange rate risks, primarily related to changes in exchanges and interest rates. We manage our exposure to these risks through the use of various financial instruments, none of which are entered into for trading purposes. We have established policies and procedures governing the use of such financial instruments. The use of financial derivative instruments is oriented to our core business and is supervised by internal control policies.

The following discusses our exposure to these risks. This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors including those set forth in the risk factors section of this Form 20-F. Uncertainties that are either nonfinancial or nonquantifiable, such as political, economic, tax, other regulatory, or credit risks, are not included in the following assessment of our market risks.

### ***Interest Rate Risk***

The primary objective of our investment activities is to preserve capital while maximizing yields without significantly increasing risk. To achieve this objective, we maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including both government and corporate obligations and money market funds.

**Table of Contents**

Investments in both fixed rate and floating rate instruments carry varying degrees of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates. In general, longer dated securities are subject to greater interest rate risk than shorter dated securities. While floating rate securities are generally subject to less interest rate risk than fixed rate securities, floating rate securities may produce less income than expected if interest rates decrease. Due in part to these factors, our investment income may fall short of expectations or we may suffer losses in principal if securities that have declined in market value due to changes in interest rates are sold. To date, we have not utilized derivative financial instruments to hedge interest rate risk; however, there can be no assurance as to the employment of hedging strategies in the future.

As of June 30, 2010 we had current investments of Ps.259.2 million. In view of the nature of our total portfolio, an immediate 100 BPs parallel shift change in the interest rate curve would not have a significant impact on the value of our investment portfolio.

We are also exposed to changes in interest rates primarily as a result of our borrowing activities, which include short-term borrowings, and other floating-rate long-term debt used to maintain liquidity and fund our business operations.

***Foreign Exchange Risk***

Foreign currency exchange rate fluctuations could impact our cash flow in Pesos, since some of our products and inputs are payable in U.S. Dollars.

Foreign currency exchange restrictions imposed by the Argentine government in the future could prevent or restrict our access to U.S. Dollars, thus affecting our ability to service our U.S. Dollar-denominated liabilities. Also, fluctuations in the exchange rate between the Peso and the U.S. Dollar may adversely affect the U.S. Dollar equivalent of the Peso price of our common shares on the Buenos Aires Stock Exchange, and as a result would likely affect the market price of our GDSs in the United States.

**Table of Contents***Our Indebtedness*

As of June 30, 2010

**Expected contractual maturity date (5)**

	FY2011	FY2012	FY2013	FY2014	FY2015	Thereafter	Total	Fair Value (6)	Average Interest Rate
(U.S.\$ Equivalent in millions)									
<b>Fixed rate debt (US\$):</b>									
Principal payment and accrued interest (1)	5.19					150.01	155.20	145.46	8.5%
Principal payment and accrued interest (2)	12.16	6.72	6.72				25.59	25.59	11.6%
<b>Floating rate debt (Pesos)(3):</b>									
Principal payment (4)	89.49						89.49	89.49	11.30%

(1) Corresponds to the notes due 2017.

(2) Dollar-denominated bank loan.

(3) Pesos-denominated loans were converted to Dollars at an exchange rate of Ps.3.931 per U.S. Dollar.

(4) Corresponds to short term bank loans.

(5) Seller financing not included.

(6) Includes accrued interest.

*APSA s Indebtedness*

As of June 30, 2010

**Expected contractual maturity date (10)**

Significant liabilities	FY2011	FY2012	FY2013	FY2014	FY2015	Thereafter	Total	Fair Value (9)	Average Interest Rate
(U.S.\$ Equivalent in millions) (8)									
<b>Fixed rate debt (US\$) :</b>									
Principal payment and accrued interest(2)	2.1			47.2			49.3	321.0	10%
Principal payment and accrued interest(3)(8)	1.3					120.0	121.3	110.5	7.88%
Principal payment and accrued interest (4)	6.6						6.6	6.6	6.75%
Principal payment and accrued interest(5)	0.03						0.03	0.03	
<b>Fixed rate debt (Ps.)(1):</b>									
Principal payment and accrued interest(6)(8)	11.4	11.2					22.6	20.3	11%
<b>Variable rate debt (Ps.)(1):</b>									
Principal payment and accrued interest(7)	14.4						14.4	14.4	12.75%
Principal payment and accrued interest (5)	12.4						12.4	12.4	

(1) Pesos-denominated loans were converted to Dollars at an exchange rate of Ps.3.931 per U.S. Dollar.

(2) Corresponds to convertible notes.

(3) Corresponds to the series I notes due 2017. Debt issuance cost not included.

(4) Corresponds to the series IV notes due 2011.

(5) Corresponds to short term bank loans.

(6) Corresponds to the series II notes due 2012.

(7) Corresponds to the series III notes due 2011.

**Table of Contents**

- (8) Repurchased notes have not been deducted.
- (9) Includes accrued interest.
- (10) Seller financing not included.

***Sensitivity to Exchange Rates and Interest rates***

As of the date of annual report, we have floating rate debt and an increase of 1 % in the general interest rate level would imply an increase of Ps.3.52 million in our interest expense. In addition, an increase of 1% in the general interest rate level would imply an increase of Ps.0.57 million in Alto Palermo s interest expense from short term floating debt and an increase of Ps.0.49 million in Alto Palermo s interest expense from its floating rate notes.

On the other hand, as of the date of this annual report our outstanding indebtedness represented by our notes due 2017 accrues interest at a fixed rate of 8.5% per year. As of June 30, 2010, the fair market value in Pesos equivalent of these notes was Ps.571.8 million (includes accrued interest). As a measure of sensitivity, an upward shift of 100 Bps in the general interest rate level would imply a decrease of 4.4% in its fair market value. In addition, Alto Palermo s Series I fair market value tends to drop 4.7% and Series II 0.7% per 100 Bps of increase in interest rate levels.

Besides, a change of 1% in Ps. / US\$ exchange rate would imply a Ps.5.9 million change in the Peso equivalent of our debt face value and would increase our interest expenses in Ps.0.5 million annually. In addition, a change of 1% in Ps. / US\$ exchange rate would imply a Ps.4.7 million change in the Peso equivalent of Alto Palermo s debt face value and would increase its interest expense in Ps.0.4 million annually.

We are also exposed to changes in interest rates as a result of Tarshop s retained interests in securitized credit receivables, whose fair value depends, among other factors, on the TDFs interest rate. Under securitization programs, TDFs pay the variable interest rate published by the Argentine Central Bank, known as BADLAR , plus a fixed rate spread. This spread level is set according to the general market conditions at the time of issuance.

Both TDFs A and B have different cap floor settings in order to mitigate interest rate exposure. Regarding to the fair value calculation, revolving series have less interest rate risk than non revolving series.

This sensitivity analysis provides only a limited, point-in-time view of the market risk sensitivity of certain of our financial instruments. The actual impact of our market foreign exchange rate and/or interest rate changes on our financial instruments may differ significantly from the impact shown in the sensitivity analysis.

**Table of Contents**

**ITEM 12. Description of Other than Equity Securities**

***A. Debt Securities***

This item is not applicable

***B. Warrants and Rights***

This item is not applicable

***C. Other Securities***

This item is not applicable

***D. American Depositary Shares***

The Bank of New York Mellon, as depositary for the GDSs (the Depositary) collects its fees for delivery directly from investors depositing shares or surrendering GDSs for the purpose of withdrawal. The depositary also collects taxes and governmental charges from the holders of GDSs. The depositary collects these fees and charges by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees (after attempting by reasonable means to notify the holder prior to such sale).

The Depositary has agreed to reimburse or pay on behalf of the Company, certain reasonable expenses related to our GDS program and incurred by us in connection with the program (such as NYSE listing fees, legal and accounting fees incurred with preparation of Form 20-F and ongoing SEC compliance and listing requirements, distribution of proxy materials, investor relations expenses, etc). The Depositary has covered all such expenses incurred by us during 2010 for an amount of US\$ 240,750.

The amounts the Depositary reimbursed or paid are not perforce related to the fees collected by the depositary from GDSs holders.

The Company agrees to pay the fees, reasonable expenses and out-of-pocket charges of the Depositary and those of any registrar only in accordance with agreements in writing entered into between the Depositary and the Company from time to time. The Depositary shall present its statement for such charges and expenses to the Company once every three months. The charges and expenses of the custodian are for the sole account of the Depositary.

The following charges shall be incurred by any party depositing or withdrawing shares or by any party surrendering receipts or to whom receipts are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Issuer or an exchange regarding the receipts or deposited securities or a distribution of receipts), whichever applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of shares generally on the share register of the Company or foreign registrar and applicable to transfers of shares to the name of the Depositary or its nominee or the custodian or its nominee on the making of deposits or withdrawals hereunder, (3) such cable, telex and fax transmission expenses as are expressly provided in this deposit agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign

**Table of Contents**

currency (5) a fee of US\$5.00 or less per 100 Global Depositary Shares (or portion), (6) a fee of US\$0.02 or less per Global Depositary Share (or portion) for any cash distribution made pursuant to the deposit agreement including, but not limited to, and (7) a fee not in excess of US\$1.50 per certificate for receipt for transfers made pursuant to the deposit agreement.

**PART II**

**ITEM 13. Defaults, Dividend Arrearages and Delinquencies**

This item is not applicable.

**ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

***A. Fair Price Provision***

At our annual meeting held on October 30, 2000, our shareholders approved an amendment to our bylaws which included the adoption of a fair price provision (the Fair Price Provision). On March 8, 2002 our shareholders decided to make a new amendment to Article Nine of our bylaws including, among others, an increase in the minimum percentage of capital obliged to comply with the Fair Price Provision, from twenty percent (20%) to thirty five percent (35%), according to Decree No. 677/2001. On October 10, 2007, our shareholders decided to make a new amendment to Article Nine of our bylaws, to include the control concept under Decree No. 677/2001, which provides for the effective control regularly held in addition to the legal control.

The following description is a summary of the main provisions of the Fair Price Provision, which constitutes Article Nine of our bylaws and does not contain a description of all of the terms of the Fair Price Provision. The Fair Price Provision prohibits a party seeking to acquire, directly or indirectly, either control or (together with such party's other holdings) thirty five percent (35%) or more of our capital stock without complying with the procedural and price requirements described below. Acquisitions made in violation of the Fair Price Provision are deemed ineffective against us and will not be registered in our share registry. Shares acquired in violation of the Fair Price Provision shall have no voting or equity rights until the Fair Price Provision has been complied with. The Fair Price Provision applies to transactions involving shares of our common stock and any securities convertible in shares of our common stock, including, without limitation, convertible debentures and bonds and our global depositary receipts (GDRs). The Fair Price Provision excludes certain acquisitions of shares in certain limited circumstances.

The Fair Price Provision provides that a party seeking to acquire, directly or indirectly, control of our company or thirty five percent (35%) or more of our capital stock shall be required to make a public tender offer for all of the outstanding common stock of us and any shares of common stock into which outstanding securities of our company are presently convertible or exchangeable in accordance with the procedural and price terms of the Fair Price Provision and in accordance with applicable law. For purposes of the thirty five percent threshold contained in the Fair Price Provision parties acting in concert or which are under common control or administration are deemed a single party.

There are cases excluded from the tender offer requirements:

acquisitions by existing shareholders or by those exercising control over shares or convertible securities in accordance with the provisions under Decree 677/2001, irrespective of the application of the regulations imposed by the Comisión Nacional de Valores; and

**Table of Contents**

holdings of more than 35%, which derive from the distribution of shares or dividends paid in shares approved by the shareholders, or the issuance of shares as a result of a merger approved by the shareholders; in both cases, the excess holding shall be disposed of within 180 days of its registration in the relevant shareholder's account, or prior to the holding of our shareholders meeting, whatever occurs first.

The Fair Price Provision requires the offering party to notify use of the tender offer simultaneously with its filing of the public tender offer with the *Comisión Nacional de Valores*. The notice to us is required to set forth all of the terms and conditions of any agreement that the offering party has made with any other of our shareholders with respect to the proposed transaction and to provide, among other things, the following information:

the identity and nationality of the offering party and, in the event the offer is made by a group, the identity of each member of the group;

the terms and conditions of the offering, including the price, the tender offer period and the requirements for accepting the tender offer;

accounting documentation required by Argentine law relating to the offering party;

details of all prior acquisitions by the offering party of shares or securities convertible into shares of our capital stock.

We will distribute the information provided by the offering party to our shareholders.

The CNV regulations require that transactions which cause a person's holdings of capital stock of a registered Argentine company, to hold 5% or more of the voting power, should be immediately notified to the *Comisión Nacional de Valores*. Thereafter, every change in the holdings that represents a multiple of 5% of the voting power should also be notified.

The Fair Price Provision requires that the consideration paid in the tender offer be paid in cash and that the price paid for each share in the tender offer be the same and not less than the highest price per share derived from the five following alternative valuation methods:

the highest price per share of our common stock paid by the offering party, or on behalf of the offering party, for any acquisition of shares or convertible securities within the 2 years prior to the commencement of the tender offer;

the highest closing selling price of a share of our common stock on the Bolsa de Comercio de Buenos Aires during the thirty day period immediately preceding the commencement of the tender offer;

the highest price resulting from the calculations made according to the provisions of (i) and (ii) above multiplied by a fraction the numerator of which is such highest price and the denominator of which is the lowest closing price of a share of our common stock on the Bolsa de Comercio de Buenos Aires during the two-year period prior to the period referred to in sub-sections (i) or (ii), as applicable;



**Table of Contents**

our aggregate net earnings per share during our preceding four completed fiscal quarters prior to the commencement of the tender offer, multiplied by our highest price to earnings ratio during the two-year period immediately preceding the commencement of the tender offer. Such multiples shall be determined considering the average closing selling price of our common stock on the Bolsa de Comercio de Buenos Aires, and our aggregate net income from our preceding four completed fiscal quarters; and,

the book value per share of our common stock at the time the tender offer is commenced, multiplied by the highest ratio determined by a fraction the numerator of which is the closing selling price of a share of our common stock on the Bolsa de Comercio de Buenos Aires on each day during the two year period prior to the commencement of the tender offer and the denominator of which is the latest known book value per share of our common stock on each such date.

***B. Limitations on the payment of dividends.***

On February 2, 2007 we issued our 2017 fixed rate notes for a total amount of US\$150 million at an annual interest rate of 8.5% payable semi-annual and mature on February 2, 2017. This bond limits our ability to pay dividends which may not exceed the sum of:

50% of our cumulative consolidated net income; or

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

100% of our cumulative consolidated net income if the consolidated interest coverage ratio is at least 4.0 to 1. 100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by us or by our restricted subsidiaries from (a) any contribution to our capital stock or the capital stock of our restricted subsidiaries or issuance and sale of our qualified capital stock or the qualified capital stock of our restricted subsidiaries subsequent to the issue of our notes due 2017, (b) issuance and sale subsequent to the issuance of our notes due 2017 or our indebtedness or the indebtedness of our restricted subsidiaries that has been converted into or exchanged for our qualified capital stock, or (c) any reduction in our indebtedness or any restricted subsidiary, (d) any reduction in debt investment (other than permitted investments) and return on assets, or (e) any distribution received from non-restricted subsidiaries.

On July 20, 2010, we 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.

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

***C. This section is not applicable.***

***D. This section is not applicable.***

***E. This section is not applicable.***

**Table of Contents**

**ITEM 15. Controls and Procedures**

***A. Disclosure Controls and Procedures.***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities and Exchange Act of 1934, as amended (the **Exchange Act**), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer, Chief Financial Officer and Chief Administrative Officer, as appropriate, to allow timely decisions regarding required disclosure. In connection with the preparation of this Annual Report on Form 20-F, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Chief Administrative Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2010. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of fiscal year 2010.

***B. Management's Annual Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Argentine generally accepted accounting principles and reconciling the Argentine GAAP figures to US GAAP.

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on this assessment and the criteria set forth in Internal Control - Integrated Framework, management concluded that, as of the end of fiscal year 2010, our internal control over the financial reporting was effective.

***C. Attestation Report of the Registered Public Accounting Firm***

The Company's independent registered public accounting firm, Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina -member firm of PricewaterhouseCoopers-, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting, as stated in their report included herein. See Report of Independent Registered Public Accounting Firm.

***D. Changes in Internal Control Over Financial Reporting***

During the period covered by this report, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 16.**

***A. Audit Committee Financial Expert***

## **Table of Contents**

Pursuant to the System governing the Transparency of Public Offers established through Decree No. 677/2001, the rules of the *Comisión Nacional de Valores*, its Resolution No. 400 and 402, the board of directors established that the Audit Committee shall be a committee of the board of directors. The main function of the Audit Committee is to assist the board of directors in performing its duty of exercising due care, diligence and competence in issues relating to us, specifically in the enforcement of the accounting policy and in the issue of accounting and financial information, the management of business risk and of internal control systems, the conduct and ethical soundness of the company's business, the supervision of the integrity of our financial statements, the compliance by our company with the legal provisions, the independence and capability of the independent auditor and the performance of the internal audit function of our company and of the external auditors. Also, the audit committee may be requested by the board of directors to report if the conditions of a related party transaction may be reasonably considered adequate according to normal market conditions.

Since November 3, 2008 the member of the Audit Committee are Cedric Bridger, Ricardo Liberman and Mario Blejer, all of them as independent members. Cedric Bridger is the financial expert in accordance with the relevant SEC rules. We have a fully independent audit committee as per the standard provided in Rule 10 (A) -3(B) (1).

### ***B. Code of Ethics***

We have adopted a code of ethics that applies to our directors, officers and employees. Our code of ethics is posted in our website [www.irsa.com.ar](http://www.irsa.com.ar). On July 25 2005, our Code of Ethics was amended by our board of directors. The amendment was reported in a report on Form 6-K on August 1, 2005.

If we make any substantive amendment to the code of ethics or grant any waivers, including any implicit waiver to any of its provision we will disclose the nature of such amendment or waiver in a report on Form 6-K or in our next annual report and we will post it in our website.

### ***C. Principal Accountant Fees and Services***

#### *Audit Fees*

During the fiscal years ended June 30, 2010 and June 30, 2009, we were billed a total amount of Ps. 3.4 million and Ps. 4.8 million respectively, for professional services rendered by our principal accountants for the audit of our annual consolidated financial statements, performance of the audit of internal controls over financial reporting of the company and other services normally provided in connection with regulatory filings or engagements.

#### *Audit-Related Fees*

During the fiscal years ended June 30, 2010 and June 30, 2009, we were billed a total amount of Ps.0.03 and Ps. nil million respectively, for professional services rendered by our principal accountants mainly related to the issuance of covenants certificates and other certifications.

## **Table of Contents**

### *Tax Fees*

During the fiscal years ended June 30, 2010 and June 30, 2009, we were billed a total amount of Ps.nil million and Ps.0.1 million, respectively, for professional services rendered by our principal accountants for tax compliance, tax advice, and tax planning.

### *All Other Fees*

During fiscal year ended June 30, 2010 and June 30, 2009 we were billed for professional services rendered by our principal accountants, including fees mainly related to special assignments and courses, a total amount of Ps. 0.3 million and Ps. nil million, respectively.

### *Audit Committee Pre-Approval Policies and Procedures*

Audit Committee pre-approves all services, fees and services provided by the external auditors to ensure auditors' independence. One of the main tasks of the Audit Committee is to give its opinion in relation to the appointment of the external auditors, proposed by the Board of Directors to the General Shareholders Meeting. In order to accomplish such task, the Audit Committee shall:

Require any additional and complementary documentation related to this analysis.

Verify the independence of the external auditors;

Analyze different kinds of services that the external auditor would provide to the company. This description must also include an estimate of the fees payable for such services, specifically in order to maintain the principle of independence;

Inform the fees billed by the external auditor, separating the services related to the Audit Committee and other special services that could be not included as fees related to the Audit Committee;

Take notice of any strategy proposed by the external auditors and review it in accordance with the reality other business and the risks involved;

Analyze and supervise the working plan of the external auditors considering the business' reality and the estimated risks;

Propose adjustments (if necessary) to such working plan;

Hold meetings with the external auditors in order to: (a) analyze the difficulties, results and conclusions of the proposed working plan; (b) analyze eventual northpossible conflicts of interests, related party transactions, compliance with the legal framework and information transparency;

Evaluate the performance of external auditors and their opinion regarding the Financial Statements.

**Table of Contents**

***D. Exemption from the Listing Standards for Audit Committees***

This section is not applicable.

***E. Purchase of Equity Securities by the Issuer and its Affiliates***

This section is not applicable.

***F. Change in Registrant's Certifying Accountant***

This section is not applicable.

***G. Corporate Governance***

*Compliance with NYSE listing standards on corporate governance*

*New York Stock Exchange and Argentine Corporate Governance Requirements*

Our corporate governance practices are governed by the applicable Argentine law; particularly, the Corporations Law, Decree N 677/01 and the Standards of the *Comisión Nacional de Valores*, as well as by our corporate by-laws. We have securities that are registered with the Securities and Exchange Commission and are listed on the New York Stock Exchange (the "NYSE"), and is therefore subject to corporate governance requirements applicable to NYSE-listed non-US companies (a "NYSE-listed" company).

NYSE-listed non-US companies that are categorized as "Foreign Private Issuers" may, in general, follow their home country corporate governance practices in lieu of most of the new NYSE corporate governance requirements (the "NYSE Sections") codified in Section 303A of the NYSE's Listed Company Manual. However, Foreign Private Issuers must comply with NYSE Sections 303A.06, 303A.11 and 303A.12(b) and 303A.12(c). Foreign Private Issuers must comply with Section 303A.06 prior to July 31, 2005 and with Sections 303A.11 and 303A.12(b) prior to the first annual meeting of shareholders held after January 15, 2004, or by October 31, 2004.

NYSE Section 303A.11 requires that Foreign Private Issuers disclose any significant ways in which their corporate governance practices differ from US companies under NYSE standards. A Foreign Private Issuer is simply required to provide a brief, general summary of such significant differences to its US investors either 1) on the company's website (in English) or 2) in Form 20-F as distributed to their U.S. investors. In order to comply with Section 303A.11, we have prepared and have updated the comparison in the table below.

**Table of Contents**

The most relevant differences between our corporate governance practices and NYSE standards for listed companies are as follows:

**NYSE Standards for US companies Listed Companies Manual Section 303.A**

Section 303A.01 A NYSE-listed company must have a majority of independent directors on its board of directors.

Section 303A.02 This section establishes general standards to evaluate directors' independence (no director qualifies as independent unless the board of directors affirmatively determines that the director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company)), and emphasizes that the concern is independence from management. The board is also required to express an opinion with regard to the independence or lack of independence, on a case by case basis, of each individual director.

Section 303A.03 Non-management directors must meet at regularly scheduled executive meetings not attended by management.

Section 303A.05(a) Listed companies shall have a Compensation Committee comprised entirely of independent directors.

Section 303A.05(b). The Compensation Committee shall have a written charter addressing the committee's purpose and certain minimum responsibilities as set forth in Section 303A.05(b)(i) and (ii).

**IRSA's Corporate Practices**

IRSA follows Argentine law which does not require that a majority of the board of directors be comprised of independent directors. Argentine law instead requires that public companies in Argentina have a sufficient number of independent directors to be able to form an audit committee of at least three members, the majority of which must be independent pursuant to the criteria established by the *Comisión Nacional de Valores*.

*Comisión Nacional de Valores* standards (General Resolution No. 400, as amended) for purposes of identifying an independent director are substantially similar to NYSE's standards. *Comisión Nacional de Valores* standards provide that independence is required with respect to the Company itself and to its shareholders with direct or indirect material holdings (35% or more). To qualify as an independent director, such person must not perform executive functions within the company. Close relatives of any persons who would not qualify as independent directors shall also not be considered independent. When directors are appointed, each shareholder that nominates a director is required to report at the meeting whether or not such director is independent.

Neither Argentine law nor IRSA's by-laws require that any such meetings be held.

IRSA's board of directors as a whole is responsible for monitoring the company's affairs. In addition, under Argentine law, the Board of Directors may approve the delegation of specific responsibilities to designated directors or non-director managers of the Company. Also, it is mandatory for public companies to form a supervisory committee (composed of syndics) which is responsible for monitoring legal compliance by the Company under Argentine law and compliance with its by-laws.

Neither Argentine law nor IRSA's by-laws require the formation of a Compensation Committee. Under Argentine law, if the compensation of the members of the board of directors and the supervisory committee is not established in the by-laws of a company, it should be determined at the shareholders meeting.

Neither Argentine law nor IRSA's by-laws require the formation of a Compensation Committee.

**Table of Contents**

**NYSE Standards for US companies Listed Companies Manual Section 303.A**

Section 303A.06 Listed companies must have an Audit Committee that satisfies the requirements of Rule 10 A-3 under the 1934 Exchange Act (the Exchange Act ). Foreign private issuers must satisfy the requirements of Rule 10 A-3 under the Exchange Act as of July 31, 2005.

Section 303A.07(a) The Audit Committee shall consist of at least three members. All of its members shall be financially literate or must acquire such financial knowledge within a reasonable period and at least one of its members shall have experience in accounting or financial administration.

