

IRSA INVESTMENTS & REPRESENTATIONS INC  
Form 20-F  
December 28, 2011

**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, 2011**

**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**

**(Jurisdiction of incorporation or organization)**

**Bolívar 108**

**(C1066AAB) Buenos Aires, Argentina**

**(Address of principal executive offices)**

**Matias Gaivironsky**

**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, 2011 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

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

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## DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

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

This annual report 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,” “foresee”, “un- 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.

You should not place undue reliance on such statements which speak only as of the date that they were made. These cautionary statements should be considered in connection with any written or oral forward-looking statements that we

may issue in the future.

### **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.

As used herein: “GLA or gross leasable area”, in the case of shopping centers, refers to the total leasable area of the property, regardless of our ownership interest in such property (excluding common areas and parking and space occupied by supermarkets, hypermarkets, gas stations and co-owners, except where specifically stated).

### **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, 2011 and 2010 and for the fiscal years ended June 30, 2011, 2010 and 2009 (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 25 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.

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Additionally, after considerable inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government 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. We complied with the CNV resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were restated until that date, using a conversion factor of 1.1232. Since Argentine GAAP required companies to discontinue inflation adjustments 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. In addition, the new standards provided for the recognition of deferred income taxes on a non-discounted basis.

*Transition to IFRS*

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 companies under the supervision of the CNV 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 technical resolution issued by the FACPCE. The jurisdiction where we are located is the Federal District.

On April 29, 2009, the CPCECABA approved Technical Resolution No. 26. The CNV issued Technical Resolution No. 562/09, as amended by Resolution 576/10, formally adopting application of Technical Resolution 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 and 2012. Our transition date to IFRS will be July 1, 2011. On April 29, 2010, our Board of Directors approved a plan for implementing IFRS, which is currently under execution.

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, 2011 and June 30, 2010, which was Ps.4.110 = US\$ 1.00 and 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 2007, 2008, 2009, 2010 and 2011 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.

## 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, 2011, 2010 and 2009 and the selected consolidated balance sheet data as of June 30, 2011 and 2010 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 ended June 30, 2008 and 2007 and the selected consolidated balance sheet data as of June 30, 2009 and 2008 have been derived from our audited consolidated financial statements as of June 30, 2009 and 2008 and for the years ended June 30, 2009, 2008 and 2007, which are not included herein.

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The selected consolidated balance sheet data as of June 30, 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.