**IRSA s Corporate Practices**

Pursuant to Decree No. 677/01 and *Comisión Nacional de Valores* Standards, as from May 27, 2004 IRSA has appointed an Audit Committee composed of three of the members of the Board of Directors. Since December 21, 2005 all of its members are independent as per the criteria of Rule 10 A-3 under the Exchange Act.

In accordance with Argentine law, a public Company must have an Audit Committee with a minimum of three members of the board of directors, the majority of which shall be independent pursuant to the criteria established by the *Comisión Nacional de Valores*. There is no requirement related to the financial expertise of the members of the Audit Committee. However, our Audit Committee has a financial expert. The committee creates its own written internal code that addresses among others: (i) its purpose; (ii) an annual performance evaluation of the committee; and (iii) its duties and responsibilities.

**Table of Contents**

**PART III**

**ITEM 17. Financial Statements**

The Registrant has responded to Item 18 in lieu of responding to this Item.

**ITEM 18. Financial Statements**

Reference is made to pages F-1 through F-197

Index to Financial Statements (see page F-1).



**Table of Contents**

**ITEM 19. Exhibits**

**INDEX OF EXHIBITS**

<b>Exhibit</b>	
<b>No.</b>	<b>Description of Exhibit</b>
1.1*	<i>Estatutos</i> of the registrant, which serve as the registrant's articles of incorporation and bylaws, and an English translation thereof.
1.2****	English translation of the amendment to the bylaws.
2.1****	Indenture dated February 2, 2007, between the Company as Issuer, The Bank of New York as trustee, Co-Registrar, Principal Paying Agent and Transfer Agent, and Banco Río de la Plata S.A. as Registrar, Paying Agent, Transfer Agent and Representative of the Trustee in Argentina for the US\$ 200,000,000 Global Note Program for Notes due no less than 30 days from date of original issue.
2.2	Indenture dated July 20, 2010, between the Company as issuer, the Bank of New York Mellon as trustee, Co-registrar, Principal Agent and Transfer Agent and Banco Santander Río S.A. as Registrar, Paying Agent, Transfer Agent and Representative of the Trustee in Argentina for the US\$ 400,000,000 Global Note Program for Notes due no less than 30 days from the date of original issue.
4.1**	Exchange of Operating Services Agreement between the Company, Cresud and Alto Palermo dated June 30, 2007.
4.2****	English translation of the Amendment to the Exchange of Operating Services Agreement between the Company, Cresud and Alto Palermo dated August 23, 2007.
4.3*****	English translation of the Second Agreement for the Implementation of the Amendment to the Corporate Services Master Agreement, dated August 14, 2008.
4.4*****	English translation of the Third Agreement for the Implementation of the Amendment to the Corporate Services Master Agreement, dated November 27, 2009.
4.5	English translation of the Amendment to the Exchange of Operating Services Agreement between the Company, Cresud and Alto Palermo dated March 12, 2010.
8.1	List of Subsidiaries.
11.1****	Code of Ethics of the Company.
12.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Chief Executive Officer.
12.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Chief Financial Officer.
13.1	Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Chief Executive Officer.
13.2	Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Chief Financial Officer.

\* Incorporated herein by reference to the exhibit to the registrant's registration statement on Form F-3 (File No. 333-7984) filed with the SEC on November 18, 1997.

**Table of Contents**

- \*\* Incorporated herein by reference to the exhibit to the registrant's registration statement on Form 6-K (File No. 001-13542) filed with the SEC on July 6, 2004.
- \*\*\* Incorporated herein by reference to the registrant's registration statement on Form 6-K (File No. 001-13542) filed with the SEC on August 1, 2005.
- \*\*\*\* Incorporated herein by reference to the annual report on Form 20-F (File No. 001-13542) filed with the SEC on December 27, 2007.
- \*\*\*\*\* Incorporated herein by reference to the annual report on Form 20-F (File No. 001-13542) filed with the SEC on December 30, 2008.
- \*\*\*\*\* Incorporated herein by reference to the annual report on Form 20-F (File No. 001-13542) filed with the SEC on December 30, 2009.

**Table of Contents**

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

IRSA INVERSIONES Y REPRESENTACIONES  
SOCIEDAD ANÓNIMA

/s/ EDUARDO S. ELSZTAIN  
**Eduardo S. Elsztain**  
**Chief Executive Officer**

Date: December 30, 2010.

**Table of Contents**

	<b>Page</b>
<b>IRSA Inversiones y Representaciones Sociedad Anónima</b>	
<u>Report of Independent Registered Public Accounting Firm</u>	F 2
<u>Consolidated Balance Sheets as of June 30, 2010 and 2009</u>	F 4
<u>Consolidated Statements of Income for the years ended June 30, 2010, 2009 and 2008</u>	F 5
<u>Consolidated Statements of Changes in Shareholders' Equity for the years ended June 30, 2010, 2009 and 2008</u>	F 6
<u>Consolidated Statements of Cash Flows for the years ended June 30, 2010, 2009 and 2008</u>	F 7
<u>Notes to the Consolidated Financial Statements</u>	F 9
<b>Banco Hipotecario S.A.</b>	
<u>Report of Independent Registered Public Accounting Firm</u>	F 124
<u>Consolidated Balance Sheets as of June 30, 2010 and 2009</u>	F 125
<u>Consolidated Statements of Income for the years ended June 30, 2010, 2009 and 2008</u>	F 127
<u>Consolidated Statements of Changes in Shareholders' Equity for the years ended June 30, 2010, 2009 and 2008</u>	F 129
<u>Consolidated Statements of Cash Flows for the years ended June 30, 2010, 2009 and 2008</u>	F 130
<u>Notes to the Consolidated Financial Statements</u>	F 131
<b>Metropolitan 885 Third Avenue LLC</b>	
<u>Report of Independent Registered Public Accounting Firm</u>	F 181
<u>Consolidated Balance Sheets as of June 30, 2010 and 2009</u>	F 182
<u>Consolidated Statement of Operations for the twelve months ended June 30, 2010 and 2009</u>	F 183
<u>Consolidated Statement of Changes in Members' Capital (Deficit) for the twelve months ended June 30, 2010 and 2009</u>	F 184
<u>Consolidated Statement of Cash Flows for the twelve months ended June 30, 2010 and 2009</u>	F 185
<u>Notes to the Consolidated Financial Statements</u>	F 186

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of

IRSA Inversiones y Representaciones Sociedad Anónima

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in shareholders equity and of cash flows present fairly, in all material respects, the financial position of IRSA Inversiones y Representaciones Sociedad Anónima and its subsidiaries ( the Company ) at June 30, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2010 in conformity with accounting principles generally accepted in Argentina. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Accounting principles generally accepted in Argentina vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 27 to the consolidated financial statements.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

**Table of Contents**

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PRICE WATERHOUSE & Co. S.R.L.

By /s/ NORBERTO FABIÁN MONTERO (Partner)  
**Norberto Fabián Montero**  
Buenos Aires, Argentina

December 30, 2010

F-3

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Consolidated Balance Sheets**

as of June 30, 2010 and 2009

(Amounts in thousands, except share data and as otherwise indicated)

	2010	2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and banks (Note 4.a.)	Ps. 71,175	Ps. 66,562
Investments (Note 4.b.)	259,168	335,234
Accounts receivable, net (Note 4.c.)	359,529	263,471
Other receivables and prepaid expenses (Note 4.d)	240,891	201,703
Inventories (Note 4.e.)	259,569	24,899
<b>Total current assets</b>	<b>1,190,332</b>	<b>891,869</b>
<b>Non-Current Assets</b>		
Accounts receivable, net (Note 4.c.)	42,123	6,626
Other receivables and prepaid expenses (Note 4.d.)	187,182	196,766
Inventories (Note 4.e.)	55,088	164,933
Investments (Note 4.b.)	1,480,805	1,001,654
Fixed assets, net (Note 28.a.)	2,692,637	2,720,506
Intangible assets, net (Note 28.b.)	54,397	18,559
<b>Subtotal non-current assets</b>	<b>4,512,232</b>	<b>4,109,044</b>
Negative goodwill, net (Note 4.f.)	(69,123)	(64,926)
<b>Total non-current assets</b>	<b>4,443,109</b>	<b>4,044,118</b>
<b>Total assets</b>	<b>Ps. 5,633,441</b>	<b>Ps. 4,935,987</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade accounts payable (Note 4.g.)	Ps. 315,614	Ps. 229,542
Mortgages payable (Note 28.e.)		1,930
Advances from customers (Note 4.h.)	210,102	96,843
Short-term debt (Note 4.j.)	609,190	349,243
Salaries and social security payable (Note 4.i.)	37,375	35,863
Taxes payable (Note 4.k.)	101,111	147,883
Other liabilities (Note 4.l.)	65,338	110,992
Provisions	2,890	2,594
<b>Total current liabilities</b>	<b>1,341,620</b>	<b>974,890</b>
<b>Non-Current Liabilities</b>		
Trade accounts payable (Note 4.g.)	23,368	67,300
Advances from customers (Note 4.h.)	90,370	150,357

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Long-term debt (Note 4.j.)	1,031,528	1,044,725
Taxes payable (Note 4.k.)	110,441	61,254
Other liabilities (Note 4.l.)	62,021	71,881
Provisions	7,940	5,537
<b>Total non-current liabilities</b>	<b>1,325,668</b>	<b>1,401,054</b>
<b>Total liabilities</b>	<b>2,667,288</b>	<b>2,375,944</b>
Minority interest	563,107	464,381
<b>SHAREHOLDERS EQUITY</b>	<b>2,403,046</b>	<b>2,095,662</b>
<b>Total liabilities and shareholders equity</b>	<b>Ps. 5,633,441</b>	<b>Ps. 4,935,987</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.



**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Consolidated Statements of Income**

for the years ended June 30, 2010, 2009 and 2008

(Amounts in thousands, except share data and as otherwise indicated)

	2010	2009	2008
Revenues	Ps. 1,323,326	Ps. 1,220,584	Ps. 1,084,242
Costs (Note 28.d.)	(475,295)	(508,506)	(464,223)
<b>Gross profit</b>	<b>848,031</b>	<b>712,078</b>	<b>620,019</b>
Selling expenses (Note 28.f)	(185,401)	(236,201)	(247,297)
Administrative expenses (Note 28.f)	(195,291)	(147,329)	(122,121)
<b>Subtotal</b>	<b>(380,692)</b>	<b>(383,530)</b>	<b>(369,418)</b>
Gain from recognition of inventories at net realizable value	33,831	12,056	2,832
Net income (loss) from retained interest in securitized receivables	37,470	(46,012)	(1,261)
Gain from operations and holdings of real estate assets, net (Note 7)	1,091	1,124	2,670
<b>Operating income (Note 6)</b>	<b>539,731</b>	<b>295,716</b>	<b>254,842</b>
Amortization of negative goodwill, net	1,641	1,602	1,638
Financial results, net (Note 8)	(165,096)	(136,381)	(76,742)
Gain (loss) on equity investees	160,416	61,542	(13,209)
Other expenses, net (Note 9)	(10,311)	(8,855)	(5,642)
<b>Income before taxes and minority interest</b>	<b>526,381</b>	<b>213,624</b>	<b>160,887</b>
Income tax and MPIT	(148,427)	(80,334)	(78,112)
Minority interest	(43,453)	25,345	(27,900)
<b>Net income (Note 6)</b>	<b>Ps. 334,501</b>	<b>Ps. 158,635</b>	<b>Ps. 54,875</b>
<b>Earnings per share (Note 17):</b>			
Basic net income per share	Ps. 0.58	Ps. 0.27	Ps. 0.10
Diluted net income per share	Ps. 0.58	Ps. 0.27	Ps. 0.10

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Consolidated Statements of Changes in Shareholders' Equity**

for the years ended June 30, 2010, 2009 and 2008

(Amounts in thousands, except share data and as otherwise indicated)

	Common stock (Note 5.a.)	Shareholders' contributions Inflation adjustment of common stock (Note 5.b.)	Additional paid-in-capital (Note 5.a.)	Total	Legal reserve (Note 5.c.)	Retained earnings Voluntary reserve for general purposes (Note 5.d.)	Reserve for new developments (note 5.d.)	Retained earnings	Cumulative translation adjustment (Note 2.f.)	Shareholders Equity
<b>Balances as of June 30, 2007</b>	Ps. 464,969	Ps. 274,387	Ps. 684,241	Ps. 1,423,597	Ps. 24,276	Ps.	Ps. 91,744	Ps. 107,097	Ps.	Ps. 1,646,714
Conversion of debt into common shares	34,582		24,591	59,173						59,173
Exercise of warrants	79,125		84,291	163,416						163,416
Appropriation of retained earnings approved by shareholders meeting held October 10, 2007					5,355		101,742	(107,097)		
Net income for the year								54,875		54,875
<b>Balances as of June 30, 2008</b>	Ps. 578,676	274,387	Ps. 793,123	Ps. 1,646,186	Ps. 29,631	Ps.	Ps. 193,486	Ps. 54,875	Ps.	Ps. 1,924,178
Appropriation of retained earnings approved by shareholders meeting held October 31, 2008					2,743	52,132		(54,875)		
Cumulative translation adjustment									12,849	12,849
Net income for the year								158,635		158,635
<b>Balances as of June 30,</b>	Ps. 578,676	Ps. 274,387	Ps. 793,123	Ps. 1,646,186	Ps. 32,374	Ps. 52,132	Ps. 193,486	Ps. 158,635	Ps. 12,849	Ps. 2,095,662

2009

Cash dividends approved by shareholders meeting held October 29, 2009										(31,727)	(31,727)
Cumulative translation adjustment										4,610	4,610
Appropriation of retained earnings approved by shareholders meeting held October 29, 2009										(7,932)	(7,932)
Net income for the year										334,501	334,501
<b>Balances as of June 30, 2010</b>	Ps. 578,676	Ps. 274,387	Ps. 793,123	Ps. 1,646,186	Ps. 40,306	Ps. 52,132	Ps. 193,486	Ps. 453,477	Ps. 17,459		2,403,046

The accompanying notes are an integral part of these Consolidated Financial Statements.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Consolidated Statements of Cash Flows**

for the years ended June 30, 2010, 2009 and 2008

(Amounts in thousands, except share data and as otherwise indicated)

	2010	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income for the year	Ps. 334,501	Ps. 158,635	Ps. 54,875
Adjustments to reconcile net income to net cash flows from operating activities:			
Income tax and MPIT	148,427	80,334	78,112
Depreciation and amortization	161,622	134,972	115,207
Minority interest	43,453	(25,345)	27,900
Allowances and other provisions	69,358	113,754	91,403
(Gain) loss on equity investees	(160,416)	(61,542)	13,209
Gain from operations and holdings of real estate assets, net	(1,091)	(1,124)	(2,670)
Financial results, net	(2,219)	104,495	9,628
Gain from recognition of inventories at net realizable value	(33,831)	(12,056)	(2,832)
Amortization of negative goodwill, net	(1,641)	(1,602)	(1,638)
Gain from sale of inventories		(2,867)	(14,541)
Gain from sale of undeveloped plot of land	(23,687)		
Changes in certain assets and liabilities, net of non-cash transactions and the effects of acquisitions:			
Increase in accounts receivable, net	(108,890)	(122,571)	(121,069)
Increase in other receivables and prepaid expenses	(40,810)	(133,674)	(51,089)
(Increase) decrease in inventories	(28,807)	74,872	129,729
Increase in intangible assets, net	(2,316)	(11,999)	(1,619)
Increase (decrease) in trade accounts payable	24,684	(38,571)	40,755
(Decrease) increase in advances from customers, salaries and social security payable and taxes payable	(120,202)	86,148	(30,408)
(Decrease) increase in other liabilities	(15,928)	(27,541)	1,489
(Decrease) increase in accrued interest	(2,264)	(3,441)	7,613
<b>Net cash provided by operating activities</b>	<b>239,943</b>	<b>310,877</b>	<b>344,054</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Decrease (increase) in investments	157	(11,584)	(24,121)
Acquisition of businesses and assets net of cash acquired (i)	(8,316)		(419,020)
Payment for acquisition of Tarshop's minority interest	(1,574)		
Acquisition of undeveloped parcels of land	(11,930)	(9,836)	(17,225)
Acquisitions and improvements of fixed assets	(156,530)	(272,297)	(332,454)
Increase in equity investees and other investments	(253,167)	(157,613)	(23,892)
Advance payments for the acquisition of shares	(23,735)		(683)
Loans granted to related parties	(30,147)	(3,711)	
Cash collected from insurance claims			4,677
Advance received from sale of interest in Tarshop	19,951		
Collection of dividends	3,904		
Collection from sale of undeveloped parcels of land	11,023		
Payment for non compete agreement with the former minority shareholder of tarshop	(5,615)		
<b>Net cash used in investing activities</b>	<b>(455,979)</b>	<b>(455,041)</b>	<b>(812,718)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Increase in short-term and long-term debt	371,305	180,834	183,485
Seller Financing	(50,024)	(31,384)	(12,508)
Payments of short-term and long term debt	(219,240)	(124,893)	(36,442)
Exercise of warrants			163,416
Dividends paid	(31,727)		
Dividends paid by subsidiaries to minority shareholders	(23,658)	(23,541)	(24,332)
Decrease in mortgages payable	(1,930)	(2,527)	(18,425)
Re purchase of debt	(12,000)	(105,425)	(138,583)
Cash from minority shareholders capital contributions to subsidiaries	46,220	48,038	32,534
Proceeds from issuance of Negotiable Obligations, net of expenses	79,782		
Proceeds from issuance of short-term negotiable values	22,720		
<b>Net cash provided by (used in) financing activities</b>	<b>181,448</b>	<b>(58,898)</b>	<b>149,145</b>
Net decrease in cash and cash equivalents	(34,588)	(203,062)	(319,519)
Cash and cash equivalents as of the beginning of the year	185,942	389,004	708,523
Cash and cash equivalents as of the end of the year	Ps. 151,354	Ps. 185,942	Ps. 389,004

- (i) For 2008, includes 228.3 million for the acquisition of the Republica Building (Assets acquisition). See note 2.g.C.10.  
The accompanying notes are an integral part of these Consolidated Financial Statements.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Consolidated Statements of Cash Flows**

for the years ended June 30, 2010, 2009 and 2008

(Amounts in thousands, except share data and as otherwise indicated)

	2010	2009	2008
<b>Supplemental cash flow information:</b>			
<b>Cash paid during the year for:</b>			
Interest paid	Ps. 136,515	Ps. 131,742	Ps. 125,063
Income tax paid	34,310	55,566	63,743
<b>Non-cash investing and financing activities:</b>			
Capitalization of financial costs in fixed assets	Ps. 5,331	Ps. 86,452	Ps. 10,545
Increase in inventory through a decrease in fixed assets, net	43,984	78,870	
Increase in non-current investments through an increase in other liabilities	13,209	78,788	
Increase in fixed assets net through an increase in accounts payable	4,996	42,116	1,069
Liquidation of interest in credit card receivables	8,646	30,849	56,576
Increase (decrease) in advances from customers through an increase (decrease) in inventories	3,310	(26,883)	
Decrease in current investments through an increase in other receivables and prepaid expenses	8,402	24,541	
Cumulative translation adjustments	4,610	12,849	
Increase in undeveloped parcels of land through an increase in long-term debt		8,609	
Increase in negative goodwill, net through a decrease in minority interest		7,410	
Capitalization of financial costs in inventories	1,932	7,087	
Decrease (increase) in trade accounts payable through a decrease (increase) in undeveloped parcels of land		5,445	(5,445)
Decrease in undeveloped parcels of land through an increase in inventories	15,989	5,406	9,223
Increase in current investments through an increase in other liabilities		2,739	
Increase in intangible assets, net through a decrease in non-current investment		1,137	
Decrease in fixed assets through an increase in other investments			49,872
Transfer of inventories to current investment			705
Increase in non-current investment through an increase in short and long-term debt			23,212
Conversion of debt into common shares			59,174
Repurchase of debts			9,090
Increase in long-term investment through a decrease in other receivables			3,995
Increase in minority interest through a decrease in short and long-term debt	1,310		
Increase in minority interest through a decrease in other liabilities	14,512		
Decrease in undeveloped parcels of land through an increase in other receivables	6,359		
Increase in intangible assets, net through an increase in other liabilities	7,545		
Increase in undeveloped parcels of land through an increase in accounts receivable, net	26,342		
	2010	2009	2008
<b>Acquisitions of businesses and net assets:</b>			
Cash and cash equivalents	Ps. 13	Ps.	Ps.
Fair market value of non-cash assets acquired	33,869		417,377
Fair market value of liabilities assumed	(8,126)		(13,028)
Net assets acquired	25,756		404,349
Minority interest	(897)		20,049
Goodwill (negative goodwill)	506		3,712
Seller financing	(14,782)		(9,090)

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Purchase price	10,583		419,020
Less: cash and cash equivalents acquired	(13)		
Advance payments	(2,254)		
Net cash paid for the acquisition	Ps. 8,316	Ps.	Ps. 419,020

The accompanying notes are an integral part of these Consolidated Financial Statements.

F-8

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**1. Organization and description of business**

IRSA Inversiones y Representaciones Sociedad Anónima ( IRSA ), is a real estate company incorporated under the laws of Argentina which, through its investments in subsidiaries and joint ventures (IRSA and subsidiaries are collectively referred hereinafter as the The Company ), is primarily involved in (i) the acquisition and development of residential properties primarily for sale and the acquisition of undeveloped land reserves either for future development or sale, (ii) the acquisition, development and operation of office and other non-shopping center properties primarily for rental purposes, (iii) the acquisition, development and operation of shopping center properties, (iv) the acquisition and operation of luxury hotels, (v) the origination of consumer loans and credit card receivables and securitization activities and (vi) other non-core activities. The Company is the only Argentine real estate company whose shares are listed and traded on both the Buenos Aires Stock Exchange ( BASE ) and the New York Stock Exchange ( NYSE ).

**2. Preparation of financial statements**

***a. Basis of presentation***

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles used in Argentina, as set forth by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* ( FACPCE ) as adopted by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* ( CPCECABA ) (collectively Argentine GAAP ). In addition, the Company complies with the regulations of the *Comisión Nacional de Valores* ( CNV ), the National Securities Commission in Argentina. Argentine GAAP and the regulations of the CNV, as applicable, differ in certain significant respects from generally accepted accounting principles in the United States of America ( US GAAP ). Such differences involve methods of measuring the amounts shown in the Consolidated Financial Statements, as well as additional disclosures required by US GAAP and Regulation S-X of the Securities and Exchange Commission ( SEC ). A description of the significant differences between Argentine GAAP and US GAAP as they relate to the Company are set forth in Note 27 to these Consolidated Financial Statements.

As discussed in Note 2.c., in order to comply with the regulations of the CNV, the Company discontinued inflation accounting as from February 28, 2003. Since Argentine GAAP required companies to discontinue inflation adjustments as from October 1, 2003, the application of the CNV resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March 1, to September 30, 2003, such a departure did not have a material effect on the Consolidated Financial Statements.

***b. Basis of consolidation***

The consolidated financial statements include the accounts of the Company and its subsidiaries over which the Company has effective control. Investments in companies in which the Company exercises significant influence, but not control, are accounted for under the equity method. Investments in joint ventures in which the Company exercises joint control are accounted for under the proportionate consolidation method. All significant intercompany balances and transactions have been eliminated in consolidation.

In accordance with Argentine GAAP, the presentation of the parent company's individual financial statements is mandatory. Consolidated Financial Statements are to be included as supplementary information to the individual financial statements. For the purpose of these consolidated financial statements, individual financial statements have been omitted since they are not required for SEC reporting purposes.



**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008 (Continued)****(Amounts in thousands, except share data and as otherwise indicated)****2. Preparation of financial statements (continued)****b. Basis of consolidation (continued)**

The following table shows a description of the subsidiaries over which the Company has effective control or joint control, with their respective percentage of capital stock owned. Indirect interests in subsidiaries are not shown. Interests have been rounded and do not consider the effect of the potential conversion of irrevocable contribution into common shares.

	Percentage of capital stock owned as of June 30,		
	2010	2009	2008
<b><u>Controlled and jointly controlled companies</u></b>			
Alto Palermo S.A. ( APSA ) (viii)	63.35%	63.34%	63.34%
Canteras Natal Crespo S.A. ( Canteras Natal Crespo ) (i)	50.00%	50.00%	50.00%
CYRSA S.A. ( CYRSA ) (ii)	50.00%	50.00%	50.00%
E-Commerce Latina S.A. ( E-Commerce )	100.00%	100.00%	100.00%
Financel Communications S.A. (iii)			80.00%
Hoteles Argentinos S.A. ( Hoteles Argentinos )	80.00%	80.00%	80.00%
Inversora Bolívar S.A. ( Inversora Bolívar )	100.00%	100.00%	100.00%
Llao Llao Resorts S.A. ( LLR )	50.00%	50.00%	50.00%
Nuevas Fronteras S.A. (iv)	76.34%		
Palermo Invest S.A. ( Palermo Invest )	100.00%	100.00%	100.00%
Patagonian Investment S.A. ( Patagonian Investment ) (ix)		100.00%	100.00%
Pereiraola S.A.I.C.I.F. y A. ( Pereiraola ) (v)		100.00%	100.00%
Quality Invest S.A.	100.00%	100.00%	100.00%
Ritelco S.A. ( Ritelco )	100.00%	100.00%	100.00%
Rummaala S.A. ( Rummaala ) (vi)		50.00%	50.00%
Solares de Santa María S.A. ( Solares de Santa María )	90.00%	90.00%	90.00%
Torodur S.A. (vii)	98.00%		
Tyrus S.A	100.00%	100.00%	100.00%

- (i) Jointly controlled with Euromayor S.A.
- (ii) Jointly controlled with Cyrela Brazil Realty S.A. Empreendimentos y Participações ( Cyrela )
- (iii) Formed in August 2007 and sold for de minimis consideration in December 2008 without having started its operations.
- (iv) As of June 30, 2009 and 2008 it was controlled through Inversora Bolivar S.A.
- (v) See Note 2. g. A. 8.
- (vi) Merged with CYRSA
- (vii) Shell company acquired for de minimis consideration in May 2010.

(viii) See Note 2. g. A. 7.

(ix) Merged with the Company.

*Proportionate consolidation*

The Company exercises joint control directly or indirectly over several entities namely, Metroshop S.A., Canteras Natal Crespo S.A., Puerto Retiro S.A., CYRSA S.A., Liveck S.A. and Baicom Networks S.A. As required by Technical Resolution No. 21 Equity Method of Accounting, Consolidation of Financial Statements and Related Party Transactions ( RT No. 21 ), under Argentine GAAP, the Company accounted for these investments under the proportionate consolidation method. Accordingly, these consolidated financial statements reflect the Company's pro rata equity interest in these investments on a line-by-line basis.

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**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**2. Preparation of financial statements (continued)**

*c. Presentation of financial statements in constant Argentine pesos*

On August 22, 1995, the Argentine government issued Decree No. 316/95 discontinuing the requirement that financial information be restated for inflation for any date or period after August 31, 1995. Effective September 1, 1995 in accordance with CNV resolutions and Argentine GAAP, the Company began accounting for its financial transactions on a historical cost basis, without considering the effects of inflation. Prior to September 1, 1995, the Consolidated Financial Statements were prepared on the basis of general price level accounting, which reflected changes in purchasing power of the Argentine Peso in the historical Consolidated Financial Statements. The financial information of periods prior to August 31, 1995 was restated to pesos of general purchasing power as of August 31, 1995. The August 31, 1995 balances, adjusted to the general purchasing power of the Peso at that date, became the historical cost basis for subsequent accounting and reporting. However, as a result of the inflationary environment in Argentina in 2002, the CPCECABA approved on March 6, 2002, a resolution reinstating the application of inflation accounting in financial statements as from January 1, 2002. This resolution provided that all recorded amounts restated for inflation through August 31, 1995, as well as those arising between that date and December 31, 2001 are to be considered stated in currency as of December 31, 2001.

On July 16, 2002, the Argentine government issued a decree, instructing the CNV to issue the necessary regulations for the acceptance of financial statements prepared in constant currency. On July 25, 2002, the CNV reinstated the requirement to submit financial statements in constant currency. However, after considering inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government repealed the provisions of the previous decree related to the inflation adjustment and instructed the CNV to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the CNV issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. The Company complied with the CNV resolution and accordingly recorded the effects of inflation until February 28, 2003.

Since Argentine GAAP required companies to discontinue inflation accounting as from October 1, 2003, the application of the CNV resolution represented a departure from Argentine GAAP. However, due to the low level of inflation rates during the period from March 1 to September 30, 2003, such a departure did not have a material effect on the consolidated financial statements.

*d. Use of estimates*

The preparation of these consolidated financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting years. Significant estimates include those required in the accounting for barter transactions, gain from recognition of inventories at net realizable value, provisions for allowances and contingencies, impairment of long-lived assets, depreciation and amortization, current value of assets acquired in business combination and assets acquisition, deferred income asset and asset tax credit. Future results could differ from those estimates and evaluations made at the date of preparation of these consolidated financial statements.

*e. Convenience translation*

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Solely for the convenience of the reader certain amounts are alternatively expressed in Argentine Pesos or US Dollars in the notes to the Consolidated Financial Statements. Translations should not be construed as a representation that the amounts shown could have been, or could be, converted into US Dollars at that or any other rate.

### *f. Translation of non-peso currency amounts*

The Company's functional and reporting currency is the Argentine Peso. In general, for consolidation purposes, assets and liabilities of subsidiaries whose functional currency is not the Argentine Peso are translated into Argentine Pesos in accordance with Technical Resolution No. 18, "Translation of Financial Statements", using the exchange rate on the balance sheet date. Revenues and expenses are translated at the exchange rates prevailing on the date of the transactions. The gains and losses resulting from translation of financial statements of foreign subsidiaries are recorded as a separate component within the statements of shareholders' equity.

F-11

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, disposals and development of businesses***

***A. Year ended June 30, 2010***

***1. Acquisition of Hersha Hospitality Trust ( Hersha )***

On August 4, 2009, the Company, through its indirect subsidiary Real Estate Investment Group L.P. (REIG) acquired 5.7 million shares (representing approximately 10.4% of Hersha's common stock), and a call option that matures on August 4, 2014 to purchase an additional 5.7 million shares at an exercise price of US\$ 3.00 per share. Under the agreement, if starting on August 4, 2011 the quoted market price of Hersha's share were to exceed US\$ 5.00 per share during 20 consecutive trading sessions, Hersha may settle the call option by issuing and delivering a variable amount of shares to be determined in accordance with certain market values.

The total purchase price paid was US\$ 14.3 million. As part of the agreement, the Company's Chairman and CEO, Mr. Eduardo S. Elsztein, has been appointed to Hersha's Board of Trustees.

In January 2010 and March 2010, REIG purchased 4,789,917 and 3,864,000 additional shares of Hersha's common stock, respectively, for an aggregate purchase price of US\$ 30.8 million.

As of June 30, 2010 the Company's interest in Hersha amounts to 10.9%. Assuming the call option is exercised and the Company's interest is not diluted due to newly issued shares, the Company's interest in Hersha would be 14.4%. The Company accounts for its investment in Hersha at cost while the call option has been accounted for at its fair value. The fair value of the call option was calculated using the Black-Scholes method (see Note 26 (viii)).

Hersha is a Real Estate Investment Trust (REIT) listed in the New York Stock Exchange (NYSE) under the HT symbol that holds majority interests in 77 hotels throughout the United States of America totaling approximately 9,951 rooms. These hotels are rated as select service and upscale hotels and they are mainly located in the Northeast coast of the US, including New York, New Jersey, Boston, Washington D.C. and Philadelphia, whilst a few are located in northern California and some others in Arizona. These properties are operated under franchises that are leaders and enjoy widespread recognition in their markets, such as Marriot International, Intercontinental Hotel Group, Starwood Hotels, Hilton Hotels Corporation, Global Hyatt Corporation and Choice Hotels International.

***2. Acquisition of shares in Banco Hipotecario S.A. (BHSA)***

The Company acquired 100,417,816 additional shares of BHSA for Ps. 118.7 million of which Ps. 112.6 million were paid in cash as of June 30, 2010. The transaction generated a gain of Ps. 70.4 million. As of June 30, 2010, the Company holds a 28.03% in BHSA (without considering treasury shares) (see Note 26 (iv)).

***3. Acquisition of real estate assets in Uruguay***

In December 2009, the Company acquired from an unrelated party a parcel of land for US\$ 1.9 million, of which US\$ 0.3 million has been paid with the balance to be paid through the delivery of housing units and/or storefronts to be constructed on the site equivalent to about 8% of the commercial value of the units of Sector B.

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In February 2010, the Company acquired additional parcels of land for US\$ 1.0 million, of which US\$ 0.15 million has been paid with the balance to be paid in 3 consecutive and equal installments maturing on December 31, 2011, June 30, 2013 and December 31, 2014. Outstanding balances accrue interest at an annual fixed rate of 3%, payable quarterly and in arrears as from December 31, 2009.

#### ***4. Tender Offer for the acquisition of Telecom Argentina***

The Company participated together with other bidders, in a tender offer procedure for the acquisition of the 50% stake held by Telecom Italia SpA. and Telecom Italia International N.V. (Grupo Telecom Italia) in Sofora Telecomunicaciones S.A. ( Sofora ) and of a purchase option for the remaining 50% in Sofora. Sofora indirectly holds the majority shareholding in Telecom Argentina, one of the major telecommunications carriers in Argentina.

F-12

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, dispositions and development of businesses (continued)***

***A. Year ended June 30, 2010 (continued)***

To that end, on June 4, 2010, the Company submitted an offer and a letter of credit for US\$ 50.0 million for the benefit of Grupo Telecom Italia. The Company had guaranteed the offer through a pledge over the Company's shares in Hersha and approximately US\$ 43.5 million in APSA's Negotiable Obligations. In later July 2010, Grupo Telecom Italia decided not to proceed with the sale of Sofora and the transaction was aborted. Any pledge was lifted.

***5. Sale of Buildings***

The Company sold 14,777 square meters of gross leasable area for Ps. 168.3 million in cash. These sales generated a profit of Ps. 115.4 million.

***6. Acquisition of Catalinas Norte plot of land***

In December 2009, the Company acquired through a public auction a 3,649 square meters plot of land located in the area known as Catalinas Norte in the City of Buenos Aires for Ps. 95.0 million paid in cash as of June 30, 2010.

***7. Option to acquire an interest in Alto Palermo S.A.***

In January 2010, the Company entered into a purchase option for the acquisition of the 29.55% minority interest in Alto Palermo held by Parque Arauco S.A. (PASA) together with PASA's interest in the Series I Convertible Notes issued by Alto Palermo.

The purchase option originally expired on August 31, 2010 and had been set at US\$ 126.0 million. As a security for the option, the Company paid a non-refundable amount of US\$ 6.0 million to PASA as of June 30, 2010.

The Company finally exercised the option on October 15, 2010 cancelling the outstanding amount of US\$ 120.0 million and thus increasing the Company's interest in Alto Palermo to 94.89% as of the date of issuance of these financial statements.

***8. Sale of ownership interest in Pereiraola S.A.I.C.I.F. y A. (Pereiraola)***

In June 2010, the Company sold to an unrelated developer its interest in Pereiraola for US\$ 11.8 million, of which US\$ 1.94 million was collected as of June 30, 2010. The balance will be collected by receiving (a) the higher of (i) 6% of the marketable lots, or (ii) 39,601 square meters in a future neighborhood to be constructed by the buyer on the site, valued by the parties at US\$ 2.1 million and (b) four consecutive, half-yearly installments of US\$ 1.94 million each, plus an annual 14% interest rate on the outstanding balances. As of June 30, 2010, the Company collected US\$ 1.05 million in advance of the first installment.

**9. Acquisition of Torodur S.A.**

In May 2010, the Company acquired Torodur S.A., a shell company located in Uruguay, for de minimis consideration.

**10. Acquisition of Arcos del Gourmet S.A.'s (Arcos) shares**

On November 27, 2009, the Company exercised the option (entered into back in August 2007) and completed the acquisition of 80% of Arcos's common stock for an aggregate purchase price of US\$ 6.5 million, of which US\$ 3.1 million was paid as of June 30, 2010. The remaining balance will be paid as follows: (i) US\$ 2.0 million in two equal annual installments due on the second and third anniversary of the acquisition date and (ii) US\$ 1.4 million at the time of executing the share subscription agreements.

As customary for this type of transactions, the Company consulted with the National Antitrust Commission about the need to report the acquisition, which is still pending a response.



**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, dispositions and development of businesses (continued)***

***A. Year ended June 30, 2010 (continued)***

On February 17, 2010, the shareholders of Arcos approved a capital increase of US\$ 2.7 million, equivalent to Ps. 10.4 million, of which the Company contributed Ps. 8.3 million.

On June 25, 2010, the Company and certain of the minority shareholders entered into an option agreement to acquire the 17.54% minority interest in Arcos for an aggregate price of US\$1.4 million. The option price is US\$ 0.4 million, of which US\$ 0.1 million was paid as of the date of these financial statements. The option expires on April 30, 2011 and is subject to certain conditions including but not limited to that ONABE launches a bidding process for the sale of the concessioned assets over which the Company has a preemptive right.

***11. Several transactions related to Tarshop S.A.***

***i) Non-compete agreement with the former minority shareholder of Tarshop S.A.***

In January 2010, the Company entered into a non-compete agreement with Mr. León Halac, the minority shareholder of Tarshop pursuant to which Mr. Halac may not conduct in or be related to any business associated with credit card companies other than those currently operating in the business regions where Tarshop operates for a 28 month-period. Additionally, under the agreement, Mr. Halac may not participate in developing any shopping mall of more than 20,000 square meters in the City of Buenos Aires. The Company agreed on a price of US\$2.2 million, of which US\$0.8 million was payable at execution date and the remaining US\$1.4 million payable in 28 consecutive monthly installments through the termination date of the agreement on April 30, 2013.

***ii) Acquisition of Tarshop S.A. shares.***

On October 30, 2009 Tarshop SA capitalized capital contributions made by APSA increasing the Company's interest in Tarshop S.A. from 93.4% to 98.6%

During January 2010, the Company acquired the remaining minority interest in Tarshop for US\$ 0.54 million, reaching the 100% of the shareholding as of June 30, 2010.

***iii) Sale of the equity interest in Tarshop S.A.***

On December 22, 2009, the Company reported the approval by its Board of Director of the sale, assignment and transfer on behalf of Banco Hipotecario S.A. of 107,037,152 registered nonendorsable shares of common stock with a face value of Ps. 1 each and entitled to one vote per share, representing 80% of the Tarshop S.A. shares.

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On December 29, 2009, contractual documents related to the transaction were executed, which was subject to the approval by the Banco Central de la República Argentina ( Argentine Central Bank ) granted on August 30, 2010. Consequently, on September 13, 2010, the respective memorandum of closure was executed.

In compliance with the conditions defined in the agreement in question, the Company committed itself to not competing for 5 years in the credit card and/or consumer loan business in which Tarshop has a presence.

### ***12. Barter transaction with Condominios del Alto S.A. ( Condominios )***

On March 17, 2010, APSA and Condominios subscribed a supplementary deed specifically for the October 11, 2007 transaction determining which units (apartments and parking spaces) committed for bartering that will be transferred to APSA and the ownership title to 15 parking spaces.

### ***13. Purchase of Conil S.A. s ( Conil ) shares***

On October 21, 2009, the Company acquired 50% interest in Conil for US\$ 0.3 million, fully paid as of June 30, 2010. The main assets of Conil is a 2,471 square meter undeveloped parcel of land located in Avellaneda, Province of Buenos Aires.

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, dispositions and development of businesses (continued)***

*A. Year ended June 30, 2010 (continued)*

***14. Sale of properties in Guaymallén (Mendoza) and Rosario***

On March 26, 2010, the Company sold a building located in the district of Guaymallén, Province of Mendoza for US\$ 0.3 million fully collected as of June 30, 2010.

On April 14, 2010, the Company sold the lot designated as 2A of a building located in the District of Rosario, City of Rosario, Province of Santa Fe for US\$ 4.2 million, of which US\$ 1.0 million was collected as of June 30, 2010. The remaining balance will be settled upon executing the title deed. The sale is subject to certain precedent conditions, which have not been fulfilled as of year-end.

On May 3, 2010, the Company sold the lot designated as 2E of a building located in the District of Rosario, City of Rosario, Province of Santa Fe for US\$ 1.4 million, of which US\$ 0.3 million were collected as of June 30, 2010. The outstanding balance will be settled as follows: (i) an amount of US\$ 0.3 million due on September 30, 2010, upon transfer of the title deed and (ii) an amount of US\$ 0.7 million plus interest at 14% due on May 30, 2011. The lot was mortgaged in favor of the Company as collateral for the payment.

***15. Panamerican Mall S.A. (PAMSA)***

PAMSA, a company organized in November 2006 between APSA and Centro Comercial Panamericano S.A. (CCP), with 80% and 20% interests, respectively, has developed a commercial venture comprising a shopping center, a hypermarket and an office building in the Saavedra neighborhood in the City of Buenos Aires. During May 2009, Dot Baires and the hypermarket were opened while multiplex cinema was opened in early July. The office building is at the completion stage. Construction is being carried out by Constructora San José Argentina S.A., a company related to CCP.

Dot Baires Shopping has 4 levels and 3 basements, a covered area of 173,000 square meters, out of which 49,731 are square meters of gross leasable area and includes 153 stores, a hypermarket, a 10 theater multiplex cinema and parking space for 2,200 automobiles.

*B. Year ended June 30, 2009*

***1. Acquisition of Metropolitan***

In July 2008, IRSA International LLC, a wholly-owned subsidiary of the Company (through Tyrus S.A.), acquired a 30% equity interest in Metropolitan 885 Third Avenue LLC (Metropolitan), a limited liability company incorporated under the laws of New York, United States of America, whose net asset comprised of a building known as the Lipstick Building in Manhattan and the associated debt. The purchase price was

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US\$ 22.6 million in cash.

The transaction also included (i) a put right exercisable through July 2011 to sell 50% of the interest acquired (i.e. 15%) at a price equivalent to the amount paid plus interest at 4.5% per annum; and (ii) a right of first offer for the purchase of 60% of the 5% held by another party (i.e. 3%).

Due to the international credit crisis and real estate business contraction in the United States, Metropolitan recorded impairment charges in connection with the Lipstick Building. The Company's share in the loss exceeded the net book value of the investment. Accordingly, the Company valued the investment at zero at June 30, 2010 and 2009 while recognized a liability of US\$ 1.5 million related to the maximum amount committed by the Company to fund Metropolitan operations if required. During the year ended June 30, 2010, the put option increased its fair value as the building's fair value decreased. The Company adjusted the put option's fair value on a monthly basis. (See Note 26 (ii)).

F-15

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, dispositions and development of businesses (continued)***

***B. Year ended June 30, 2009 (continued)***

**2. Acquisition of shares in BHSA**

The Company acquired additional shares in BHSA for Ps. 107.6 million, of which Ps. 28.8 million were paid in fiscal year 2009 and the outstanding balance (Ps.78.8 million) was paid shortly after year-end. This transaction generated a gain of Ps. 133.0 million for the year ended June 30, 2009.

**3. Acquisition of companies in Uruguay**

The Company acquired a 100% interest in Liveck S.A. ( Liveck ), a shell company located in Uruguay, for de minimis consideration.

Simultaneously, Liveck acquired a 90% interest in two companies, Zetol S.A. (Zetol) and Vista al Muelle S.A. (Vista al Muelle), both property owners in the Canelones Department, Uruguay. The remaining 10% interest is held by a third party, Banzey S.A. (Banzey). The Company intends to develop a residential and commercial complex.

The total price for the purchase of Zetol was US\$ 7.0 million, of which US\$ 2.0 million were paid as of June 30, 2009, while the outstanding balance is to be paid in 5 installments of US\$ 1.0 million each plus interest at an annual interest rate of 3.5% within a maximum term of 93 months counted as from the date of acquisition of the Company. Payment of Zetol shares may be settled at the option of the sellers through the transfer of title on the future units to be built on the site representative of 12% of the total marketable square meters.

The total price for the purchase of Vista al Muelle was US\$ 0.83 million, of which US\$ 0.5 million was paid as of June 30, 2009, while the outstanding balance is to be paid within a two-year period plus interest at an annual rate of 8%.

As collateral for payment, the Company has tendered a surety bond guaranteeing payment of 45% of the outstanding balance, interest thereon and the option rights of the sellers.

As part of the purchase of Zetol and Vista al Muelle, Liveck and Banzey entered into an agreement pursuant to which the Company agreed to purchase and the later agreed to sell the 10% interest in the companies on July 11, 2011, provided there is no shareholders agreement signed before July 1, 2011.

In June 2009, the Company sold 50% of its stake in Liveck to Cyrela for US\$ 1.3 million. (See Note 26 (xiv)).

**4. Sale of Buildings**

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The Company sold 20,315 square meters of gross leasable area for Ps. 201.3 million in cash. These sales generated a profit of Ps. 119.4 million.

### **5. Barter transaction with Cyrsa - Air Space Coto**

On July 21, 2008, the Company entered into a barter agreement with CYRSA pursuant to which the Company, subject to certain closing conditions, would surrender to CYRSA its right to construct a building over a preexisting structure (owned by a third party) in exchange for de minimis cash and 25% of the housing units in the future building. The total fair value of the transaction was US\$ 5.9 million.

On December 17, 2010, APSA and CYRSA signed an instrument which nullifies the rights and obligations assumed in the abovementioned agreement.

### **6. Capital increase and capital contributions to Tarshop S.A.**

Due to the international financial context, APSA revised Tarshop's business model to streamline its operations.

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, dispositions and development of businesses (continued)***

***B. Year ended June 30, 2009 (continued)***

Accordingly, the Company contributed equity to Tarshop for Ps. 60.0 million increasing its equity interest from 80% to 93.4%.

***7. Barter transaction with Condominios***

On November 27, 2008, Condominios del Alto S.A. exercised its option and so the Company bartered Plot 2 H for future 42 apartments and 47 parking spaces of the total units to be constructed on the land. Under this agreement, the Company will have a 22% of the total square meters covered by the apartments and garages. The total fair value of the transaction is US\$ 2.3 million disclosed in the line item Torres de Rosario under construction in Note 4.e. As part of the agreement, Condominios del Alto S.A. paid the Company US\$ 0.03 million and assumed certain obligations. Condominios del Alto S.A. (i) guaranteed the transaction by the assumption of a first degree mortgage on the land in favor of the Company for US\$ 2.3 million; (ii) established a security insurance of which the Company will be assignor of the insured amount of US\$ 2.3 million; and (iii) the shareholders of Condominios del Alto S.A. assumed a personal guarantee of the obligations of Condominios del Alto S.A. up to the amount of US\$ 1.0 million.

***8. Letter of intent Plot of land Paraná***

On June 30, 2009, APSA signed a Letter of Intent with an unrelated party to purchase a 10,022 square meter property in the City of Paraná, Province of Entre Ríos, Argentina. The Company intends to construct a shopping center on the site (See note 26 (xii)).

***C. Year ended June 30, 2008***

***1. Acquisition of Soleil Factory shopping center business***

On December 28, 2007, the Company had entered into an agreement with INCSA, an unrelated party, for the acquisition of the Soleil Factory shopping center business, for an aggregate purchase price of US\$ 20.7 million, of which US\$ 8.1 million had been paid. The transaction was subject to certain suspensive conditions. Upon fulfillment of the conditions and transfer of the business, the remaining balance of the purchase price amounting to US\$ 12.6 million would accrue fixed interest at 5% per year and be payable in seven annual and consecutive installments starting on the first anniversary of the signing of the contract. These conditions were fulfilled on July 1, 2010 and the transaction was closed (See Note 26 (vi)).

Furthermore, on December 28, 2007, the Company and INCSA had signed a letter of intent to acquire, build and manage a commercial center in a plot of land owned by INCSA, located in the City of San Miguel de Tucumán, Province of Tucumán. The price of this transaction was set at US\$ 1.3 million, of which US\$ 0.05 million were paid on January 2, 2008. This transaction was subject to certain precedent conditions such as the completion of the acquisition of the Soleil Factory described above (see Note 26 (vi)).

***2. Barter transaction with Condominios***

On October 11, 2007, APSA entered into a barter agreement with an unrelated party, Condominios, pursuant to which the Company bartered a plot of land, Plot 2 G, located in Rosario, Province of Santa Fe for future 15 apartments and 15 parking spaces of the total units to be constructed on the land. Under this agreement, the Company will have a 14.85% and 15% of the total square meters covered by the apartments and garages, respectively. The total fair value of the transaction is US\$ 1.1 million disclosed in the line item "Torres de Rosario" in Note 4.e. Upon signing of the agreement, Condominios paid the Company US\$ 0.02 million and assumed certain obligations. Condominios (i) guaranteed the transaction by the assumption of a first degree mortgage on the land in favor of the Company for US\$ 1.1 million; (ii) established a security insurance of which the Company will be assignor of the insured amount of US\$

F-17



**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, dispositions and development of businesses (continued)***

***C. Year ended June 30, 2008 (continued)***

1.6 million; and (iii) the shareholders of Condominios assumed a personal guarantee of the obligations of Condominios up to the amount of US\$ 0.8 million. APSA also granted Condominios an acquisition option through barter of Plot 2H.

***3. Acquisition of Beruti plot of land***

On June 24, 2008, APSA acquired a plot of land located at Beruti 3351/3359 between Bulnes and Coronel Díaz Avenue in the City of Buenos Aires for US\$ 17.8 million, which were fully paid as of June 30, 2010 (see Note 26 (vii)).