**Summary Consolidated Financial and Other Information for IRSA**

|   | <b>Fiscal Years Ended June 30,</b>                  |                  |                  |                  |                  |                |
|---|---|------------------|------------------|------------------|------------------|----------------|
|   | <b>2011</b>   | <b>2011</b>      | <b>2010</b>      | <b>2009</b>      | <b>2008</b>      | <b>2007</b>    |
|   | (In thousands of Ps. Except ratios) <sup>(1)</sup>  |                  |                  |                  |                  |                |
|   | (In thousands of US\$ Except ratios) <sup>(2)</sup> |                  |                  |                  |                  |                |
| <b>STATEMENT OF INCOME DATA</b>                                     |   |                  |                  |                  |                  |                |
| <b>Argentine GAAP</b>   |   |                  |                  |                  |                  |                |
| Revenues:   |   |                  |                  |                  |                  |                |
| Development and sale of properties                                  | 82,986  | 341,074          | 225,567          | 280,362          | 196,811          | 75,000         |
| Office and other non-shopping center rental properties              | 40,053  | 164,618          | 154,164          | 147,749          | 102,159          | 57,000         |
| Shopping centers  | 164,180   | 674,779          | 518,355          | 396,733          | 345,395          | 270,000        |
| Hotels  | 46,930  | 192,883          | 159,894          | 158,913          | 148,847          | 122,000        |
| Consumer financing  | 16,685  | 68,576           | 265,346          | 236,827          | 291,030          | 212,000        |
| <b>Total revenues</b>   | <b>350,834</b>                                      | <b>1,441,930</b> | <b>1,323,326</b> | <b>1,220,584</b> | <b>1,084,242</b> | <b>738,000</b> |
| Costs   | (146,169)   | (600,755)        | (475,295)        | (508,506)        | (464,223)        | (295,000)      |
| Gross profit:   |   |                  |                  |                  |                  |                |
| Development and sale of properties                                  | 23,433  | 96,310           | 142,422          | 132,044          | 45,917           | 17,000         |
| Office and other non-shopping center rental properties              | 32,131  | 132,059          | 123,296          | 118,419          | 75,812           | 39,000         |
| Shopping centers  | 120,026   | 493,306          | 359,440          | 287,458          | 246,220          | 179,000        |
| Hotels  | 17,862  | 73,412           | 56,997           | 60,024           | 64,627           | 53,000         |
| Consumer financing  | 11,214  | 46,088           | 165,876          | 114,133          | 187,443          | 153,000        |
| <b>Total gross profit</b>   | <b>204,666</b>                                      | <b>841,175</b>   | <b>848,031</b>   | <b>712,078</b>   | <b>620,019</b>   | <b>443,000</b> |
| Selling expenses  | (25,962)  | (106,704)        | (185,401)        | (236,201)        | (247,297)        | (168,000)      |
| Administrative expenses   | (48,749)  | (200,359)        | (195,291)        | (147,329)        | (122,121)        | (102,000)      |
| Gain from recognition of inventories at net realizable value        | 11,056  | 45,442           | 33,831           | 12,056           | 2,832            | 20,000         |
| Net income (loss) from retained interest in securitized receivables | 1,145   | 4,707            | 37,470           | (46,012)         | (1,261)          | 3,000          |
| Gain from operations and holdings of real estate assets, net        | 277   | 1,140            | 1,091            | 1,124            | 2,670            | 2,000          |
| <b>Operating income (loss):</b>                                     |   |                  |                  |                  |                  |                |
| Development and sale of properties                                  | 20,696  | 85,059           | 139,516          | 121,169          | 19,270           | 6,000          |
| Office and other non-shopping center rental                         | 20,451  | 84,054           | 73,526           | 76,485           | 52,930           | 20,000         |
| Shopping centers  | 93,709  | 385,142          | 267,971          | 214,903          | 182,261          | 124,000        |
| Hotels  | 2,961   | 12,171           | 5,414            | 8,590            | 18,040           | 14,000         |
| Consumer financing  | 4,617   | 18,975           | 53,304           | (125,431)        | (17,659)         | 32,000         |