***4. Barter transaction with CYRSA***

The Company signed with CYRSA a deed of exchange for US\$ 12.6 million by which IRSA handed over to CYRSA a plot of land in the Caballito neighborhood. On its part, CYRSA committed itself to build a housing real estate development in such plot. In a first stage two buildings would be constructed and a third future building would be developed in the second stage, upon CYRSA's election. As consideration CYRSA would pay US\$ 0.12 million and the balance would be cancelled by handing over 25% of the functional units of the buildings to be constructed in the plot of land. To guarantee the compliance with its obligations CYRSA had mortgaged the plot of land to the Company's favor in the amount of US\$ 12.6 million. This transaction generated a gross result before taxes of Ps. 29.1 million, which was eliminated in accordance with the ownership of CYRSA S.A. On July 31, 2008, the title deed to the land was executed.

On December 17, 2010, the Company and CYRSA entered into an agreement to nullify the rights and obligations assumed in the abovementioned transactions. CYRSA restored the building to the Company. Title deed is still pending.

***5. Acquisition of 50% of Bank Boston building***

In August 2007, the Company acquired a 50% interest in the building (including in place leases) known as Bank Boston Tower, for a total consideration of US\$ 54 million. The acquisition has been accounted for as a business acquisition.

The Company consulted with the National Argentine Antitrust Commission with regard to the need for reporting such transaction as economic concentration. The Argentine Antitrust Commission decided that effectively the operation referred should be notified and the Company did so. On November 5, 2010 the transaction was authorized.

***6. Acquisition and sale of plot of land***

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In May 2008, the Company and Birafriends S.A., an unrelated third party, signed a preliminary purchase agreement for the acquisition of a plot of land in Luján, Province of Buenos Aires, for total consideration of US\$ 3.0 million. The Company paid US\$ 1.2 million in cash with the remaining balance payable at the time of signing the deed of title. However, in December 2008, the Company transferred the land and related debt to its shareholder Cresud in exchange for US\$ 1.2 million.

### ***7. Acquisition of Museo Renault***

In December 2007 the Company acquired certain functional units (including in place lease) of the Palacio Alcorta (also known as Museo Renault ) for the total consideration of US\$ 3.2 million. The acquisition has been accounted for as a business acquisition.

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, dispositions and development of businesses (continued)***

*C. Year ended June 30, 2008 (continued)*

***8. Purchase of Manibil S.A.***

In May 2008, the Company acquired from Land Group S.A., an unrelated third party, a 49% interest in Manibil S.A. for de minimis consideration. Manibil is a company incorporated under the laws of Argentina engaged in real estate, construction and financing activities. In June 2008, the Company contributed Ps. 23.9 million into this company. Under the agreements in force, the Company undertook to abstain from transferring its shares or any rights in the shares for a three-year term.

***9. Sale of Bouchard building***

On January 9, 2008, the Company sold to Techint Compañía Técnica Internacional S.A.C.I. (Techint) an undivided 29.85% interest in the building known as Bouchard Plaza Building including in-place lease contracts for an aggregate price of US\$ 34.4 million. The gain on the sale was Ps. 19 million.

***10. Acquisition of Edificio República***

In April 2008, the Company acquired a building known as Edificio República (Republic Building), a property located in Buenos Aires. The Company paid US\$ 70.3 million partially financed by a mortgage loan from Banco Macro for an amount of US\$ 33.6 million accruing interest at a fixed rate of 12% per annum and payable in five equal, annual and consecutive installments as from April 2009. The Company consulted with the Argentine Antitrust Commission whether or not this transaction should be reported as a transaction regarded as infringing antitrust laws. In February 2010, the Company has presented the required documentation notifying the operation. On November 3, 2010, the transaction was authorized.

***11. Commercialization of Dique III***

**Plot 1c) Dique III**

In September 2004, the Company and Desarrollos y Proyectos Sociedad Anónima ( DYPSA ) signed a commitment of barter contract whereby the Company delivered DYPSA plot 1c) of Dique III in exchange for receiving 28.50% of the square meters built in the building constructed by DYPSA. The transaction amounted to US\$ 8,030. The Company signed preliminary sales agreements for certain units to be received which were valued at its net realizable value. The increase for this method of valuation amounted to Ps. 26,528; of which Ps. 5,516, Ps. 2,618 and Ps. 18,394 were recorded as of June 30, 2009, 2008 and 2007, respectively. As of the date of these Consolidated Financial Statements the units were totally

sold and the property has been transferred to the buyers.

Plot 1e) Dique III

In June 2006, the Company and DYPSA signed a barter contract whereby the Company delivered DYPSA plot 1e) of Dique III in exchange for receiving 31.50% of the square meters built in a building to be constructed by DYPSA. The value of the transaction amounted to of US\$ 13.5 million. In November 2007, the Company and DYPSA replaced the barter agreement for US\$ 18.2 million in cash, paid in full of June 30, 2008. The gain on the replacement was Ps. 14.8 million.

**12. Purchase of additional shares of APSA**

During the fiscal year ended June 30, 2008 the Company acquired 672,639 shares of APSA for a total amount of Ps. 7. As a result of this transaction, the Company's ownership interest in APSA rose to 63.35%.

**13. Acquisition of Arcos del Gourmet S.A.'s ( Arcos ) shares**

In August 2007, the Company paid US\$ 0.6 million for an option to purchase an 80% interest in Arcos, a company holder of a concession to exploit the old warehouses and adjacent spaces owned by the Organismo Nacional

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008 (Continued)****(Amounts in thousands, except share data and as otherwise indicated)****2. Preparation of financial statements (continued)****g. Significant acquisitions, dispositions and development of businesses (continued)****C. Year ended June 30, 2008 (continued)**

Administrador de Bienes del Estado (ONABE), a public entity created to manage administer certain public assets, mainly those belonging to former national railway assets.

**h. Adoption of International Financial Reporting Standards**

On March 20, 2009, the FACPCE issued Technical Resolution No. 26 Adoption of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) which requires that companies under the supervision of the CNV to prepare their financial statements in accordance with IFRS as by the IASB for fiscal periods beginning on or after January 1, 2011, including comparative information for earlier periods. There are Consejos Profesionales or standard setters in each provincial jurisdiction in Argentina, which have the power to adopt, reject or modify a resolution issued by the FACPCE. The jurisdiction where we are located is the Federal District. On April 25, 2009, the CPCECABA approved Resolution No. 26. The CNV issued Resolution No. 562/09, as amended by Resolution 576/10 formally adopting application of Resolution No. 26 to its regulated entities for fiscal years beginning on January 1st, 2012. The Company will be required to prepare its consolidated financial statements in accordance with IFRS as issued by the IASB for its fiscal year ended June 30, 2013 and 2012. The Company's transition date to IFRS will be July 1, 2011. On April 29, 2010, the Company's Board of Directors approved a plan for implementing IFRS. The Company is currently in the early stages of completing a diagnosis of the principal differences between Argentine GAAP and IFRS.

**i. Change in accounting policy related to statement of cash flows**

The Company classified cash flows from purchases and sales of investments not considered to be cash equivalents as operating activities for the years ended June 30, 2009 and 2008. As part of the Company's IFRS implementation efforts, for the fiscal year ended June 30, 2010, the Company changed this accounting policy to treat these cash flows as investing activities as permitted also by Argentine GAAP (RT N°8). Therefore, the Company retroactively adjusted the prior years as follows:

	As of June, 2009		As of June, 2008	
	As adjusted	As originally issued	As adjusted	As originally Issued
Net cash provided by operating activities	Ps .310,877	Ps .299,293	Ps .344,054	Ps .319,933
Net cash used in investing activities	(455,041)	(443,457)	(812,718)	(788,597)
Net cash (used in) provided by financing activities	(58,898)	(58,898)	149,145	149,145

**3. Significant accounting policies**

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The following is a summary of significant accounting policies followed by the Company in the preparation of these consolidated financial statements.

### ***a. Revenue recognition***

The Company primarily derives its revenues from domestic office and shopping center leases, the development and sale of properties, hotel operations and consumer financing. See Note 6 for details on the Company's business segments.

#### Development and sale of properties

The Company records revenue from the sale of properties when all of the following criteria are met:

- (i) The sale has been consummated;
- (ii) The Company has determined that the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property;
- (iii) The Company's receivable is not subject to future subordination; and
- (iv) The Company has transferred to the buyer the risk of ownership, and does not have a continuing involvement in the property.

F-20

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***a. Revenue recognition (continued)***

The Company uses the percentage-of-completion method of accounting with respect to sales of development properties under construction affected 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 budget cost. The Company does not commence revenue and cost recognition until such time as the decision to proceed with the project is made and construction activities have begun.

The percentage-of-completion method of accounting requires company's 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.

**Leases and services from office and other buildings**

Leases with tenants are accounted for as operating leases. Tenants are charged a monthly rent. Rental income is recognized on a straight-line basis over the term of the lease and unpaid rents are included in accounts receivable in the accompanying consolidated balance sheets.

**Leases and services from shopping center operations**

Leases with tenants are accounted for as operating leases. Tenants are generally charged 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 retail 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, a tenant's Base Rent generally increases between 7% and 12% each year during the term of the lease. For the years ended June 30, 2010, 2009 and 2008, the majority of the tenants were charged with the Percentage Rent.

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. The Company determines the compliance with specific targets and calculates the additional rent on a monthly basis as provided for in the contracts. Thus, these contingent rents are not recognized until the required thresholds are exceeded.

Generally, the Company's 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 which vary from one to one and a half months 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.

The Company also charges its tenants a monthly administration fee relating to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the overall shopping centers' operations. The administration

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fee is prorated among the tenants according to their leases, which varies from shopping center to shopping center. Administration fees are recognized monthly when earned.

In addition to rent, tenants are generally charged admission rights, a non-refundable admission fee that tenants may be required to pay upon entering into a lease and upon lease renewal. Admission right is normally paid in one lump sum or in a small number of monthly installments. Admission rights are recognized using the straight-line method over the life of the respective lease agreements.

The Company also derives revenues for parking lot fees charged to visitors. Parking revenues are recognized as services are performed.

### Lease agent operations

Fibesa S.A. (a subsidiary of APSA) acts as the leasing agent for the Company bringing together the Company and potential lessees for the retail space available in certain of the Company's shopping centers. Fibesa's revenues are derived primarily from success fees paid by tenants calculated as a percentage of the final rental income value for both



**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***a. Revenue recognition (continued)***

the lessee and the Company. Revenues related to success fees are recognized at the time that the transaction is successfully concluded. A transaction is considered successfully concluded when both parties have signed the related lease contract.

**Consumer Financing**

The Company, through APSA's subsidiaries Tarshop and Metroshop is engaged in the origination of consumer loans and credit card transactions and securitization of corresponding receivables. Revenues from credit card transactions are primarily comprised of (i) merchant discount fees which are recognized when transactional information is received and processed by the Company; (ii) data processing services which consist of processing and printing cardholders statement of accounts, and which are recognized as services are provided; (iii) life and disability insurance charges to cardholders which are recognized on an up-front basis, and (iv) interest income generated by financing and lending activities. Revenue from financing and lending activities are comprised of interest income, which is recognized on an accrual basis. See Note 15 for details on securitization activity. After the sale of 80% of Tarshop in September 2010, the Company maintains a 20% interest in Tarshop's business.

**Hotels**

The Company recognizes revenues from its rooms, catering, and restaurant facilities as accrued on the close of each business day.

***b. Cash and cash equivalents***

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of time deposits with original maturities of less than three months at date of purchase and mutual funds. Mutual funds are considered to be cash equivalents by reference to the frequency with which liquidity is available according to current Argentine GAAP guidance and practice.

***c. Investments***

***(i) Current***

Current investments primarily include mutual funds, shares of public companies, time deposits, government bonds and mortgage bonds. Time deposits are valued at cost plus accrued interest at year-end. Mutual funds, shares of public companies, government bonds and mortgage bonds are carried at market value at year-end.

Unrealized gains and losses on these investments are included within Financial results, net in the accompanying consolidated statements of income.

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Current investments also include retained interests in securitized receivables pursuant to the securitization programs of Tarshop S.A., Metroshop S.A. (see Note 15) and the retained interest in securitized mortgage receivables, which have been accounted for under the equity method, net of the corresponding allowances for impairment, if applicable.

*(ii) Non-current*

***a) Equity investments***

Banco Hipotecario S.A. and Banco de Crédito y Securitización S.A.

As of June 30, 2009, the Company had a 21.34% equity interest in BHSA (without considering treasury shares). During this year, the Company acquired the equivalent of 100,417,816 shares of BHSA for an amount of Ps. 118.7 million of which Ps. 112.6 million were paid as of June 30, 2010. After the abovementioned purchases, as

F-22

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***c. Investments (continued)***

of June 30, 2010, the Company has 28.03% of the shares of BHSA (without considering treasury shares). The Company also has a 5.10% investment in Banco de Crédito y Securitización S.A. ( BACSA ).

In accordance with regulations of the BCRA and also as imposed by the agreements signed by BHSA as a result of its financial debt restructuring process, there are certain restrictions on the distribution of profits by BHSA.

The financial statements of BHSA and BACSA are prepared in accordance with BCRA standards. For the purpose of valuation of these investments the Company has made adjustments necessary to adequate these Consolidated Financial Statements to Argentine GAAP have been considered.

**Metropolitan 885 Third Ave LLC**

The Company holds an indirect 30% equity interest in Metropolitan through IRSA International LLC and Tyrus S.A., wholly owned subsidiaries of the Company. See Note 2.g.B.1. for details.

***b) Retained interests in securitization programs***

Non-current investments also include the non-current portion of the Company's retained interests in securitized receivables (evidenced as Certificates of Participation or CPs) and trust debt securities ( TDFs ) pursuant to the securitization programs of credit card and personal loans receivables (See Note 15 for details).

***c) Undeveloped parcels of land***

The Company acquires undeveloped land in order to provide an adequate and well-located supply for its residential and office building operations. The Company's strategy for land acquisition and development is dictated by specific market conditions where the Company conducts its operations.

Land held for development and sale and improvements are stated at cost (adjusted for inflation as described in Note 2.c.) less allowances for impairment or estimated fair market value, whichever is lower. Land and land improvements are transferred to inventories or fixed assets, as appropriate, when the Company determines that the properties are to be marketed for sale, when construction commences or the land is leased.

The carrying amount does not exceed their respective estimated recoverable value at the end of this year.

During the years ended June 30, 2002 and 2003 the Company recognized significant impairment. As permitted by Argentine GAAP, due to increases in fair market values, these impairment charges were subsequently reversed during the years ended June 30, 2004 until 2009.

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Impairment charges and subsequent reversals are included in the line item Gain from operations and holdings of real estate assets, net in the income statement. The balance of allowance for impairment of undeveloped parcels of land amounts to Ps. 50, Ps. 50 and Ps. 360 for the years ended June 30, 2010, 2009 and 2008, respectively. See Note 3.t. for details on accounting for impairment losses.

### *d. Inventories*

Inventories are comprised primarily of properties held for development and sale and to a lesser extent other minor inventories from hotel operations. A property is classified as held for sale upon determination by the Board of Directors that the property is to be marketed for sale in the normal course of business.

Residential, office and other non-retail properties completed or under construction are stated at acquisition or construction cost (adjusted for inflation as described in Note 2.c.) less allowances for impairment or estimated fair market value, whichever is lower. The Company records impairment losses for certain inventories which have market values lower than costs. Costs include land and land improvements, direct construction costs, construction overhead cost, financial cost and real estate taxes.

In addition, inventory includes receivables representing the rights to receive certain property units. These units have been valued at acquisition cost.

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**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***d. Inventories (continued)***

Those on which the Company received down payments that fix the sales price and the terms and conditions of the contract provide reasonable assurance at the closing of the transaction and realization of the gain are valued at net realizable value. See Gain from recognition of inventories at net realizable value in the consolidated statements of income.

Properties held for sale are classified as current or non-current based on the estimated date of sale and the time at which the related receivable is expected to be collected by the Company.

During the years ended June 30, 2002, 2003 and 2005, the Company recognized significant impairment losses. As permitted by Argentine GAAP, due to increases in fair market values, these impairment charges were subsequently reversed partially during the years ended June 30, 2004 through the current fiscal year. Impairment charges and subsequent reversals are included in the line item Gain from operations and holdings of real estate assets, net in the statement of income. The balance of allowance for impairment of inventory amounts to Ps. 157, Ps. 1,029 and Ps. 1,111 for the years ended June 30, 2010, 2009 and 2008, respectively. See Note 3.t. for details on accounting for impairment losses.

***e. Fixed assets, net***

Fixed assets, net are comprised primarily of rental properties (including shopping centers), hotels and other property and equipment held for use by the Company.

**Rental properties (including shopping centers)**

Rental properties are carried at cost (adjusted for inflation as described in Note 2.c.), less accumulated depreciation and allowances for impairment. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, which are estimated between 10 to 30 years for office buildings and related improvements and between 26 and 39 years for shopping centers. Expenditures for maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are capitalized and depreciated over their estimated remaining useful lives. At the time depreciable assets are retired or otherwise disposed of, the cost and the accumulated depreciation and allowances for impairment of the assets are removed from the accounts and any profit or loss is recognized. The Company capitalizes financial costs (interest and foreign exchange differences) on long-term construction projects. Capitalized financial costs amounted to Ps. 5,331, Ps. 86,452 and Ps. 10,545 for the years ended June 30, 2010, 2009 and 2008, respectively, mainly in connection with the construction of the Dot Baires, Shopping Alto Rosario and Dique IV.

During the years ended June 30, 2002, 2003 and 2005 the Company recognized significant impairment losses. As permitted by Argentine GAAP, due to increases in fair market values, these impairment charges were subsequently reversed partially during the years ended June 30, 2003 through the current fiscal year. Impairment charges and subsequent reversals are included in the line item Gain from operations and holdings of real estate assets, net in the income statement. The balance of allowance for impairment of fixed assets amounts to Ps. 3,532, Ps. 3,891 and Ps. 4,974 for the years ended June 30, 2010, 2009 and 2008, respectively.

Other property and equipment

Other property and equipment are carried at cost (adjusted for inflation as described in Note 2.c.), less accumulated depreciation at the end of the year. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, as specified below:

<b>Asset</b>	<b>Estimated useful life (years)</b>
Leasehold improvements	Lesser of lease term or asset useful life
Facilities	Between 10 and 20
Machinery and equipment	10
Vehicles	5
Software	3
Computer equipment	3
Furniture and fixtures	Between 5 and 10
Other	10

F-24

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

*f. Intangible assets, net*

Intangible assets are carried at cost (adjusted for inflation as described in Note 2.c.), less accumulated amortization.

Pre-operating and organization expenses

Represents primarily expenses incurred relating to pre-opening activities of certain shopping centers and development projects. These expenses are amortized on a straight-line basis over a three-year period starting upon the opening of the shopping center or the sale of the project.

Trademarks

Represents fees and expenses related to the registration of trademarks.

Above and below market leases and in-place leases

See Note 3.g. for details on accounting for these intangibles.

Concession rights

Intangible assets include Arcos del Gourmet S.A. s (a subsidiary of APSA) concession right, which will be amortized over the life of the concession agreement, upon commencement of operation (see Note 2.g. A.10.).

Customer relationships

Represent the net present value of the future economic benefits related to the use of acquired customer base. This asset is amortized on a straight-line basis over a twelve-year period.

Non-compete agreement

This right is valued at acquisition cost and is amortized over the life of the agreement (28 months).

*g. Business combinations*

Significant entities or net asset acquired by the Company were recorded in line with the purchased method set forth in Technical Resolution No. 18 and Technical Resolution No. 21. All assets and liabilities acquired to third independent parties were adjusted to show their fair value. The Company identified the assets and liabilities acquired, that included intangible assets such as: lease agreements acquired for prices and terms that are either higher or lower than in the market; costs of executing and delivering the lease agreements in force (costs that the Company avoids incurring as a result of acquiring effective lease agreements); the value of acquired brands, the value of any deposits associated to the investment and the intangible value inherent to customer relations.

The process of identification and the determination of the purchase price paid is a matter that requires complex judgments and significant estimates.

The Company uses the information contained in valuations estimated by independent appraisers as primary base for assigning the price paid for the land, buildings and shopping centers. The amounts assigned to all the other assets and liabilities are based on independent valuations or on the Company's own analysis on comparable assets and liabilities. The current value of tangible assets acquired considers the property value as if it was empty.

If the price paid is larger than the value of the tangible and intangible assets and liabilities as identified, the excess is considered to be goodwill.



**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***h. Negative goodwill, net***

Negative goodwill, net represents the net effect of goodwill and negative goodwill arising out of business combinations.

*(i) Negative goodwill:*

Negative goodwill represents the excess of fair market value of net assets acquired over cost. Under Argentine GAAP, when negative goodwill exists, acquired intangible assets are assigned a zero value. Negative goodwill is accounted for as follows: (i) the portion of negative goodwill related to future expected losses is recognized in income in the same periods losses are incurred; (ii) the amount exceeding the interest over the non monetary assets is recognized in income at acquisition date; and (iii) the amount not in excess of the equity interest over the non monetary assets is recognized as negative goodwill and amortized under the straight line method over the weighted average useful lives of the identifiable assets of the acquiree, not exceeding 20 years.

*(ii) Goodwill:*

Goodwill represents the excess of cost over the fair value of net identifiable assets and is amortized under the straight-line method over the weighted average useful life of the main tangible assets acquired.

The carrying amount does not exceed their respective estimated recoverable value at the end of each year.

***i. Other receivables and liabilities***

Certain other receivables and liabilities (value added tax, cash reserves and guarantee deposits) have been measured based on the best estimate of the amount receivable and payable, respectively, discounted at the interest rate that reflect the time-value of money and the estimate specific transactions risks at the time of incorporation to assets and liabilities, respectively. The remaining other receivables and liabilities have been valued at their nominal value plus interest, if any.

***j. Financial receivables and payables***

Financial receivables and payables have been valued at the amount deposited and collected, respectively, net of operating costs, plus accrued interests based on the interest rate estimated at the time of the transaction. In the case, the Company has the intention and feasibility of selling financial receivables after the year-end; those receivables are valued at their net realizable value.

***k. Accounts receivable and trade accounts payable***

Accounts receivable and trade accounts payable have been valued at the price applicable to spot operations at the time of the transaction plus accrued interest based on the internal rate of return.

***l. Liabilities in kind related to barter transactions***

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Obligations to deliver units to be built are valued at the higher of (i) the cost of construction of the units to deliver plus additional costs to transfer the assets to the creditor, or (ii) the value of the barter agreed by the parties. Liabilities in kind are disclosed in the Trade accounts payable .

### ***m. Related party balances and other transactions***

Receivables and payables with related parties generated by financial transactions and other sundry transactions have been valued in accordance with the terms agreed by the parties.

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***n. Income tax***

The subsidiaries of the Company calculate their income taxes on a separate basis. The Company did not either calculate or pay income taxes on a consolidated basis for any of the years presented. The statutory income tax rate was 35% for all the years presented.

The Company records income taxes using the deferred tax method required by Technical Resolution No. 17 Overall Considerations for the Preparation of Financial Statements ( RT 17 ). Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the fiscal year that includes the enactment date. A valuation allowance is recognized for that component of net deferred tax assets which is more likely than not to be recoverable.

As discussed in Note 16 the Company has treated the differences between the price-level restated amounts of assets and liabilities and their historical basis as permanent differences for deferred income tax calculation purposes.

***o. Minimum Presumed Income Tax (MPIT)***

The company and its subsidiaries are subject to the Minimum Presumed Income Tax Law ( Impuesto a la Ganancia Mínima Presunta or MPIT ). The MPIT is calculated on an individual entity basis at the statutory tax rate of 1%, and is based upon the taxable assets of each Argentine entity as of the end of the year. This tax is complementary to Income Tax and the Company is required to pay the greater of the income tax or the MPIT. Any excess of the MPIT over the income tax may be carried forward and recognized as a payment on account of any excess of income tax over MPIT occurring within the subsequent ten years. In the opinion of management, it is probable that the Company will utilize such asset against future taxable income charges within the next ten years and, as a result, the Company has recognized the accumulated MPIT charge within Other current and non-current receivables , as appropriate, in the accompanying Consolidated Balance Sheet. This tax credit has been recorded at its nominal value.

***p. Advances from customers***

Advances from customers represent payments received in advance in connection with the sale and lease of certain properties and have been valued at the amount collected.

***q. Mortgage payables***

Mortgage payables includes the debt assumed in the acquisition of Bariloche plot of land (see Note 13) and have been valued at the amount collected net of expenses plus accrued interests based on the interest rate estimated at the time of the transaction.

***r. Provisions for allowances and contingencies***

The Company provides for losses relating to accounts and mortgage receivables. The allowance for losses is recognized when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the terms of the agreements.

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Larger non-homogenous loans are reviewed for impairment on a quarterly basis. The Company establishes an asset-specific allowance when the receivable is due and the collateral value (less disposal costs) is lower to discounted cash flows. This allowance considers, among others, (i) payment record, (ii) the prospects for support from any financially responsible guarantors and, if appropriate, (iii) the realizable value of any collateral. The collateral value is also quarterly reviewed by a valuation specialist using a market approach technique (observing trading prices in the market of comparable assets or making appropriate adjustments for any differences between the observed transactions and the subject of the valuation). Smaller-balances homogeneous loans, including residential mortgage and consumer financing loans are evaluated collectively for impairment. While management uses the information available to make evaluations, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making

F-27

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

*r. Provisions for allowances and contingencies (continued)*

the assessments. Management has considered all events and/or transactions that are subject to reasonable and normal methods of estimations, and the consolidated financial statements reflect that consideration.

The Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving tax, labor and other matters. The Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the Company's estimates of the outcomes of these matters and the Company's lawyers' experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there will be changes in the estimates of future costs, which could have a material effect on the Company's future results of operations and financial condition or liquidity.

At the date of issuance of these consolidated financial statements company's Management understands that there are no elements to foresee other potential contingencies having a negative impact on these consolidated financial statements.

*s. Advertising expenses*

The Company generally expenses advertising and promotion costs as incurred.

Advertising and promotion expenses were Ps. 27,769, Ps. 23,531 and Ps. 37,375 for the years ended June 30, 2010, 2009 and 2008, respectively.

*t. Impairment of long-lived assets*

The Company periodically evaluates the carrying value of its long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying value of a long-lived asset is considered impaired by the Company when its value in use or its net realizable value, whichever is greater, is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the greater of the value in use or the net realizable value. Value in use is determined by the expected cash flows from the assets discounted at a rate commensurate with the risk involved. Net realizable value is determined by the selling price of the assets less costs to sell.

Under Argentine GAAP, the impairment loss is recorded in the income statement against a liability account. This liability account is a contra account to fixed assets, undeveloped parcels of land or inventories, which means that it is presented on the balance sheet as a direct reduction from the book value of these assets to arrive at the carrying value at any particular point in time. The liability account is depreciated over the useful life of the related asset decreasing depreciation expense each period. Under Argentine GAAP, a previously recognized impairment loss should only be reversed when there is a subsequent change in estimates used to compute the value in use or its net realizable value, whichever is greater. In that event, the new carrying amount of the asset should be the lower of its value in use or its net realizable value, whichever is greater, or the net carrying amount the asset would have had if no impairment had been recognized. Both the impairment charge and the impairment reversal are recognized in earnings in the period in which they are incurred.

*u. Vacation expenses*

Vacation expenses are fully accrued in the period the employee renders services to earn such vacation.

*v. Derivative financial instruments*

As part of its risk management strategy, the Company may use derivative financial instruments. The Company uses derivative financial instruments to manage its exposure to certain risks, including foreign exchange risks. In entering into

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**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***v. Derivative financial instruments (continued)***

these contracts, the Company assumes the risk that might arise from the possible inability of counter parties to meet the terms of their contracts. The Company does not expect any losses as a result of counterparty defaults.

The Company follows RT 18 Derivative instruments and coverage operations and carries these derivatives as assets or liabilities at fair market value on the balance sheet. RT 18 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the statement of operations, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. While management believes each of the financial instruments manage various market risks, these instruments are not designated and accounted for as hedges as a result of the extensive record keeping requirements of the provisions. Accordingly, the Company's derivatives are marked to market on a current basis with gains and losses recognized in earnings. The Company also engages in trading of certain financial instruments. For details on the Company's derivative financial instruments activity, see Note 14.

***w. Monetary assets and liabilities***

Monetary assets and liabilities are stated at their face value, plus or minus, as applicable, financial gain or loss.

***x. Dividends***

Dividend policy of the Company consist in the pro-rata distribution of an amount up to the highest of a) twenty per cent (20%) of the revenues of Office and other Non-Shopping Center Rental Properties segment, defined in Segment Information (Note 6), as of June 30 of each year, or b) twenty per cent (20%) of Net income defined in the Consolidated Statements of Income as of June 30 of each year. This policy requires that the Company must at all times comply with the covenants imposed by its financial obligations.

***y. Earnings per share***

The Company is required to disclose earnings per share information for all years presented. Basic earnings per share ( basic EPS ) are computed by dividing the net income available to common shareholders for the years by the weighted-average number of common shares outstanding during the year. Diluted earnings per share ( diluted EPS ) are computed by dividing the adjusted net income for the year by the weighted-average number of common shares and potential common shares outstanding during the year.

In computing diluted EPS, income available to common shareholders used in the basic EPS calculation is adjusted to add back the after-tax amount of interest recognized for the year with respect to any debt convertible to common stock. Additional adjustments are made for any other income or loss items that would result from the assumed conversion of potential common shares. The weighted-average number of common shares outstanding is adjusted to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. Diluted EPS is based on the most advantageous conversion rate or exercise price over the entire term of the instrument from the standpoint of the security holder. The calculation of diluted EPS excludes potential common shares if their effect is anti-dilutive. For the fiscal year ended June 30, 2010 and 2009 the Company did not have convertible debt and warrants outstanding. The

Company considered the dilutive effect of outstanding warrants and convertible debt in calculating diluted EPS.

*z. Debt issuance costs*

Expenses incurred in connection with the issuance of debt are amortized over the term of the debt, applying effective interest method. Debt issuance costs are classified within short-term or long-term debts, as appropriate. In the case of redemption or conversion of these debts, the related expenses are amortized using the accelerated depreciation method. Amortization of debt issuance costs is included within Financial results, net in the consolidated statements of income as a greater financing expense.



**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008 (Continued)****(Amounts in thousands, except share data and as otherwise indicated)****4. Details of balance sheet accounts****a. Cash and banks:**

	As of June 30,	
	2010	2009
Bank accounts (Note 28.e.)	Ps. 60,500	Ps. 61,655
Cash on hand (Note 28.e.)	4,883	3,758
Checks to be deposited (Note 28.e.)	5,792	1,149
	Ps. 71,175	Ps. 66,562

**b. Investments:**

	As of June 30,	
	2010	2009
<b>Current</b>		
Mutual funds (Note 28.e.)	Ps. 134,167	Ps. 141,011
Retained interests in securitized receivables (i)	124,671	136,231
Shares of public companies (Note 28.e.)	4,075	21,603
TDFs (i)	2,846	16,490
Time deposits		15,156
Government bonds		14,095
Mortgage bonds issued by BHSA	784	798
Allowance for impairment of CPs (Note 28.c.) (i)	(7,423)	(10,198)
Other investments (Note 28.e.)	48	48
	Ps. 259,168	Ps. 335,234
<b>Non-Current</b>		
<b>Equity investments:</b>		
Banco Hipotecario S.A (ii) (Notes 2.g.A.2 and B.2)	Ps. 809,072	Ps. 539,064
Hersha Hospitality Trust (Notes 2.g A.1. and 28 (e))	204,553	
Manibil (Note 2.g.C.8 and Note 13 (v))	27,238	25,332
Advance payments for the acquisition of shares (Note 2.g. A.7, A.10 , C.13 and 28 (e))	23,735	6,250
Banco de Crédito y Securitización S.A.	5,996	5,127
Other investments	144	95
<b>Retained interests in securitization programs:</b>		
Retained interests in securitized receivables (i)	18,458	22,899
Allowance for impairment of CPs (i)	(1,165)	(1,891)

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<b>Undeveloped parcels of land (iii):</b>		
Santa María del Plata	140,584	139,748
Puerto Retiro (Note 13 (i))	54,600	54,380
Beruti plot of land (Notes 2.g.C.3 and note 26 (vii))	52,934	52,715
Caballito plot of land (iv) (Note 13 (ii))	36,745	36,741
Patio Olmos (v)	32,949	32,949
Pereiraola (Note 2.g.A.8)		21,717
Rosario plot of land	11,166	15,577
Zetol and Vista al Muelle plot of land (Note 2.g.A.3, 2.g.B.3 and Note 13 (ii))	22,640	14,855
Air space Supermercado Coto Agüero 616 (Notes 2.g. B.5 and 13 (vii))	13,188	13,188
Canteras Natal Crespo	5,705	5,705
Pilar	3,408	3,408
Torre Jardín IV	3,030	3,030
Others	15,825	10,765
	Ps. 1,480,805	Ps. 1,001,654

F-30

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008 (Continued)****(Amounts in thousands, except share data and as otherwise indicated)****4. Details of balance sheet accounts (continued)****b. Investments (continued):**

- (i) As part of its credit card and personal loans securitization programs, Tarshop transfers credit card and personal loans receivables to trusts in exchange for cash and certificates representing undivided interests in such receivables. Trusts debt securities represent debt certificates (TDFs) issued by trusts which are valued at
- (ii) amortized cost. Retained interests in transferred credit card and personal loans receivables represent equity certificates (CPs) issued by trusts which are accounted for under the equity method of accounting (See Note 15 for details).
- (iii) As of June 30, 2010 and 2009, includes Ps. 25,884 and Ps. 16,828 as respectively negative goodwill and high and less value. Represents 420,455,493 and 320,038,137 shares with a quoted value at closing equivalent to Ps. 1.44 and Ps. 0.85 per share as of June 30, 2010 and 2009, respectively.
- (iv) Shown net of allowances for impairment losses mentioned in Note 3.t.
- (v) This asset is restricted in relation to certain tax claims.
- (vi) In November 2006, the Company acquired from the Provincial Government of Córdoba a property known as Edificio Ex Escuela Gobernador Vicente de Olmos ( Olmos ) located in Córdoba, Argentina for an aggregate purchase price of Ps. 32.5 million. The property, which is located in the City of Córdoba, is a 5,147 square meter four-story building. The property is leased to an unrelated party who exploits the building as a shopping center. The Company did not acquire any rights to the shopping center business. The transaction was pending certain approvals which were obtained in September 2007 when the deed was signed and remaining balance paid.

**c. Accounts receivable, net:**

	As of June 30,	
	2010	2009
<b>Current</b>		
Consumer financing receivables (Note 28.e.)	Ps. 245,538	Ps. 141,570
Leases and services receivables (Note 28.e)	64,603	79,097
Checks to be deposited (Note 28.e.)	60,695	62,230
Debtors under legal proceedings (ii)	42,117	35,903
Pass-through expenses receivables (i)	19,917	37,689
Receivables from the sale of properties (iii) (Note 28 e.)	17,059	13,351
Hotel receivables (Note 28. e.)	11,186	7,713
Related parties (Notes 11 and 28.e.)	8,033	9,812
Receivables with collection agents	4,532	5,070
Less:		
Allowance for doubtful accounts (Note 28.c.)	(114,151)	(128,964)
	Ps. 359,529	Ps. 263,471

**Non-Current**

Consumer financing receivables (Note 28.e.)	Ps. 25,824	Ps. 6,490
Receivables from the sale of properties (iii) (Note 28 e.)	16,551	153
Leases and services receivables (Note 28 e.)	998	2,691
Less:		
Allowance for doubtful accounts (Note 28.c.)	(1,250)	(2,708)
	Ps. 42,123	Ps. 6,626

- (i) Represents trade receivables for common area maintenance and other operating expenses charged to tenants of shopping centers.
- (ii) Comprised of Ps. 1.1 million and Ps. 1.3 million related to mortgage receivables and Ps. 41.0 million and Ps. 34.6 million related to leases receivables, as of June 30, 2010 and 2009, respectively.
- (iii) Includes fixed-rate mortgage receivables from several borrowers. At June 30, 2010 and 2009, the amount due from the largest individual borrower were Ps. 26,537 and Ps. 4,696, respectively, at a contractual interest rate of 14% and 10%, respectively (see Note 27.II.u.).

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements**

for the years ended June 30, 2010, 2009 and 2008 (Continued)

(Amounts in thousands, except share data and as otherwise indicated)

**4. Details of balance sheet accounts (continued)***d. Other receivables and prepaid expenses:*

	As of June 30,	
	2010	2009
<b>Current</b>		
Receivables from the sale of shares (i) (Notes 11 and 28 e.)	Ps. 35,772	Ps. 70,642
Metropolitan, put option (Notes 2.g.B.1 and 28 e.)	48,461	44,877
Related parties (Notes 11 and 28 e.)	45,404	12,526
Prepaid expenses and services (Note 28 e.)	36,969	25,413
Value Added Tax ( VAT )	30,929	1,821
Gross revenue tax prepayment	8,151	2,789
Receivable for third party services offered in consumer financing	4,880	2,746
Guarantee deposits re. securitization programs (Note 15)	5,427	6,782
Income tax prepayment	2,680	13,719
MPIT	1,056	4
Loans granted	859	5,424
Guarantee of defaulted credits (Notes 22 and 28 e.)		4,206
Others (Note 28 e.)	20,303	10,754
	Ps. 240,891	Ps. 201,703
<b>Non-Current</b>		
VAT	Ps. 64,386	Ps. 71,400
MPIT	62,791	40,799
Deferred income tax (Note 16)	55,876	71,320
Related Parties (Note 11)	15,010	22,513
Others (Note 28 e.)	4,001	7,087
Mortgage receivable (ii)	2,208	2,208
Allowance for doubtful mortgage receivable (ii)	(2,208)	(2,208)
Gross revenue tax prepayment.	935	1,989
Guarantee deposits re. securitization programs (Note 15)		999
Less:		
Present value other receivables	(15,817)	(19,341)
	Ps. 187,182	Ps. 196,766

(i) Represent receivables due to the sale of shares in several entities and other investments.

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- (ii) Corresponds to a loan granted to an unaffiliated third party, which is collateralized by a mortgage on certain properties. During fiscal year 2001, this debtor filed for bankruptcy. As a result, the Company has recognized an allowance for the entire balance based on the opinion of its legal counsel.

F-32

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008 (Continued)****(Amounts in thousands, except share data and as otherwise indicated)****4. Details of balance sheet accounts (continued)***e. Inventories:*

	As of June 30,	
	2010	2009
<b>Current</b>		
Horizons (v)	Ps. 208,644	Ps.
Credit from barter transaction of Caballito (Koad) (i)	25,808	15,828
Abril / Baldovinos	1,763	2,932
El Encuentro (ii)	4,938	1,802
Rosario plot of land	8,728	
Torres de Rosario (iii)	3,379	
Other inventories	6,309	4,337
	Ps. 259,569	Ps. 24,899
<b>Non-Current</b>		
Horizons (v)	Ps.	Ps. 106,391
Credit from barter transaction of Caballito (CYRSA) (vi)	18,970	18,970
Credit from barter transaction of Caballito (Koad) (i)	6,654	11,795
Torres de Rosario under construction (iii)	7,644	11,023
El Encuentro (ii)	5,318	8,193
Caballito	6,794	6,653
Abril / Baldovinos		742
Pereiraola (iv)	8,200	
Other inventories	1,508	1,166
	Ps. 55,088	Ps. 164,933

- (i) Related to a barter transaction with an unrelated real estate developer valued at US\$ 7.5 million pursuant to which the Company exchanged an undeveloped parcel of land for the delivery of units in a building to be constructed by the developer. As of June 30, 2010, certain completed units were delivered for which the Company signed preliminary sales agreements. The Company measured these units at net realizable value at year-end and recognized an unrealized gain of Ps. 4,839 for the year ended June 30, 2010.
- (ii) Related to a barter transaction with an unrelated real estate developer valued at US\$ 4.0 million pursuant to which the Company exchanged an undeveloped parcel of land for the delivery of residential plots. As of June 30, 2010, the plots were delivered. The Company sold some of the plots and signed preliminary sales agreements on others for which an unrealized gain of Ps. 1 million was recorded.
- (iii) See Note 2.g.C.2,2.g.B.7 and 2.g.A.12

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- (iv) As of June 30, 2010, the Company entered into preliminary sales agreement by all of housing units and for which advances from customers were received and disclosed as Advances from Customers in the financial statements. Delivery of the housing units is scheduled for February 2011.
- (v) See Notes 2.g. C. 4. And 11.

F-33



**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements**

for the years ended June 30, 2010, 2009 and 2008 (Continued)

(Amounts in thousands, except share data and as otherwise indicated)

**4. Details of balance sheet accounts (continued)***f. Negative goodwill, net:*

	As of June 30,	
	2010	2009
<b>Goodwill:</b>		
Alto Palermo S.A.	Ps. 19,245	Ps. 20,670
Tarshop S.A.		6,897
Torre BankBoston	5,690	5,899
Museo Renault	3,113	3,276
Conil S.A	506	
Fibesa S.A.	342	2,395
	Ps. 28,896	Ps. 39,137
<b>Negative goodwill:</b>		
Alto Palermo S.A.	Ps. (43,330)	Ps. (46,365)
Palermo Invest S.A.	(40,316)	(42,290)
Empalme S.A.I.C.F.A. y G	(8,450)	(9,084)
Mendoza Plaza Shopping S.A.	(5,661)	(5,988)
Emprendimiento Recoleta S.A.	(262)	(336)
	Ps. (98,019)	Ps. (104,063)
<b>Negative goodwill, net</b>	(69,123)	(64,926)

*g. Trade accounts payable:*

	As of June 30,	
	2010	2009
<b>Current</b>		
Suppliers (i)(ii) (Note 28 e.)	Ps. 215,924	Ps. 134,178
Accruals	71,856	87,237
Related parties (Notes 11 and 28 e.)	25,651	7,088
Other (Note 28 e.)	2,183	1,039
	Ps. 315,614	Ps. 229,542

<b>Non-Current</b>		
Suppliers (ii)	Ps. 11,210	Ps. 58,862
Related parties (Note 11)	12,158	8,438
	Ps. 23,368	Ps. 67,300

- (i) As of June 30, 2010 and 2009, includes accounts payable to merchants for credit card operations of Ps. 125.1 million and Ps. 88.8 million, respectively.
- (ii) As of June 30, 2010 and 2009, this includes Ps. 46.5 balance that reflects the liabilities in kind associated to the acquisition of properties in Vicente López (Note 4. e. (v)).

F-34

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements**

for the years ended June 30, 2010, 2009 and 2008 (Continued)

(Amounts in thousands, except share data and as otherwise indicated)

**4. Details of balance sheet accounts (continued)***h. Advances from customers:*

	As of June 30,	
	2010	2009
<b>Current</b>		
Admission rights	Ps. 51,194	Ps. 45,392
Sale advances (Note 28 e.)	128,544	30,601
Lease and customer advances (i)	30,364	20,850
	Ps. 210,102	Ps. 96,843
<b>Non-Current</b>		
Admission rights	Ps. 59,469	Ps. 60,626
Sale advances (Note 28 e.)		56,822
Lease and customer advances (i)	30,901	32,909
	Ps. 90,370	Ps. 150,357

- (i) Lease and customer advances include (a) Ps. 18.7 million and Ps. 18.2 million, as of June 30, 2010 and 2009, respectively, received from NAI International II, Inc. at the time of the construction of a movie theater complex and a portion of parking facilities in the Córdoba Shopping; and (b) Ps 9.5 million and Ps. 8.1 million, as of June 30, 2010 and 2009, respectively, received from Wal-Mart Argentina S.R.L. to secure a 30-year lease in Dot Baires shopping.

*i. Salaries and social security payable:*

	As of June 30,	
	2010	2009
Provision for vacation and bonuses	Ps. 27,038	Ps. 25,986
Salaries and social security payable	9,834	9,289
Other	503	588
	Ps. 37,375	Ps. 35,863

*j. Short-term and long-term debt:*

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	As of June 30,	
	2010	2009
<b>Short-term debt</b>		
Bank loans (i)	Ps. 133,813	Ps. 178,654
Bank overdrafts including accrued interests	314,120	90,539
APSA Non Convertible Notes 2011 (iii)	69,978	
Short term notes (v)	23,019	
Seller financings (ii)	15,920	28,895
APSA Non-Convertible Notes 2012 (iii)	26,695	26,569
IRSA Non-Convertible Notes 2017 (Note 10 and Note 11)	20,009	19,297
APSA Non-Convertible Notes 2017 (iii)	2,917	2,679
APSA Convertible Notes 2014 (iv) (Note 11)	2,719	2,610
	Ps. 609,190	Ps. 349,243
<b>Long-term debt</b>		
IRSA Non-Convertible Notes 2017 (Note 10 and Note 11)	Ps. 584,694	Ps. 563,719
APSA Non-Convertible Notes 2017 (iii)	294,286	284,171
Bank loans (i)	52,767	76,611
APSA Convertible Notes 2014 (iv) (Note 11)	60,890	58,814
APSA Non-Convertible Notes 2012 (iii)	26,455	52,801
Seller financing (ii)	12,436	8,609
	Ps. 1,031,528	Ps. 1,044,725

(i) The outstanding balance at June 30, 2010 includes the following loans:

(a) Ps. 28,023 as a current balance and Ps. 52,767 as a non-current balance related to debt for purchase of Edificio República (See Notes 2.g.C.10. and 13),

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**4. Details of balance sheet accounts (continued)**

***j. Short-term and long-term debt (continued):***

(b) Ps. 40,031 correspond to Banco de la Nación Argentina's mortgage loan, maturing in November 2010 and accruing interest at a rate of 14% per annum, interest shall be paid monthly.

(c) Ps. 19,023 correspond to Hoteles Argentinos S.A.'s mortgage loan. (See Notes 22 and 13),

(d) Ps. 46,736 related to loans granted by different financial institutions.

(ii) As of June 30, 2010 the balance mainly includes: (a) Ps. 9,201 as a non-current balance related to the debt for the acquisition of Zetol S.A. (See Note 2.g.A.3 and 2.g.B.3 and 13), (b) Ps. 6,053 related to the debt of Tyrus for purchase of Banco Hipotecario S.A. shares (see Note 2. g. B. 2) and (c) Ps. 13,102 related to the debt for purchase of Arcos del Gourmet S.A. shares (see Note 2. g. A. 10)

(iii) On May 11, 2007, Alto Palermo S.A. (APSA) issued two new series of Notes for a total amount of US\$ 170.0 million. Series I relates to the issuance of US\$ 120 million maturing on May 11, 2017, which accrue interest at a fixed interest rate of 7.875% paid semiannually on May 11 and November 11 of each year as from November 11, 2007. Series II relates to the issuance of Ps. 154,020 (equivalent to US\$ 50 million). Principal will be settled in seven, equal and consecutive semiannual installments as from June 11, 2009, and accrues interest at 11% per annum, maturing on June 11 and December 11 of each year as from December 11, 2007. As of June 30, 2010 total Series I and Series II Notes repurchased by APSA amount to US\$ 5.0 million and US\$ 4.8 million, respectively. Such notes have been valued at face value and are disclosed netting the current and non-current capital and interest owed.

As of June 30, 2010 the Company holds Series I Notes for Fv. US\$ 39.6 million and Series II Notes for Fv. Ps 33.2 million (see Note 26 (ix)). Likewise, Cresud S.A.C.I.F. y A. holds Series I Notes for Fv. US\$ 5.0 million.

These issuances are constituted within the Global Issuance Program of Notes, for a face value of up to US\$ 200 million authorized by the National Securities Commission (CNV) by means of Resolution No. 15,614 dated April 19, 2007.

The Ordinary and Extraordinary Meeting of Shareholders held on October 29, 2009 approved the increase in the amount of the Global Issuance Program of Notes in place up US\$ 200 million and for a total amount of US\$ 400 million. It also approved the creation of the Global Program for the issuance of securities representing short-term debt ( VCP ) in the form of simple notes not convertible into shares, denominated in pesos, US dollars or any other currency with unsecured, special, floating and/or any other guarantee, including third party guarantee, either subordinated or not, for a maximum outstanding amount at any time that may not exceed the equivalent in Ps. of US\$ 50 million.

Under such Global Issuance Program of Notes, on November 10, 2009, the placement of the Second Series of Notes for a total value of Ps. 80.7 million, was completed in two series.

Series III relates to the issuance of Ps. 55.8 million maturing on May 12, 2011, which accrue interest at variable Badlar rate plus a 3% margin payable on a quarterly basis.

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Series IV relates to the issuance of Ps. 24.9 million (equivalent to US\$ 6.6 million) maturing on May 12, 2011, which accrue interest at a fixed 6.75% rate applied to the principal in US dollars, payable on a quarterly basis.

As of June 30, 2010 Emprendimiento Recoleta S.A. holds Series III Notes for Fv. Ps. 12 million.

(iv) On July 19, 2002, APSA issued an aggregate amount of US\$ 50.0 million of Convertible Notes (the APSA Convertible Notes ) in exchange for cash and the settlement of certain liabilities.

The APSA Convertible Notes accrue interest at a fixed annual interest rate of 10%, are convertible at any time at the option of the holder into common shares of APSA of Ps. 0.10 par value per share and originally matured on July 19, 2006. A meeting of note holders resolved to extend the maturity date of the APSA Convertible Notes through July 19, 2014 although the remaining terms and conditions were left unchanged. As of June 30, 2010 holders of Convertible Notes have exercised their right to convert ordinary shares for a total of US\$ 2.8 million. The outstanding balance of the APSA Convertible Notes as of June 30, 2010 amounts to US\$ 47.2 million, of which US\$ 33 million is held by IRSA. Accordingly, balances shown reflect amount held by third parties after intercompany eliminations.

(v) On December 28, 2009, the Extraordinary Shareholders Meeting of Tarshop approved the creation of a Global Program for the issuance of securities representing short-term debt ( VCPs ) and its terms and conditions, which was authorized by the CNV on February 15, 2010. On the same date, the CNV authorized the issuance of Class I VCPs up to Ps. 15,000 that may be extended up to Ps. 25,000. On February 23, 2010, Tarshop placed Class I VCPs for a total face value of Ps. 22,720. Class I VCPs will accrue interest at an annual rate equal to the BADLAR, plus cap-margin of 400 basic points. Interest payment dates are: August 25, 2010 and November 23, 2010. Principal will be repaid on November 23, 2010.

On August 6, 2010, the CNV authorized the issuance of Class II VCPs of up to Ps. 25,000 that may be extended to Ps. 40,000. On August 18, 2010, Tarshop placed Class II VCPs for a total face value of Ps. 40,000. Class II VCPs will accrue interest at an annual rate equal to the BADLAR, plus cap-margin of 400 basic points. Interest payment dates are: November 18, 2010 and February 16, March 18, April 18 and May 17, 2011. Principal payment dates are: March 18, April 18 and May 17, 2011, related to 25%, 25% and 50% of the total face value, respectively.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements**

for the years ended June 30, 2010, 2009 and 2008 (Continued)

(Amounts in thousands, except share data and as otherwise indicated)

**4. Details of balance sheet accounts (continued)***j. Short-term and long-term debt (continued):*

The net proceeds from the issuances were used for general working capital needs.

*k. Taxes payable:*

	As of June 30,	
	2010	2009
<b>Current</b>		
VAT payable, net (Note 28 e.)	Ps. 17,308	Ps. 18,318
Facilities plan for VAT	13,235	57,258
Facilities plans for Income Tax	1,559	21,835
Facilities plans for MPIT		1,137
Tax amnesty plans for Income Tax		1,358
MPIT, net	10,512	17,081
Income tax provision, net	38,213	14,042
Tax amnesty plan for gross revenue tax	485	449
Gross revenue tax	3,636	2,487
Tax withholdings	10,177	8,096
Provision for tax on shareholders' personal assets	4,055	2,576
Tax amnesty plan for ABL	815	
Other	1,116	3,246
	Ps. 101,111	Ps. 147,883
<b>Non-Current</b>		
Deferred income tax (Note 16)	Ps. 87,592	Ps. 36,971
Tax amnesty plan for Income Tax	19,145	20,704
Gross revenue tax		1,138
Tax amnesty plan for gross revenue tax	1,320	2,433
MPIT, net	12	8
Tax amnesty plan for ABL	2,372	
	Ps. 110,441	Ps. 61,254





**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements**

for the years ended June 30, 2010, 2009 and 2008 (Continued)

(Amounts in thousands, except share data and as otherwise indicated)

**4. Details of balance sheet accounts (continued)****1. Other liabilities:**

	As of June 30,	
	2010	2009
<b>Current</b>		
Liabilities from purchase of shares (Notes 2.g.B.2., 11 and 28 e)	Ps.	Ps. 78,788
Payables to Nationals Parks Administration (Note 20)	2,589	10,223
Guarantee deposits (Note 28 e.)	5,243	5,228
Below market leases (Note 3. g)	1,308	3,722
Commitment to provide (Note 2.g.B.1.)		2,270
Accrual for directors fees (i) (Note 11)	24,412	2,068
Loans with shareholders of related parties		837
Contributed leasehold improvements (ii)	462	470
Derivative financial instruments (Notes 11 and 14)		243
Related parties (Notes 11 and 28 e.)	34	138
Debt to the former minority shareholders of Tarshop (See Note 2. g. A. 11 i))	3,529	
Advance from the sale of Tarshop s shares (Notes 2.g.A.11 iii) and 11)	21,070	
Others (Note 28 e.)	6,691	7,005
	Ps. 65,338	Ps. 110,992
<b>Non-Current</b>		
Loans with shareholders of related parties (Note 28 e.)	Ps. 19,989	Ps. 47,388
Contributed leasehold improvements (ii)	9,502	9,964
Guarantee deposits (Note 28 e.)	4,100	4,795
Commitment to provide (Note 2.g.B.1.)	5,897	3,425
Below market leases (Note 3. g)		1,308
Related parties (Note 11)	20	20
Debt to the former minority shareholders of Tarshop S.A. (See Note 2. g. A. 11 i))	3,322	
Hersha option payable (iii) (Note 28 e.)	16,693	
Others (Note 28 e)	2,600	5,145
Less:		
Present value other liabilities	(102)	(164)
	Ps. 62,021	Ps. 71,881

- (i) Disclosed net of advances to directors fees for Ps. 23,387 and Ps. 14,521 as of June 30, 2010 and 2009, respectively.
- (ii) Contributed leasehold improvements relate to improvements made by tenants in Abasto Shopping Center and Mendoza Plaza Shopping. Contributed leasehold improvements are recorded as fixed assets based on construction costs incurred with a corresponding deferred liability. Contributed leasehold improvements are amortized to income over the term of lease. Such amortization, net of the related depreciation of the leasehold improvement, was not significant for the years ended June 30, 2010 and 2009.
- (iii) Debt with REIG s minority shareholders.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008 (Continued)****(Amounts in thousands, except share data and as otherwise indicated)****5. Shareholders equity****a. Common stock**

As of June 30, 2010, the Company had 578,676,460 authorized and outstanding shares of common stock, having a par value of Ps. 1.0 per share. Holders of the common stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Following is a detail of the activity during the years ended June 30, 2008, 2009 and 2010:

	Common Stock			Approved by		Date of registration
	Shares issued	Par value	Additional paid-in-capital	Body	Date	
<b>Balances as of June 30, 2007</b>	Ps. 464,969,156	Ps. 464,969	Ps. 684,241			
Conversion of debt into common shares	34,582,162	34,582	24,591	Board of Directors	October 1, 2007	November 30, 2007
Exercise of warrants	79,125,142	79,125	84,291	Meeting	December 3, 2007	March 12, 2008
<b>Balances as of June 30, 2008</b>	Ps. 578,676,460	Ps. 578,676	Ps. 793,123			
<b>Balances as of June 30, 2009</b>	Ps. 578,676,460	Ps. 578,676	Ps. 793,123			
<b>Balances as of June 30, 2010</b>	Ps. 578,676,460	Ps. 578,676	Ps. 793,123			

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**5. Shareholders' equity (continued)**

***b. Inflation adjustment of common stock***

As mentioned in Note 2.c. the Company's consolidated financial statements were prepared on the basis of general price-level accounting which reflected changes in the purchase price of the peso in the historical Consolidated Financial Statements through February 28, 2003. The inflation adjustments related to common stock and treasury stock were appropriated to inflation adjustment reserves that form part of shareholders' equity.

***c. Restriction on the distribution of profits (legal reserve)***

In accordance with the Argentine Commercial Corporations Law and the Company's By-laws, 5% of the net and realized profit for the year, calculated in accordance with Argentine GAAP, plus (less) prior years adjustments, must be appropriated, once accumulated losses are absorbed, by resolution of the shareholders to a legal reserve until such reserve equals 20% of the Company's outstanding capital. This legal reserve may be used only to absorb losses.

***d. Reserve for new developments and voluntary reserve for general purposes***

Under Argentine law, companies are allowed to transfer portions of accumulated retained earnings to special reserves. These special reserves may be for general purposes or for specific uses such as new developments. The transfer of accumulated retained earnings to these special reserves is shown in the shareholder's equity. These reclassifications have no impact on the total shareholders' equity of the Company. The Company may also transfer previously reserved amounts out to retained earnings for distribution purposes.

**6. Segment information**

The Company is required to disclose segment information in accordance with RT 18 which establishes standards for reporting information about operating segments in annual Financial Statements and requires reporting of selected information about operating segments in interim financial reports issued to shareholders. Operating segments are components of a company about which separate financial information is available that is regularly evaluated by the chief operating decision maker(s) in deciding how to allocate resources and assess performance. The statement also establishes standards for related disclosures about a company's products and services, geographical areas and major customers. The Company has determined that its reportable segments are those that are based on the Company's method of internal reporting. Accordingly, the Company has six reportable segments. These segments are Development and Sale of Properties, Office and Other Non-Shopping Center Rental Properties, Shopping Centers, Consumer Financing, Hotels and Financial Operations and Others.

A general description of each segment follows:

**Development and Sale of Properties**

This segment includes the operating results of the Company's construction and/or sale of property business.

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### Office and Other Non-Shopping Center Rental Properties

This segment includes the operating results of lease and service revenues of office space and other building properties from tenants.

### Shopping Centers

This segment includes the operating results of shopping centers principally comprised of lease and service revenues from tenants.

F-40

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**6. Segment information (continued)**

Consumer Financing

This segment includes the origination of loans and credit card receivables and related securitization programs carried through Tarshop and Metroshop.

Hotels

This segment includes the operating results of the Company's hotels principally comprised of room, catering and restaurant revenues.

Financial Operations and Others

This segment primarily includes results related to securities-related transactions and other non-core activities of the Company. This segment also includes the gains or losses on the equity investees of the Company related to the banking industry.

The Company measures its reportable segment based on operating results.

Inter-segment transactions, if any, are accounted for at current market prices. The Company evaluates performance of its segments and allocates resources to them based on operating income. The Company is not dependent on any single customer.

The accounting policies of the segments are the same as those described in Note 3.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements**

for the years ended June 30, 2010, 2009 and 2008 (Continued)

(Amounts in thousands, except share data and as otherwise indicated)

**6. Segment information (continued)**

As of and for the year ended June 30, 2010

	Development and Sale of Properties		Office and other Non- Shopping Center Rental Properties (a)		Shopping Centers		Hotels		Consumer Financing		Financial Operations and Others		Total
	Ps		Ps.		Ps.		Ps.		Ps		Ps.		Ps.
Revenues	225,567		154,164		518,355		159,894		265,346				1,323,326
Costs	(83,145)		(30,868)		(158,915)		(102,897)		(99,470)				(475,295)
<b>Gross profit</b>	<b>142,422</b>		<b>123,296</b>		<b>359,440</b>		<b>56,997</b>		<b>165,876</b>				<b>848,031</b>
Gain from recognition of inventories at net realizable value	33,831												33,831
Selling expenses	(2,388)		(4,452)		(37,134)		(16,509)		(124,918)				(185,401)
Administrative expenses	(35,079)		(45,679)		(54,335)		(35,074)		(25,124)				(195,291)
Net income from retained interest in securitized receivables									37,470				37,470
Gain from operations and holdings of real estate assets, net	730		361										1,091
<b>Operating income</b>	<b>139,516</b>		<b>73,526</b>		<b>267,971</b>		<b>5,414</b>		<b>53,304</b>				<b>539,731</b>
Amortization of goodwill, net	844		863		561				(627)				1,641
Gain on equity investees	1,907				40		5,990				152,479		160,416
Financial results, net	(8,868)		(18,487)		(87,564)		(15,697)		(18,921)		(15,559)		(165,096)
					(1,321)		2,604		(1,984)		(9,610)		(10,311)

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Other income (expenses), net											
<b>Income (loss) before taxes and minority interest</b>	<b>133,399</b>	<b>55,902</b>	<b>179,687</b>	<b>(1,689)</b>	<b>31,772</b>	<b>127,310</b>	<b>526,381</b>				
Income tax and MPIT	(45,541)	(15,250)	(68,086)	207	(10,473)	(9,284)	(148,427)				
Minority interest	140		(48,373)	4,938	(158)		(43,453)				
<b>Net income</b>	<b>87,998</b>	<b>40,652</b>	<b>63,228</b>	<b>3,456</b>	<b>21,141</b>	<b>118,026</b>	<b>334,501</b>				

Acquisition of fixed assets and intangible assets		102,040	56,998	3,727	1,696		164,461				
Depreciation and amortization (b)	343	24,535	112,611	16,138	7,994		161,621				
Non-current investments in equity investees	27,238			204,553		815,068	1,046,859				
Operating assets	582,204	991,750	1,780,777	210,675	277,486	204,553	4,047,445				
Non-operating assets	75,444	97,002	153,540	37,576	49,785	1,172,649	1,585,996				
<b>Total assets</b>	<b>Ps. 657,648</b>	<b>Ps. 1,088,752</b>	<b>Ps. 1,934,317</b>	<b>Ps. 248,251</b>	<b>Ps. 327,271</b>	<b>Ps. 1,377,202</b>	<b>Ps. 5,633,441</b>				
Operating liabilities	36,863	173,187	355,185	38,451	174,254		777,940				
Non-operating liabilities	331,373	301,564	802,927	178,211	122,714	152,559	1,889,348				
<b>Total liabilities</b>	<b>Ps. 368,236</b>	<b>Ps. 474,751</b>	<b>Ps. 1,158,112</b>	<b>Ps. 216,662</b>	<b>Ps. 296,968</b>	<b>Ps. 152,559</b>	<b>Ps. 2,667,288</b>				

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.



**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements**

for the years ended June 30, 2010, 2009 and 2008 (Continued)

(Amounts in thousands, except share data and as otherwise indicated)

**6. Segment information (continued)**As of and for the year ended June 30, 2009:

	Development and Sale of Properties		Office and other Non-Shopping Center Rental Properties (a)		Shopping Centers		Hotels		Consumer Financing		Financial Operations and Others		Total
	Ps.		Ps.		Ps.		Ps.		Ps.		Ps.		Ps.
Revenues		280,362		147,749		396,733		158,913		236,827			1,220,584
Costs		(148,318)		(29,330)		(109,275)		(98,889)		(122,694)			(508,506)
<b>Gross profit</b>		<b>132,044</b>		<b>118,419</b>		<b>287,458</b>		<b>60,024</b>		<b>114,133</b>			<b>712,078</b>
Gain from recognition of inventories at net realizable value		12,056											12,056
Selling expenses		(2,115)		(11,460)		(29,308)		(16,546)		(176,772)			(236,201)
Administrative expenses		(20,867)		(31,547)		(43,247)		(34,888)		(16,780)			(147,329)
Net loss from retained interest in securitized receivables										(46,012)			(46,012)
Gain from operations and holdings of real estate assets, net		51		1,073									1,124
<b>Operating income (loss)</b>		<b>121,169</b>		<b>76,485</b>		<b>214,903</b>		<b>8,590</b>		<b>(125,431)</b>			<b>295,716</b>
Amortization of goodwill, net		455		1,100		47							1,602
Gain on equity investees		1,974				40					(1) 59,528		61,542
Financial results, net		(6,222)		(14,202)		(92,602)		(16,083)		(1,827)		(5,445)	(136,381)
						3,882		127		(606)		(12,258)	(8,855)

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Other income (expenses), net														
<b>Income (loss) before taxes and minority interest</b>														
		<b>117,376</b>		<b>63,383</b>		<b>126,270</b>		<b>(7,366)</b>		<b>(127,864)</b>		<b>41,825</b>		<b>213,624</b>
Income tax and MPIT		(41,149)		(16,542)		(53,258)		3,233		37,484		(10,102)		(80,334)
Minority interest		61				(22,104)		5,565		41,823				25,345
<b>Net (loss) income</b>														
		<b>76,288</b>		<b>46,841</b>		<b>50,908</b>		<b>1,432</b>		<b>(48,557)</b>		<b>31,723</b>		<b>158,635</b>
Acquisition of fixed assets, net and intangible assets, net														
		10,060		15,947		252,646		2,204		3,439				284,296
Depreciation and amortization (b)														
		782		23,962		86,643		18,001		5,584				134,972
Non-current investments in equity investees														
		25,332										544,191		569,523
Operating assets														
		467,808		940,280		1,831,428		219,158		153,892				3,612,566
Non-operating assets														
		40,020		74,633		189,244		27,231		20,973		971,320		1,323,421
<b>Total assets</b>	Ps.	<b>507,828</b>	Ps.	<b>1,014,913</b>	Ps.	<b>2,020,672</b>	Ps.	<b>246,389</b>	Ps.	<b>174,865</b>	Ps.	<b>971,320</b>	Ps.	<b>4,935,987</b>
Operating liabilities														
		25,379		122,869		413,381		31,236		136,853				729,718
Non-operating liabilities														
		303,808		304,426		672,794		174,765		106,761		83,672		1,646,226
Total liabilities														
	Ps.	<b>329,187</b>	Ps.	<b>427,295</b>	Ps.	<b>1,086,175</b>	Ps.	<b>206,001</b>	Ps.	<b>243,614</b>	Ps.	<b>83,672</b>	Ps.	<b>2,375,944</b>

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

(1) Includes the gain on equity investee from Banco Hipotecario of Ps. 142.1 million and the loss on equity investee in Metropolitan 885 Third Avenue LLC (through Tyrus) of Ps. 82.3 million.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements**

for the years ended June 30, 2010, 2009 and 2008 (Continued)

(Amounts in thousands, except share data and as otherwise indicated)

**6. Segment information (continued)**As of and for the year ended June 30, 2008:

	Development and Sale of Properties		Office and other Non-Shopping Center Rental Properties (a)		Shopping Centers		Hotels		Consumer Financing		Financial Operations and Others		Total
	Ps.		Ps.		Ps.		Ps.		Ps.		Ps.		Ps.
Revenues		196,811		102,159		345,395		148,847		291,030			1,084,242
Costs		(150,894)		(26,347)		(99,175)		(84,220)		(103,587)			(464,223)
<b>Gross profit</b>		<b>45,917</b>		<b>75,812</b>		<b>246,220</b>		<b>64,627</b>		<b>187,443</b>			<b>620,019</b>
Gain from recognition of inventories at net realizable value		2,832											2,832
Selling expenses		(7,696)		(3,458)		(24,809)		(16,608)		(194,726)			(247,297)
Administrative expenses		(21,849)		(22,028)		(39,150)		(29,979)		(9,115)			(122,121)
Net loss from retained interest in securitized receivables										(1,261)			(1,261)
Gain from operations and holdings of real estate assets, net		66		2,604									2,670
<b>Operating income (loss)</b>		<b>19,270</b>		<b>52,930</b>		<b>182,261</b>		<b>18,040</b>		<b>(17,659)</b>			<b>254,842</b>
Amortization of goodwill, net		488		1,782		(390)				(242)			1,638
Loss on equity investees		(1,065)				(33)		(23)				(12,088)	(13,209)
Financial results, net		(8,502)		(10,069)		(23,585)		(5,884)		(375)		(28,327)	(76,742)
						4,975		(5,713)		3,800		(8,704)	(5,642)

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Other (expenses) income, net												
<b>Income (loss) before taxes and minority interest</b>	<b>10,191</b>	<b>44,643</b>	<b>163,228</b>	<b>6,420</b>	<b>(14,476)</b>	<b>(49,119)</b>	<b>160,887</b>					
Income tax and MPIT	1,820	1,679	(74,992)	(4,010)	(1,522)	(1,087)	(78,112)					
Minority interest	1		(36,347)	863	7,458	125	(27,900)					
<b>Net income (loss)</b>	<b>12,012</b>	<b>46,322</b>	<b>51,889</b>	<b>3,273</b>	<b>(8,540)</b>	<b>(50,081)</b>	<b>54,875</b>					
Acquisitions of fixed assets net and intangible assets	3,118	442,585	250,887	40,077	6,822		743,489					
Depreciation and amortization (b)	577	26,274	73,185	13,283	1,888		115,207					
Non-current investments in equity investees										318,250		318,250
Operating assets	436,392	999,060	1,642,341	233,613	113,052		3,424,458					
Non-operating assets	26,519	57,433	62,649	18,426	21,068	861,419	1,047,514					
Total assets	Ps. 462,911	Ps. 1,056,493	Ps. 1,704,990	Ps. 252,039	Ps. 134,120	Ps. 861,419	Ps. 4,471,972					
Operating liabilities	25,530	100,430	250,957	33,115	205,671		615,703					
Non-operating liabilities	247,320	209,399	662,174	199,813	75,714	80,956	1,475,376					
Total liabilities	Ps. 272,850	Ps. 309,829	Ps. 913,131	Ps. 232,928	Ps. 281,385	Ps. 80,956	Ps. 2,091,079					

- (a) Includes offices, commercial and residential premises.  
(b) Included in operating income.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements**

for the years ended June 30, 2010, 2009 and 2008 (Continued)

(Amounts in thousands, except share data and as otherwise indicated)

**7. Gain from operations and holdings of real estate assets, net:**

	Year ended June 30,		
	2010	2009	2008
Gain from operations and holdings of real estate assets, net	Ps. 1,091	Ps. 1,124	Ps. 2,670
	Ps. 1,091	Ps. 1,124	Ps. 2,670

**8. Financial results, net:**

	Year ended June 30,		
	2010	2009	2008
<b>Financial results generated by assets:</b>			
Interest income	Ps. 16,484	Ps. 15,693	Ps. 13,860
Interest on discounting assets	3,720	(13,780)	(4,807)
<b>Subtotal interest income</b>	20,204	1,913	9,053
Foreign exchange gain	6,774	50,628	1,386
<b>Subtotal Foreign exchange gain exchange gain</b>	6,774	50,628	1,386
Gain (loss) on financial operations	8,197	27,173	(5,710)
<b>Subtotal other holding gain (loss)</b>	8,197	27,173	(5,710)
<b>Total financial results generated by assets</b>	35,175	79,714	4,729
<b>Financial results generated by liabilities:</b>			
Interest expense	(146,078)	(121,100)	(94,744)
Interest on discounting liabilities	(324)	141	(613)
<b>Subtotal interest expense (Note 28 f.)</b>	(146,402)	(120,959)	(95,357)
Foreign exchange (loss) gain	(49,392)	(208,391)	19,246
<b>Subtotal Foreign exchange loss</b>	(49,392)	(208,391)	19,246
Gain on repurchase of debt		105,850	
(Loss) gain on derivative financial instruments	(2,582)	9,436	(4,100)
Others (Note 28 f.)	(1,895)	(2,031)	(1,260)

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<b>Subtotal other financial (expenses) income, net</b>	(4,477)	113,255	(5,360)
<b>Total financial results generated by liabilities</b>	(200,271)	(216,095)	(81,471)
<b>Total financial results, net</b>	Ps. (165,096)	Ps. (136,381)	Ps. (76,742)

**9. Other expenses, net:**

	<b>Year ended June 30,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Other income:</b>			
Recovery of allowance	Ps. 1,151	Ps. 847	Ps. 6,215
Recovery of provisions			3,015
Other	385	333	1,172
	Ps. 1,536	Ps. 1,180	Ps. 10,402
<b>Other expenses:</b>			
Recovery on fire damages (net of insurance recoveries)			2,646
Unreimbursed expenses			2,002
Donations	(5,592)	(1,854)	(6,850)
Tax on shareholders' personal assets	(4,323)	(3,706)	(5,885)
Provision for contingencies	(742)	460	(6,684)
Unrecoverable VAT	(514)	(4,267)	(1,098)
Other	(676)	(668)	(175)
	(11,847)	(10,035)	(16,044)
<b>Other expenses, net</b>	Ps. (10,311)	Ps. (8,855)	Ps. (5,642)

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**10. Issuance of IRSA Notes**

In February 2007, the Company issued non-convertible Notes ( IRSA Non-Convertible Note 2017 ) for US\$ 150 million to become due in February 2017 under the framework of the Global Program for Issuing Non -Convertible Notes in a nominal value of up to US\$ 200 authorized by the National Securities Commission. Non-Convertible Notes 2017 accrue an annual fixed interest rate of 8.5%, payable every six months, starting in August, 2007. The principal will be fully paid on maturity. Non-Convertible Notes 2017 contain customary covenants including restrictions to pay dividends in accordance with certain limits.

On February 25, 2010, the Board of Directors approved the extension of the maximum nominal value of the program by an additional US\$ 200 million, reaching a total amount of US\$ 400 million. (See Notes 26 (iii) and (x) for subsequent event details).

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements**

for the years ended June 30, 2010, 2009 and 2008 (Continued)

(Amounts in thousands, except share data and as otherwise indicated)

**11. Balances and transactions with related parties**

The following is a summary of the balances and transactions with related parties:

Related parties	Account	Inventories	Other receivables	Other	Trade	Trade accounts	Short-term	Long-term	debt	Other	Other	Totals
	receivables	receivables	receivables	receivables	payable	payable						
	current	plot of land	prepaid	prepaid	non	current	debt	debt	current	non current		
Baicom Networks S.A. (2)			1	323								324
Banco Hipotecario S.A. (2)	354				(159)					(21,070)		(20,875)
Cactus Argentina S.A. (3)	18				(3)							15
Canteras Natal Crespo S.A. (4)	318		50									368
Consorcio Dock del Plata (8)	883		2		(10)					(3)		872
Consorcio Libertador (8)			20		(66)					(4)		(50)
Consorcio Torre Boston (8)	595		205									800
Consultores Assets Management S.A. (9)	817		29		(7)							839
Cresud S.A.C.I.F. y A. (5)	2,111		40,450		(23,667)		(4,831)	(91,829)				(77,766)
Cyrsa S.A. (4)	1,658	18,970	8		(983)							19,653
Directors (7)	2		169		(36)					(24,412)	(20)	(24,297)
Elsztain Managing Partners Ltd (7)										(27)		(27)
Estudio Zang, Bergel y Viñes (10)			22		(576)							(554)
Fundación IRSA (11)	41		5									46



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Futuros y Opciones.com S.A. (3)	7				(6)							1
Hersha Hospitality Trust (12)			2,087									2,087
Metroshop S.A. (16)			14,687		(12,158)							2,529
Museo de los Niños (11)	1,111				(5)							1,106
Parque Arauco S.A. (6)						(2,716)	(60,822)					(63,538)
Personnel loans	59		2,325		(128)							2,256
Puerto Retiro S.A. (4)	59		31		(5)							85
<b>Totals as of June 30, 2010</b>	8,033	18,970	45,404	15,010	(25,651)	(12,158)	(7,547)	(152,651)	(45,516)	(20)		(156,126)

F-47

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements**

for the years ended June 30, 2010, 2009 and 2008 (Continued)

(Amounts in thousands, except share data and as otherwise indicated)

**11. Balances and transactions with related parties (continued)**

Related parties	Account receivables current	Inventories Caballito plot of land barter	Other prepaid expenses current	Other receivables and prepaid non current	Trade accounts payable		Short-term debt	Long-term debt	Other liabilities current	Other liabilities non current	Totals
					payable current	non current					
Banco Hipotecario S.A. (2)	5										5
Cactus Argentina S.A. (3)	13				(3)						10
Canteras Natal Crespo S.A. (4)	193		864								1,057
Consorcio Dock del Plata (8)	344		26		(46)						324
Consorcio Libertador (8)	528		4		(122)						410
Consultores Assets Management S.A. (9)	539		5		(7)						537
Cresud S.A.C.I.F. y A. (5)	5,777		7,594		(5,565)		(4,666)	(80,189)	(378)		(77,427)
Cyrsa S.A. (4)	1,530	18,970	20		(540)						19,980
Directors (7)			191		(29)				(2,068)	(20)	(1,926)
Dolphin Fund PLC (13)			36,089						(53,288)		(17,199)
Estudio Zang, Bergel y Viñes (10)			20		(431)				(3)		(414)
Fundación IRSA (11)	22		3		(259)						(234)
Futuros y Opciones.com S.A. (15)	5				(6)						(1)
IFISA (14)									(25,500)		(25,500)
Inversiones Ganaderas S.A. (15)					(1)						(1)
			2,265	22,509		(8,438)					16,336

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Metroshop S.A. (2)												
Museo de los Niños (11)	811				(5)							806
Parque Arauco S.A. (6)							(2,609)	(58,749)				(61,358)
Personnel loans	6	1,521	4	(52)								1,479
Puerto Retiro S.A. (4)	39	13										52
Rummaala S.A (1)					(22)							(22)
<b>Totals as of June 30, 2009</b>	9,812	18,970	48,615	22,513	(7,088)	(8,438)	(7,275)	(138,938)	(81,237)	(20)		(143,086)

F-48

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008 (Continued)****(Amounts in thousands, except share data and as otherwise indicated)****11. Balances and transactions with related parties (continued)**

<b>Related parties</b>	<b>Sale and fees for services</b>	<b>Leases gain</b>	<b>Interest and exchange differences</b>	<b>Fees</b>	<b>Share services payroll</b>	<b>Donations</b>	<b>Tax on Shareholders personal assets</b>	<b>Totals</b>
<b>Shareholders</b>							(204)	(204)
Canteras Natal Crespo S.A. (4)	48		100					148
Consorcio Torre Boston (8)	54							54
Consorcio Libertador S.A. (8)	123	11						134
Consorcio Dock del Plata S.A. (8)	195							195
Cresud S.A.C.I.F. y A. (5)		957	(13,524)		(27,806)			(40,373)
Cyrsa S.A. (4)	146	48						194
Directors			(9)	(50,198)				(50,207)
Estudio Zang, Bergel y Viñes (10)		97		(4,223)				(4,126)
Fundación IRSA (11)						(423)		(423)
Parque Arauco S.A. (6)			(8,049)					(8,049)
<b>Totals as of June 30, 2010</b>	<b>566</b>	<b>1,113</b>	<b>(21,482)</b>	<b>(54,421)</b>	<b>(27,806)</b>	<b>(423)</b>	<b>(204)</b>	<b>(102,657)</b>

<b>Related parties</b>	<b>Sale and fees for services</b>	<b>Leases gain</b>	<b>Interest and exchange differences</b>	<b>Fees</b>	<b>Share services payroll</b>	<b>Donations</b>	<b>Tax on Shareholders personal assets</b>	<b>Totals</b>
<b>Shareholders</b>							(492)	(492)
Canteras Natal Crespo S.A. (4)	48		83					131
Consorcio Libertador (8)	124	9						133
Cresud S.A.C.I.F. y A. (5)		429	(9,297)		184			(8,684)
Cyrsa S.A. (4)		225						225
Directors			(11)	(22,434)				(22,445)
Directors of Banco Hipotecario S.A.			(8)					(8)
				(4,117)				(4,117)

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Estudio Zang, Bergel y Viñes (10)								
Fundación IRSA (11)						3,281		3,281
Parque Arauco S.A. (6)			(17,473)					(17,473)
<b>Totals as of June 30, 2009</b>	172	663	(26,706)	(26,551)	184	3,281	(492)	(49,449)

F-51

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008 (Continued)****(Amounts in thousands, except share data and as otherwise indicated)****11. Balances and transactions with related parties (continued)**

<b>Related parties</b>	<b>Sale and fees for services</b>	<b>Leases gain</b>	<b>Leases expense</b>	<b>Interest and exchange differences</b>	<b>Fees</b>	<b>Share services payroll</b>	<b>Donations</b>	<b>Tax on Shareholders personal assets</b>	<b>Totals</b>
<b>Shareholders</b>								(502)	(502)
Canteras Natal									
Crespo S.A (4)				45					45
Cresud S.A.C.I.F. y A. (5)	372	212		1		1,198			1,783
Cyrsa S.A. (4)				43					43
<b>Directors</b>			(422)	13	(16,337)				(16,746)
Directors of Banco Hipotecario S.A. (17)				(2)					(2)
Estudio Zang, Bergel y Viñes (10)					(3,820)				(3,820)
Fundación IRSA (11)							(4,805)		(4,805)
Parque Arauco S.A. (6)				(3,720)					(3,720)
<b>Totals as of June 30, 2008</b>	372	212	(422)	(3,620)	(20,157)	1,198	(4,805)	(502)	(27,724)

- (1) Merged with CYRSA
- (2) Equity investee of IRSA and Subsidiaries.
- (3) Equity investee of Cresud S.A.C.I.F y A, The Company's controlling shareholder
- (4) Venturer of Cresud S.A.C.I.F. y A, The Company's controlling shareholder
- (5) Controlling shareholder of the Company
- (6) Shareholder of APSA, subsidiary of the Company
- (7) Company whose shareholder is a shareholder of IRSA
- (8) Property Manager of one of our buildings
- (9) Consulting company whose majority shareholder is shareholder and director of IRSA
- (10) Law firm whose partner are directors of IRSA
- (11) Not for profit organization whose president is a shareholder and director of IRSA
- (12) Cost Investment
- (13) Open-ended investment fund which is related to Company directors.
- (14) Beneficial owner of Cresud
- (15) Subsidiary of Cresud
- (16) Venturer of APSA, subsidiary of the Company
- (17) Banco Hipotecario is an equity investee of the Company



**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements**

for the years ended June 30, 2010, 2009 and 2008 (Continued)

(Amounts in thousands, except share data and as otherwise indicated)

**12. Additional information on assets and liabilities**

The breakdown of main assets and liabilities as of June 30, 2010 is as follows:

	To mature in 3 months	To mature between 4 and 6 months	To mature between 7 and 9 months	To mature between 10 and 12 months	To mature in 12 greater than 1 year	Past due	No fixed term		Total
							Current	Non-Current	
<b>Assets</b>									
Investments (1)	Ps. 188,632	Ps. 10,411	Ps. 30,628	Ps. 10,620	Ps. 17,293	Ps. 16,661	Ps. 2,216	Ps.	Ps. 276,461
Accounts receivable, net	160,668	46,911	27,549	26,491	42,123	97,560	350		401,652
Other receivables and prepaid expenses	139,068	37,987	14,045	2,495	6,996	95	47,201	180,186	428,073
	Ps.488,368	Ps. 95,309	Ps. 72,222	Ps. 39,606	Ps. 66,412	Ps. 114,316	Ps. 49,767	Ps. 180,186	Ps. 1,106,186

**Liabilities**

Trade accounts payable	Ps. 236,990	Ps. 8,499	Ps. 37,687	Ps. 188	Ps. 416	Ps. 31,142	Ps. 1,108	Ps. 22,952	Ps. 338,982
Advances from customers	94,702	23,146	77,235	14,201	90,370	397	421		300,472
Short and long term debt	363,690	98,620	29,254	117,626	1,031,528				1,640,718
Other liabilities	83,987	72,108	8,311	5,429	74,672	1,393	35,486	105,730	387,116
	Ps.779,369	Ps. 202,373	Ps. 152,487	Ps. 137,444	Ps. 1,196,986	Ps. 32,932	Ps. 37,015	Ps. 128,682	Ps. 2,667,288

	Accruing interest at a fixed rate		Accruing interest at a variable rate		Not accruing interest		Total
	Current	Non-Current	Current	Non-Current	Current	Non-Current	
<b>Assets</b>							
Investments (1)	Ps.	Ps.	Ps. 85,011	Ps.	Ps. 174,157	Ps. 17,293	Ps. 276,461



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Accounts receivable, net	109,988	13,789	563	154	248,978	28,180	401,652
Other receivables and prepaid expenses	38,035	32,035	31,384		171,472	155,147	428,073
	Ps.148,023	Ps. 45,824	Ps. 116,958	Ps. 154	Ps. 594,607	Ps. 200,620	Ps. 1,106,186

**Liabilities**

Trade accounts payable	Ps. 117,310	Ps. 320	Ps.	Ps.	Ps. 198,304	Ps. 23,048	Ps. 338,982
Advances from customers		2,551	300		209,802	87,819	300,472
Short and long term debt	180,568	1,030,569	95,419		333,203	959	1,640,718
Other liabilities	5,751	66,970	13,236	65,103	187,727	48,329	387,116
	Ps.303,629	Ps. 1,100,410	Ps. 108,955	Ps. 65,103	Ps. 929,036	Ps. 160,155	Ps. 2,667,288

(1) Does not include equity investments nor undeveloped parcels of land.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008 (Continued)****(Amounts in thousands, except share data and as otherwise indicated)****13. Restricted assets**

In the ordinary course of business, certain assets of the Company have been restricted for various reasons.

As of June 30, 2010, these restrictions are as follows:

- (i) In a series of transactions, which occurred between 1999 and 2000, the Company acquired from an unrelated party, 50 % of Puerto Retiro S.A., whose sole asset is an undeveloped parcel of land in Retiro, Buenos Aires. Prior to the acquisition by the Company, Puerto Retiro had acquired the land from Tandanor S.A. ( Tandanor ), a formerly state-owned entity, which had been acquired by Inversora Dársena Norte S.A. ( Indarsa ) in 1991 through a privatization process. The Argentine Government sustained Indarsa had not cancel the outstanding balance of the purchase price of Tandanor, and as a result petitioned the bankruptcy of Indarsa. Since the sole asset of Indarsa was its ownership interest in Tandanor, the Argentine Government was seeking to extend the bankruptcy procedures to any company or individual, which, according to its view, acted as a group, and therefore, in this process requested the bankruptcy of Puerto Retiro and other companies and individuals. In this connection, the bankruptcy court for the Buenos Aires District issued an order restraining the ability of Puerto Retiro to sell or dispose in any manner the land acquired from Tandanor. The Company is vigorously defending against this case. Management and legal advisors of the Company estimate that there are legal and technical issues sufficient to consider that the request for bankruptcy will be denied by the court. However, taking the circumstances into account and the progress of the legal action, this position cannot be considered final. The Company's investment in Puerto Retiro amounts to Ps. 54.6 million as of June 30, 2010.
- (ii) The Company and subsidiaries still has mortgages on the following properties under certain obligations:

<b>Property</b>	<b>Net Book Value as of June 30, 2010</b>
Edificio República	219,777
Caballito plot of land	36,745
Bariloche plot of land	21,900
Zetol plot of land	14,348
Suipacha 652	10,936
Vista al Muelle plot of land	8,292

- (iii) As of June 30, 2009 the Company had pledged shares of Rummaala under certain obligations. As from October 1<sup>st</sup>, 2009, Rummaala is merged with CYRSA. Considering the above mentioned merger, the pledge of Rummaala shares was cancelled and issued a new pledge on the CYRSA's shares.
- (iv) Certain investments, cash and cash equivalents and accounts receivable of the Company were restricted aggregating less than Ps. 0.7 million in total.

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- (v) The Company has agreed not to transfer its shares of Manibil or any related right until May, 2011.
  
- (vi) As part of the securitization program a portion of the proceeds was retained by the trustee and maintained as a cash reserve to serve as collateral for the payment of amounts due on TDFs. Cash reserves flow back to Tarshop on a monthly basis according to a schedule until all TDFs are fully paid.
  
- (vii) To guarantee the compliance with all the covenants assumed by Liveck S.A., and the minority shareholder of Zetol S.A. and Vista al Muelle S.A. pursuant to the stock purchase agreement of Vista al Muelle S.A.'s shares executed on June 11, 2009 and the Addendums to the Agreement as well as payment of any possible damages and associated expenses, the parties have reciprocally tendered a security interest consisting in a possessory pledge over the shares of Vista al Muelle S.A. and Zetol S.A.

F-52

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008 (Continued)****(Amounts in thousands, except share data and as otherwise indicated)****14. Derivative financial instruments**

According to the Company's risk management strategy, the Company may enter into certain derivative transactions to minimize financial costs. The Company did not apply hedge accounting for these transactions.

Liabilities originated from derivative financial instruments relate to foreign-currency forward contracts, as follows:

	<b>Accumulated Gain (Loss)</b>
<b>Forward contracts</b>	
Open transactions	
Closed transactions (*)	2,825
<b>Gain on hedge operations</b>	<b>2,825</b>

(\*) Subscribed with Cresud S.A.I.C.F. y A.

The result generated by hedging operations in the fiscal year ended June 30, 2009 included a gain of Ps. 9,679 related to closed transactions and a loss of Ps. 243 related to open transactions.

The result generated by hedging operations in the fiscal year ended June 30, 2008 included a gain of Ps. 500 related to closed transactions and a loss of Ps. 4,600 related to open transactions.

From time to time the company may enter into derivative financial instruments for trading purposes. During the current fiscal year the company subscribed E-Mini S&P contracts and recognized a Ps. 742 gain related to these contracts.

During the fiscal year ended June 30, 2009, the Company did not enter into any derivative financial instruments agreement for trading purposes.

During the fiscal years ended June 30, 2008 the Company did enter into derivative financial instruments for trading purposes to purchase gold and recognized a Ps. 2,689 loss related to these contracts.

**15. Tarshop and Metroshop credit card and personal loans receivables securitization**

The Company has ongoing revolving year securitization programs through which Tarshop and Metroshop, both subsidiaries of the Company, transfer a portion of customer credit card and personal loans receivable balances to master trusts that issue certificates to public and private investors.

Under the securitization programs, the trusts may issue two types of certificates representing undivided interests in the Trust Títulos de Deuda Fiduciaria ( TDF ) and Certificados de Participación ( CP ), which represent debt and equity certificates, respectively. Interest and principal services are paid periodically to the TDF holders throughout the life of the security. CPs are subordinated securities which entitle the CP holders to share pro rata in the cash flows of the securitized credit card and personal loans receivables, after principal and interest on the TDFs and other fees and expenses have been paid. During the revolving period no payments are made to TDF and CP holders. Principal collections of the

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underlying financial assets are used by the Trust to acquire additional credit card and personal loans receivables throughout the revolving period. Once the revolving period ends, a period of liquidation occurs during which: (i) no further assets are purchased, (ii) all cash collections are used to fulfill the TDF service requirements and (iii) the remaining proceeds are used to fulfill the CPs service requirements.

At the time of the securitization, Tarshop and Metroshop transfer credit card and personal loans receivables to the trust in exchange for cash and retained interests in the trust (CPs). Part of the proceeds is retained by the trustee and maintained as a cash reserve to serve as collateral for the payment of amounts due on the TDFs. Cash reserves flow back to Tarshop and Metroshop on a monthly basis according to a schedule until all TDFs are fully paid. Cash reserves are stated at cost and are classified as guarantee deposits within the caption Other receivables and prepaid expenses, net in the accompanying Consolidated Balance Sheets. CPs are carried at their equity value based on the financial statements issued by the trusts, less allowances for impairment if the carrying amount exceeds their estimated recoverable value and classified as Other investments, net in the accompanying Consolidated Balance Sheets. Gain or losses on CPs are reported as a component of Net (loss)

F-53

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008 (Continued)****(Amounts in thousands, except share data and as otherwise indicated)****15. Tarshop and Metroshop credit card and personal loans receivables securitization (continued)**

income from retained interest in securitized receivables in the accompanying Consolidated Statements of Operations. Tarshop and Metroshop recognize a result on the sale of receivables when the carrying value of transferred credit card and personal loans receivables differs from the amount of cash and CPs received. Results recognized on the sale of receivables are reported as a component of Net (loss) income from retained interest in securitized receivables in the accompanying Consolidated Statements of Operations. Expenses related to the securitization of receivables are expensed as incurred.

For the years ended June 30, 2010, 2009 and 2008, the Consumer Financing Segment has recorded a gain of Ps. 37.5 million, a loss of Ps. 46.0 million and a loss of Ps. 1.3 million, respectively, in retained interest in securitized receivables.

As of June 30, 2010 the Company has 16 securitization programs outstanding from Tarshop and 11 securitization programs outstanding from Metroshop, pursuant to which has sold an aggregate amount of Ps. 960.9 million and Ps. 227.5 million, for Tarshop and Metroshop, respectively, of its customer credit card receivable balances to Trusts in exchange for Ps. 805.4 million and Ps. 184.4 million, for Tarshop and Metroshop, respectively, in cash proceeds, Ps. 23.9 million and Ps. 1.7 million, for Tarshop and Metroshop, respectively, variable rate interest TDFs, and Ps. 122.5 million and Ps. 41.4 million, for Tarshop and Metroshop, respectively, nominal value subordinated CPs. Under the securitization programs, the Trusts issued Ps. 40 million and Ps. 10.6 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 12 %, Ps. 225.3 million and Ps. 37.6, for Tarshop and Metroshop, respectively, TDFs which pay variable interest rate with a floor of 12.5 %, Ps. 71.2 million and Ps. 8.9 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 13 %, Ps. 52.7 million for Tarshop TDFs which pay a variable interest rate with a floor of 14.5 %, Ps. 94.4 million and Ps. 27.2 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 15 %, Ps. 202.7 million and Ps. 9 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 16 %, Ps. 53.5 million and Ps. 52.4 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 17 %, Ps. 16.8 million for Metroshop TDFs which pay a variable interest rate with a floor of 17.5 %, Ps. 21.9 million for Metroshop TDFs which pay a variable interest rate with a floor of 18 % and Ps. 65.6 million for Tarshop TDFs which pay a variable interest rate with a floor of 23 %. Except for certain TDFs acquired by Tarshop and Metroshop as mentioned above, the TDFs were sold to other investors through a public offering in Argentina. As mentioned above, as a credit protection for investors, the trusts have established cash reserves amounting to Ps. 4.7 million and Ps. 0.7 million, for Tarshop and Metroshop, respectively.

**16. Income tax and MPIT**

The Company accounts for income taxes using the deferred tax method where by deferred tax asset and liability account balances are determined based on differences between financial reporting and tax based assets and liabilities and are measured using the enacted tax rates.

Income tax expense for the years ended June 30, 2010, 2009 and 2008 consists of the following:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Current income and MPIT expense	Ps. 82,432	Ps. 75,693	Ps. 114,480
Deferred income tax expense	65,995	4,641	(36,368)
<b>(Loss) income and MPIT expense</b>	<b>Ps. 148,427</b>	<b>Ps. 80,334</b>	<b>Ps. 78,112</b>



**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008 (Continued)****(Amounts in thousands, except share data and as otherwise indicated)****16. Income tax and MPIT (continued)**

The tax effects of temporary differences that give rise to the Company's deferred tax assets and liabilities at June 30, 2010 and 2009 are presented below:

	Balances as of beginning of year	Changes for the year	Balances at year-end
<b>Deferred tax assets (liabilities):</b>			
Cash equivalents	Ps. (102)	Ps. 90	Ps. (12)
Investments	35,638	(7,766)	27,872
Accounts receivable	13,189	(837)	12,352
Other receivables and prepaid expenses	3,821	(2,537)	1,284
Inventory	(7,565)	(4,420)	(11,985)
Fixed assets	(98,741)	(40,535)	(139,276)
Intangible assets	(5,158)	(2,872)	(8,030)
Trade accounts payable	2,966	(2,966)	
Advances from customers	32,695	5,008	37,703
Short-term and long-term debt	(5,920)	3,410	(2,510)
Salaries and social security	2,008	(173)	1,835
Other liabilities	7,702	(6,130)	1,572
Provisions	2,695	2,231	4,926
Tax loss carryforwards (i)	65,829	37,227	103,056
Valuation allowance	(14,708)	(45,795)	(60,503)
<b>Net deferred income tax asset (liability)</b>	Ps. 34,349	Ps. (ii) (66,065)	Ps. (31,716)

(i) As of June 30, 2010, the Company and its subsidiaries records accumulated tax loss carryforwards of Ps. 294,447, which expire at various dates through 2015.

(ii) Includes a decrease of Ps. 70 for the Sale of ownership interest in Pereiraola S.A.I.C.I.F. y A.

Income tax expense for the years ended June 30, 2010, 2009 and 2008 deferred from the amounts computed by applying the Company's statutory income tax rate to pre-tax income as a result of the following:

	Years ended June 30,		
	2010	2009	2008
Pretax income	Ps. 526,381	Ps. 213,624	Ps. 160,887
Statutory income tax rate	35%	35%	35%



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Income tax expense at statutory tax rate on pretax income	184,233	74,768	56,310
Non-deductible expenses	3,003	3,271	22,816
Gain on equity investees	(56,146)	(21,540)	4,623
Change in valuation allowance	42,554	8,031	(9,645)
Tax loss carryforwards (1)	(41,826)		
Inflation adjustment	24,075	25,774	6,352
Others, net	(7,466)	(9,970)	(2,344)
Income and MPIT expense	Ps. 148,427	Ps. 80,334	Ps. 78,112

(1) During the year ended June 30, 2010, due to a change in tax laws, the Company recognized higher tax loss carryforwards. Resolution CD 93/2005, issued by the CPCECABA, provided for the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes when companies prepare price-level restated financial statements. This resolution mandated companies to treat these differences as temporary differences but allowed a one-time accommodation to continue treating these differences as permanent. As a result, the Company elected to continue treating differences as permanent. Should the inflation adjustment be treated as a temporary difference for deferred income tax purposes, the shareholders' equity as of June 30, 2010 would have decreased approximately Ps. 120.1 million with a corresponding effect of Ps. 13.7 million and Ps. 133.8 million in the consolidated statement of income of the year ended June 30, 2010 and retained earnings, respectively.

F-55

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements**

for the years ended June 30, 2010, 2009 and 2008 (Continued)

(Amounts in thousands, except share data and as otherwise indicated)

**17. Earnings per share**

The following tables set forth the computation of basic and diluted net income per share under Argentine GAAP for all years presented:

	2010	Year ended June 30,	
		2009	2008
<b>Numerator:</b>			
Net income available to common shareholders	Ps. 334,501	Ps. 158,635	Ps. 54,875
Plus income impact of assumed conversions:			
Interest expense on convertible debt			
Foreign currency exchange loss on convertible debt			
Net income available to common shareholders plus assumed conversions	Ps. 334,501	Ps. 158,635	Ps. 54,875
<b>Denominator:</b>			
Weighted-average number of shares outstanding	Ps. 578,676	Ps. 578,676	Ps. 549,277
Plus incremental shares of assumed conversions:			
Convertible debt and warrants			
Adjusted weighted-average number of shares	Ps. 578,676	Ps. 578,676	Ps. 549,277
<b>Basic and diluted EPS:</b>			
Basic EPS	Ps. 0.58	Ps. 0.27	Ps. 0.10
Diluted EPS	Ps. 0.58	Ps. 0.27	Ps. 0.10

**18. Supplementary cash flow information**

The following table reconciles the balances included as cash and banks and current investments in the consolidated balance sheets to the total amounts of cash and cash equivalents at the beginning and end of the period shown in the consolidated statements of cash flows:

	2010	As of June 30,	
		2009	2008
Cash and banks	71,175	66,562	161,748
Current investments	259,168	335,234	383,444
<b>Total cash and banks and current investments as per balance sheet</b>	<b>330,343</b>	<b>401,796</b>	<b>545,192</b>
Less Items not considered cash and cash equivalents:			
- Retained interests in securitized receivables	117,248	126,033	45,683
- Mutual funds	53,988	36,787	61,099
- Shares of public companies	4,075	21,603	

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- TDFs	2,846	16,490	2,243
- Government bonds		14,095	21,378
- Other investments	48	48	51
- Mortgage bonds issued by BHSA.	784	798	1,286
- U. S. Treasury Bonds			24,448
<b>Cash and cash equivalents as shown in the consolidated statement of cash flows</b>	151,354	185,942	389,004

F-56

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**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**19. Shopping Neuquén project**

The main asset of Shopping Neuquén S.A. (a subsidiary of APSA) is a 50,000 square meter undeveloped parcel of land located in Neuquén, Argentina, where the Company is developing a commercial project including the construction of a shopping center, a hypermarket and other developments.

On December 13, 2006, Shopping Neuquén S.A. entered into an agreement with the Municipality of Neuquén (the Municipality) and with the Province of Neuquén (the Province) (the Agreement) by which, mainly, the terms to carry out the commercial and residential venture were rescheduled and authorized Shopping Neuquén S.A. to transfer to third parties the title to the plots of land into which the property is divided, provided that it is not the plot of land on which the shopping center would be built. The Agreement was subject to two conditions, both already complied with, (i) the ratification of the agreement by means of an ordinance of the legislative body of the Municipality, and (ii) the approval by the Municipality of the new project and extension of the environmental impact study.

The Agreement put an end to the law suit of Shopping Neuquén against the City Hall of Neuquén before the High Court of Neuquén, in which the only pending issue was the determination of fees of the attorneys of the City Hall that are in charge of Shopping Neuquén. On November 8, 2010, Shopping Neuquén was served notice of a resolution issued by the High Court of Neuquén, by which the pending fees borne by Shopping Neuquén were established. Such decision is not final and Shopping Neuquén has appealed it through the submission of an explanatory appeal on November 12, 2010, an appeal for annulment on November 17, 2010, and an extraordinary appeal on November 24, 2010.

According to the terms of the Agreement, Shopping Neuquén S.A. submitted the corresponding project plans within the required timeframe of 150 days as from approval date due February 17, 2008. The Municipality objected to certain terms of the plans and Shopping Neuquén S.A. requested an extension to the term to submit a revised plan.

On June 12, 2009, Shopping Neuquén S.A. and the Municipality executed a revised agreement by which Shopping Neuquén S.A. committed itself to presenting a new road project and to making those amendments that may be necessary to the general project. On October 19, 2009, the respective amendments were filed. The Municipality also questioned on certain matters, which were replied. On January 18, 2010, the Municipality requested changes to the plans, which were finally approved on April 8, 2010.

Shopping Neuquén S.A. submitted the working plans related to the first stage of the work (contemplating the construction of the shopping mall and the hypermarket) for which the respective permits were obtained. Shopping Neuquén S.A. started construction on July 5, 2010.

The first construction stage should be completed within a 22-month period as from July 2010.

In the case of failing to comply the conditions established in the agreement, the Municipality of Neuquén is entitled to terminate the agreement and carry out the actions that may be considered necessary for such respect, among them, to request the return of the Company's plots acquired to the Municipality of Neuquén. (See Note 26 (xi)).

**20. Llao Llao Resorts S.A.**

Llao Llao Holdings S.A. (LLH) (in liquidation process following the merger with and into the Company), predecessor of Llao Llao Resorts (LLR), as operator of the Llao Llao Hotel was sued in 1997 by the National Parks Administration (NPA), a governmental entity, seeking collection of US\$ 2.9 million in Argentine External Debt Bonds (EDB) relating to the unpaid balance of the additional sales price.

The ruling of the court of original jurisdiction sustained the claim. That ruling was appealed, and the Court of Appeals confirmed the judgment of the court of original jurisdiction, demanding payment from the Company of US\$ 3.8 million, plus interest accrued through payment, penalties

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and attorney's fees. In March 2004, LLH paid Ps. 9,2 million in cash and EDB.

The plaintiff requested the court of original jurisdiction to initiate an incidental procedure for execution of sentence by performing a settlement through the Ministry of Economy, the procedure having being questioned by

F-57

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**20. Llao Llao Resorts S.A. (continued)**

LLR. In view of the fact that the information provided was not sufficient to evaluate the amount settled by the Ministry of Economy, it was requested that the execution be suspended until there is a sentence on the complaint recourse filed with the National Supreme Court for the denial of the extraordinary recourse soliciting that the debt be converted to pesos ( pesification ).

On July 14, 2008 the Court of Appeal notified LLR that by means of a resolution dated June 18, 2008 it had confirmed the settlement approved by the court of original jurisdiction.

On March 17, 2009, the National Supreme Court admitted the incidental procedure and decided to suspend the enforcement of the judgment in so far as the extraordinary appeal lodged by LLR was not resolved.

On February 23, 2010, the Supreme Court of Justice dismissed the action, which rendered the judgment final and compelled LLR to pay the amount calculated by the State. On April 2010, LLR paid Ps. 13,1 million in cash and bonds.

After LLR's filing was duly notified to the plaintiff, the latter in turn stated that the amounts deposited were in line with the settlement that, having taken place on June 30, 2007, was eventually approved in the framework of these proceedings on December 5, 2007. As a result, the NPA argued that the interest accrued until actual payment were to be adjusted by application of the Argentine Central Bank's borrowing interest rate. As estimated by the NPA, the outstanding balance to be deposited by LLR would amount to US\$ 659.

On June 10, 2010, LLR was notified of the newly-performed settlement: LLR filed an objection against it in due time and manner. On June 17, 2010, the court ordered that the plaintiff was to be served notice of the objection.

Based on the information provided by the legal advisors litigating these proceedings, LLR has booked Ps. 2,589 under Other current liabilities Payables to National Parks Administration, that is the amount in Pesos equivalent to the interest claimed by the plaintiff.

On August 6, 2010, the plaintiff filed a response to the most recent service of process. On September 10, 2010, the trial court judge resolved that the amount deposited by Llao Llao Resorts S.A. is not sufficient to cover the amount of the payment order. An appeal against this resolution was filed on behalf of Llao Llao Resorts S.A. alleging that there has been a material error incurred by the trial court.

In addition, on September 22, 2010, the judge calculated that the fees payable to the auctioneer who took part in the proceedings amount to Ps. 1.8 million. As soon as Llao Llao Resorts S.A. is officially notified of the fees as calculated by the court, it is going to lodge an appeal against them for considering them excessively high.

**21. BHSA exposure to public sector**

***Compensation of the National Government to financial entities as a result of the asymmetric pesification***

Following the Argentine crisis in December 2001 and to prevent widespread insolvencies, the Argentine Government pledged to provide offsetting compensation to banks. To that end, through Decree 905, provided for the issuance of National Government Compensating Bonds, to compensate financial entities for the adverse equity effects generated due to the conversion into pesos, under various exchange ratios, of the credits and obligations denominated in foreign currency as established by Law No. 25,561, Decree 214 and addenda, and entitled the BCRA to determine the pertinent rules.

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After a series of presentations Banco Hipotecario S.A. submitted the final presentation and in September 2002 and October 2005, the Argentine Central Bank credited US\$ 344,050 and US\$ 16,761 in BODEN 2012, respectively, for compensation.

In the period beginning in September 2005 and ended in January 2006, subscriptions were made for BODEN 2012 hedging bonds equivalent to US\$ 773,531. A supplementary subscription of hedging bonds and detached coupons took place on June 26, 2009, subscribing an original par value of US\$ 59,294 in exchange for a payment in cash of Ps. 211,947 as subscription price. In addition, US\$ 40,207 were received as matured coupons.

F-58

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**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**21. BHSA exposure to public sector (continued)**

***Exposure to the non-financial public sector***

As of June 30, 2010 and 2009, Banco Hipotecario S.A. had assets with the non-financial public sector for Ps. 2,251,808 and 2,884,542, respectively, booked in its financial statements.

The exposure of Banco Hipotecario S.A. to the Public Sector originated in compensations granted by the National Government as a result of year 2002 crisis, principally related to the asymmetric pesification of assets and liabilities. Through Communication A 4546 of July 9, 2006, regarding the assistance to the Public Sector, it was established that as from July 1, 2007, such limit was 35% (average measured) of total Assets of the last day of the previous month.

As of June 30, 2010 and 2009 the assistance to the Public Sector reaches 20.2% and 24.5%, from total Assets, respectively.

***Banco Hipotecario's Treasury Shares***

In the course of the 2009 fiscal year and with the Total Return Swap dated January 29, 2004 having expired, Banco Hipotecario received treasury shares Clase D totaling 71.1 million.

On April 30, 2010, the Extraordinary General Shareholders Meeting of Banco Hipotecario resolved to delegate upon the Board of Directors the decision to pay, with the treasury shares, the StAR coupons resulting from the debt restructuring, as advisable, based on the contractually agreed valuation methods and their actual market value and after allowing the shareholders to exercise their preemptive rights on an equal footing.

On June 16, 2010, the Board of Directors of Banco Hipotecario made a preemptive sale offer of 36.0 million of its treasury shares to its existing shareholders (see Note 26 (iv) for subsequent event details).

**22. Hoteles Argentinos mortgage loan**

In March 2005, Credit Suisse First Boston (CSFB) acquired a loan for US\$ 11.1 million of Hoteles Argentinos S.A. (HASA), which had been in non-compliance since January 2002. In April 2006 HASA reduced the capital amount payable to US\$ 6.0 million. The balance accrued a 6 months LIBOR interest rate plus 7.0% being the last of US\$ 5.07 million due in March, 2010.

Jointly, a credit default swap was subscribed by the Company for 80% of the restructured debt value in order to protect CSFB in case of non-compliance with HASA's obligations. As compensation, the Company received a coupon on a periodical basis. Additionally, the Company has deposited as guarantee the amount of US\$ 1.2 million.

With the last installment of the loan received having been repaid on March 15, 2010, CSFB reimbursed the deposit to the Company. In connection with this matter, HASA borrowed funds from Standard Bank Argentina again, in the amount of Ps. 19.0 million, which will accrue interest at a 16.25% fixed nominal interest rate per annum, payable on a quarterly basis and with principal becoming due on March 15, 2011.

As a security interest for this transaction, the Company entered into a put option agreement with Standard Bank whereby the Bank receives the right to sell to the Company, which in turn agrees to purchase, 80% of the credit rights arising from the loan in the event of HASA's default.

**23. Compensation plan for executive management**



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The Company has a defined contribution plan covering its key managers in Argentina. The Plan was effective from January 1, 2006. Employees may begin participation voluntarily on monthly enrollment dates. Participants may make pre-tax contributions to the Plan of up to 2.5% of their monthly salary (Base Contributions)

F-59

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**23. Compensation plan for executive management (continued)**

and pre-tax contributions of up to 15% of their annual bonuses (Extraordinary Contributions). Under the Plan, the Company matches employee contributions to the plan at a rate of 200% for Base Contributions and 300% for Extraordinary Contributions. Participant contributions are held in trust as required by law. Individual participants may direct the trustee to invest their accounts in authorized investment alternatives. Company contributions are also held in trust. Participants or their assignees, as the case may be, may have access to the 100% of the Company's contributions under the following circumstances:

- (i) ordinary retirement in accordance with applicable labor regulations;
- (ii) total or permanent incapacity or disability;
- (iii) death.

In case of resignation or termination without good cause, the manager receives the Company's contributions only if he or she has participated in the Plan for at least 5 years.

Security charges of the Company amounted Ps. 2,477 and Ps. 2,657 for the fiscal years ended June 30, 2010 and 2009, respectively.

**24. Financing and occupation agreement with NAI Internacional II, INC.**

APSA acquired Empalme in December, 2006. Prior to APSA's acquisition, back in August 1996, Empalme had entered into a Financing and Occupancy Agreement with NAI INTERNACIONAL II, INC. (NAI) (the NAI Agreement) pursuant to which NAI financed the construction of a movie theatre complex and a portion of parking facilities in the Cordoba Shopping for up to US\$ 8.2 million. The financing accrued interest at LIBOR plus 1.5%. As part of the NAI Agreement, NAI had the right to occupy a portion of the building for a period of 10 years as from the commencement of NAI operations in October 1997, renewable for four additional periods of 5 years each. Interest payments under the NAI Agreement were to be offset against the lease payments to be received from NAI. The NAI Agreement originally established that in the event that any outstanding loan balances remained unpaid after the total lease period (together with renewals and extensions), the NAI Agreement would be further extended for the lower of a 10-year period or the period necessary to settle the loan. Any unpaid outstanding balance after that extension was to be forgiven by NAI. In July 2002, following the Argentine crisis, the NAI Agreement was amended to, among other matters, (i) specify the payments, (ii) establish a CER-adjustment indexing clause, and (iii) impose restrictions to Empalme and/or third parties on the use of the space occupied by NAI.

Principal owed as of June 30, 2010 and interest accrued through that date, due to the original loan agreement and respective amendments are disclosed in Customers advances Lease and pass-through expenses advances for Ps. 18.7 million.

**25. Acquisition of Company's shares by Cresud S.A.C.I.F. y A.**

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During the year ended June 30, 2009, Cresud S.A.C.I.F. y A. ( Cresud , a Company s shareholder) acquired additional shares of the Company. Therefore, as from October 2008 Cresud exercises control on the Company as it holds the necessary votes to form the social will in the ordinary meetings of shareholders in accordance with the terms of Technical Resolution 21. As of June 30, 2010, Cresud s equity interest in the Company amounts to 57.49%.

### **26. Subsequent events**

#### (i) Acquisition of Unicity S.A ( Unicity )

In early September 2010, and through E-Commerce Latina S.A., the Company acquired 100% of the stock capital of Unicity S.A. for the sum of US\$ 2.5 million. Unicity capitalized its debt with the Company in exchange of 36,036,000 shares representing 88.61% of Unicity capital stock, being held by E-Commerce the remaining 11.39%. Following this transaction, the Company owns 100% of Solares de Santa María S.A. capital stock.

F-60

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**26. Subsequent events (continued)**

(ii) Escrow Agreement Metropolitan 885 Third Ave. LLC ( Metropolitan )

On August 4, 2010, IRSA transferred US\$15.0 million into an escrow account in order to facilitate negotiations with our creditors. As a result of such negotiations, the parties involved reached an agreement in order to restructure our debt as follows: (i) mortgage debt would be reduced from US\$210 million to US\$130 million at a rate of Libor + 400 basis points, with a maximum rate of 6.25% and a maturity term of 7 years; (ii) junior debt of US\$45.0 million (not including accrued interest) would be canceled by the payment of approximately US\$2.25 million in cash, and (iii) we will keep two ground leases, on the same terms and conditions they were originally granted, for a remaining term of 66 years. This restructuring has been approved by both creditors and the court.

(iii) Issuance of notes

On July 20, 2010, the Company issued non-convertible notes for a nominal value of US\$ 150 million ( Series 2 Notes ) under its Global Program for the Issuance of notes for a nominal value of up to US\$ 400 million maturing on July 20, 2020. The issuance price was 97.838% of the nominal value and it will accrue interest at a nominal 11.5% annual interest rate to be paid half-yearly on January 20 and June 20 each year, starting on January 20, 2011.

(iv) Acquisition of additional shares in BHSA

On July 26, 2010, in the framework of the offering mentioned in Note 21, the Bank sold approximately 26.9 million of its treasury shares. On August 3, 2010, the Bank applied the proceeds from the offering and the remaining offered Class D shares, to the cancellation of the StAR coupons maturing on that date.

Exercising its preemptive right, the Company took part in the offering and acquiring 26,197,564 Class D shares totaling Ps. 36.2 million. As a result of this transaction, the Company's ownership interest in BHSA increased from 28.03% to 29.78% of BHSA's capital stock (without considering treasury shares).

(v) Acquisition of the building located at 183 Madison Avenue, New York, NY

On August 26, 2010, IRSA and other U.S. partners entered into a conditional purchase agreement to acquire a 18-story building located at 183 Madison Avenue, New York, NY, in one of Manhattan's most prominent neighborhoods known as Midtown South. The building has approximately 22,893 square meters of leasable area and, as of September 30, 2010, its occupancy rate was approximately 72%.

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**26. Subsequent events (continued)**

On August 30, 2010, we transferred US\$7.3 million to the seller as deposit for the execution of the purchase agreement.

On December 15, 2010 we reported that the acquisition transaction was closed through our subsidiary Rigby 183 LLC ( Rigby 183 ), in which we have an 8% indirect interest through Real Estate Strategies ( RES ) and a 49% indirect interest through IMadison LLC. The purchase price paid by Rigby 183 was US\$85.1 million, of which US\$45.1 million was paid in cash and the balance of US\$40.0 million was financed through seller's financing. Rigby 183 has obtained an additional financing of US\$10.0 million from a third party, which has not been disbursed yet, in order to perform refurbishments and improvements on the building.

On December 17, 2010, we informed that we were negotiating the sale of the 8% interest in Rigby 183 held by RES.

(vi) Acquisition of Soleil Factory shopping center business

On July 1, 2010, the Company and INCSA executed the definitive agreement pursuant to which the business comprising of a building and other fixed assets, lease agreements, titles to the brand names and rights to build certain number of square meters was transferred to the Company. The transaction excludes any receivable or payable arising out of INCSA business prior to the transaction and a building which currently is being operated as a hypermarket within the same premises.

INCSA will surrender the title deed to the Company within 30 working days as from registration of title with regulatory authorities. The transaction was filed with the National Antitrust Commission. The Company is still in the process of determining the fair values of the net assets acquired for purposes of the purchase price allocation process.

Since the acquisition of the Soleil Factory was completed on July 1, 2010, the Company must now commence the works in Tucuman plot of land on May 2, 2011. However, INCSA must comply with certain obligations prior to the commencement of the works, such as (i) delivery of the title deed of the plot of land and (ii) transfer of rights and permits on the architectural project to the Company.

(vii) Sale of Beruti plot of land

On October 13, 2010, TGLT S.A. and APSA subscribed an agreement of purchase with a condition precedent by which APSA sells a plot of land located on Beruti 3351/59. The transaction was agreed upon at US\$ 18.8 million. TGLT plans to construct a department building with residential and commercial parking. In consideration, TGLT S.A. commits to transferring APSA: (i) a number to be determined of departments representing altogether 17.33% of proprietary square meters that may be sellable in departments in the building to be constructed; (ii) a number to be determined of complementary/functional parking units representing altogether 15.82% of square meters in parking in the same building; (iii) all units earmarked for commercial parking and the amount of US\$ 10.7 million payable upon granting the title deed. On November 5, 2010, TGLT advanced a payment of US\$10.7 million on December 16, 2010. The title deed to the Beruti plot of land was executed.

(viii) Acquisition of additional Hersha's shares

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On October 22, 2010, the Company through REIG, acquired 2,952,625 ordinary shares of Hersha Hospitality Trust ( Hersha ) at a price of US\$ 5.80 per share, totaling US\$ 17.1 million. Following this acquisition, the Company s ownership interest in Hersha amounts to 10.72% of Hersha s outstanding capital. Besides, if the purchase option mentioned in Note 2.g A.1 was exercised and Hersha didn t issue new shares in favor of third parties, the Company s ownership interest in Hersha would amount to 13.63%.

### (ix) Sale of Alto Palermo s Notes

On October 12, 2010 the Company sold Alto Palermo s Series I Notes for a nominal value of US\$ 39.6 million that it had acquired in fiscal 2009 for US\$ 38.1 million.

**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**26. Subsequent events (continued)**

(x) Shareholders Meeting dated October 29, 2010

The Company shareholders met and approved the following actions, among other things:

To increase the Global Program for the Issuance of Negotiable Obligations from US\$ 400 to US\$ 450 million;

The payment of a cash dividend of Ps.120 million;

The payment of fees to the Board of Directors for Ps. 27.8 million;

The payment of a bonus to the Company's management equivalent to up to 1% of its outstanding capital stock.

(xi) Shopping Neuquén project

On November 8, 2010, Shopping Neuquén S.A. was served notice of a court resolution establishing the amount of legal costs and fees to be paid by Shopping Neuquén related to prior litigation with the Municipality (see Note 19). The resolution is not firm and Shopping Neuquén is currently evaluating its course of action.

(xii) Letter of intent Plot of land Paraná

On August 12, 2010, the agreement of purchase was executed. The purchase price stood at US\$ 0.5 million to be paid as follows:

(a) US\$ 0.05 million was settled as prepayment on July 14, 2009,

(b) US\$ 0.1 million was settled upon executing such agreement, and

(c) US\$ 0.35 million will be paid upon executing the title deed.

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The title deed, at the same time of surrendering ownership, will be executed within 60 days running as from: i) the date on which the Company obtain the municipal clearance, or ii) the date on which the seller obtain the lot subdivision, whichever later.

APSA will be the only party in charge of carrying out administrative formalities to the Municipality and/or other agency to obtain the municipal clearance for using the shopping mall. It will bear all costs and expenses related to obtaining the municipal clearance.

### (xiii) Acquisition of shares of TGLT

On October 29, 2010, TGLT S.A. completed the initial public offering of its shares on the Buenos Aires Stock Exchange, thus complying with the condition to which the operation was subject.

On November 4, 2010, APSA acquired 5,214,662 registered, non-endorsable shares of common stock, following its initial public offering for \$47.1 million under the initial public offering of the latter.

### (xiv) Acquisition of companies in Uruguay

On December 17, 2010, the Company and Cyrela signed a share purchase agreement by which the Company reacquired from Cyrela 50% of Liveck capital stock for US\$ 2.7 million. This amount is equivalent to the contributions made to Liveck by Cyrela. Consequently, as of the issuance of these financial statements the Company stake in Liveck raised to 100%.

As part of the agreement the Company assumed the obligation to hold harmless Cyrela in case of receiving a claim from the sellers of Zetol. Also, if unable to obtain, within 24 month as from the date of the agreement, the release of Cyrela from the guarantee given in favor of the mentioned sellers, the Company is forced to issue a new security equal to the 45% of the outstanding balance, interest hereon and the option right of the sellers of Zetol, in favor of Cyrela.



**Table of Contents**

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008 (Continued)**

**(Amounts in thousands, except share data and as otherwise indicated)**

**27. Differences between Argentine GAAP and US GAAP**

The Company's consolidated financial statements have been prepared in accordance with Argentine GAAP and the regulations of the CNV, which differ in certain significant respects from US GAAP. Such differences involve methods of measuring the amounts shown in the Consolidated Financial Statements, as well as additional disclosures required by US GAAP and the Regulation S-X of the SEC.

As discussed in Note 2.c., in order to comply with the regulations of the CNV, the Company discontinued inflation accounting as from February 28, 2003. Since Argentine GAAP required companies to discontinue inflation adjustments as from October 1, 2003, the application of the CNV resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March 1 to September 30, 2003, such a departure did not have a material effect on the consolidated financial statements.

***I. Differences in measurement methods***

The following reconciliation to US GAAP does not include the reversal of the adjustments to the Consolidated Financial Statements for the effects of inflation because the application of this standard represents a comprehensive measure of the effects of price level changes in the Argentine economy.

The principal differences, other than inflation accounting, between Argentine GAAP and US GAAP are described below, together with an explanation, where appropriate, of the method used in the determination of the necessary adjustments.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008 (Continued)****(Amounts in thousands, except share data and as otherwise indicated)****27. Differences between Argentine GAAP and US GAAP (continued)*****I. Differences in measurement methods (continued)*****Reconciliation of net income:**

	2010	Year ended June 30, 2009	2008
	Ps. 334,501	Ps. 158,635	Ps. 54,875
<b>Net income as reported under Argentine GAAP attributable to IRSA</b>			
<b>US GAAP adjustments:</b>			
Impact of US GAAP adjustments on equity investees (Note 27.I.(a))	(26,369)	(96,440)	9,979
Accounting for marketable securities (Note 27.I.(b))	13,752	19,774	45,238
Depreciation of fixed assets (Note 27.I.(d))	536	782	541
Pre-operating and organization expenses (Note 27.I.(e))	(8,296)	(11,202)	(1,061)
Differences in basis relating to purchase accounting			
-Arcos del Gourmet (Note 27.I.(g))	58,470		
-Purchase accounting Amortization and depreciation expenses (Note 27.I.(h))	6,482	(654)	3,809
Securitization accounting (Note 27.I.(i))	(2,280)	7,390	4,455
Present-value accounting (Note 27.I.(j))	(3,461)	13,875	4,661
Reversal of previously recognized impairment losses (Note 27.I.(k))	3,113	9,577	1,572
Accounting for IRSA Convertible Notes (Note 27.I.(l))			(466)
Reversal of loss recognized on troubled debt restructuring (Note 27.I.(m))			6,908
Accounting for real estate barter transactions (Note 27.I.(n))	735	12,362	17,332
Reversal of (gain) loss from valuation of inventories at net realizable value (Note 27.I.(o))	(6,552)	10,371	145
Amortization of fees related to Series II of APSA Non-Convertible Notes (Note 27.I.(q))	(97)	70	209
Software developed or obtained for internal use (Note 27.I.(r))	49	58	60
Reversal of capitalized foreign exchange differences (Note 27.I.(s))	(1,984)	(72,674)	5,786
Debtor's accounting for a modification of APSA convertible debt instruments (Note 27.I.(t))	(167)	(148)	(132)
Revenue recognition deferred commissions (Note 27.I.(u.1))			