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|   |                |                |                |                |                |            |
|---|----------------|----------------|----------------|----------------|----------------|------------|
| <b>Total operating income</b>   | <b>142,434</b> | <b>585,401</b> | <b>539,731</b> | <b>295,716</b> | <b>254,842</b> | <b>198</b> |
| Amortization of negative goodwill, net  | 4,240          | 17,427         | 1,641          | 1,602          | 1,638          | (1,        |
| Financial results, net  | (68,673)       | (282,246)      | (165,096)      | (136,381)      | (76,742)       | 4          |
| Gain (loss) on equity investees   | 33,679         | 138,420        | 160,416        | 61,542         | (13,209)       | 40         |
| Other expenses, net   | (3,555)        | (14,609)       | (10,311)       | (8,855)        | (5,642)        | (14,       |
| <b>Income before taxes and minority interest</b>  | <b>108,124</b> | <b>444,393</b> | <b>526,381</b> | <b>213,624</b> | <b>160,887</b> | <b>227</b> |
| Income tax and MPIT   | (25,432)       | (104,524)      | (148,427)      | (80,334)       | (78,112)       | (87,       |
| Minority interest   | (14,055)       | (57,765)       | (43,453)       | 25,345         | (27,900)       | (32,       |
| <b>Net income</b>   | <b>68,637</b>  | <b>282,104</b> | <b>334,501</b> | <b>158,635</b> | <b>54,875</b>  | <b>107</b> |
| Basic net income per share <sup>(3)</sup>   | 0.12           | 0.49           | 0.578          | 0.27           | 0.10           |            |
| Basic net income per GDS <sup>(3)</sup>   | 1.18           | 4.87           | 5.78           | 2.74           | 1.00           |            |
| Diluted net income per share <sup>(4)</sup>   | 0.12           | 0.49           | 0.578          | 0.27           | 0.10           |            |
| Diluted net income per GDS <sup>(4)</sup>   | 1.18           | 4.87           | 5.78           | 2.74           | 1.00           |            |
| Weighted average number of shares outstanding   | 578,676        | 578,676        | 578,676        | 578,676        | 549,277        | 444        |
| Adjusted weighted - average number of shares <sup>(4)</sup>                                   | 578,676        | 578,676        | 578,676        | 578,676        | 549,277        | 558        |
| Capital stock   | 578,676        | 578,676        | 578,676        | 578,676        | 578,676        | 464        |
| <i>U.S. GAAP</i>  |                |                |                |                |                |            |
| Revenues  | 399,479        | 1,641,858      | 1,580,578      | 1,454,738      | 1,227,797      | 867        |
| Costs   | (183,629)      | (754,717)      | (686,660)      | (702,246)      | (583,137)      | (397,      |
| <b>Gross profit</b>   | <b>215,850</b> | <b>887,141</b> | <b>893,918</b> | <b>752,492</b> | <b>644,660</b> | <b>470</b> |
| Selling expenses  | (24,042)       | (98,813)       | (177,179)      | (217,516)      | (224,348)      | (160,      |
| Administrative expenses   | (47,451)       | (195,023)      | (203,186)      | (155,902)      | (124,092)      | (104,      |
| Net (loss) income from retained interest in securitized receivables                           | 1,274          | 5,235          | 58,115         | (41,999)       | (13,928)       | (          |
| Gain on bargain purchases   | 6,901          | 28,365         | 58,470         | —              | —              | —          |
| Disposal of business  | 8,309          | 34,149         | —              | —              | —              | —          |
| Gain from recognition of inventories at net realizable value                                  | (3,213)        | (13,205)       | —              | —              | —              | —          |
| <b>Operating income</b>   | <b>157,628</b> | <b>647,849</b> | <b>630,138</b> | <b>337,075</b> | <b>279,223</b> | <b>205</b> |
| Gain on equity investees  | 43,027         | 176,839        | 134,047        | (53,033)       | (7,253)        | 42         |
| Financial results, net  | (54,285)       | (223,110)      | (161,371)      | (212,428)      | (14,644)       | (43,       |
| Amortization of goodwill  | (3,440)        | (14,140)       | —              | —              | —              | —          |
| Other expenses, net   | (4,681)        | (19,237)       | (10,117)       | (5,706)        | (6,167)        | (13,       |
| <b>Income before taxes and minority interest</b>  | <b>138,249</b> | <b>568,201</b> | <b>592,697</b> | <b>65,908</b>  | <b>246,911</b> | <b>191</b> |
| Income tax and MPIT   | (27,207)       | (111,819)      | (126,540)      | (107,259)      | (78,336)       | (39,       |
| Net income under U.S. GAAP  | 111,042        | 456,382        | 466,157        | (41,351)       | 168,575        | 152        |
| Non-controlling interest  | (13,671)       | (56,187)       | (83,304)       | 47,998         | (46,459)       | (49,       |
| <b>Net income under U.S. GAAP attributable to IRSA</b>  | <b>97,371</b>  | <b>400,195</b> | <b>382,853</b> | <b>6,647</b>   | <b>122,116</b> | <b>103</b> |
| Basic net income per share <sup>(3)</sup>   | 0.17           | 0.69           | 0.66           | 0.01           | 0.22           |            |
| Basic net income per GDS <sup>(3)</sup>   | 1.68           | 6.92           | 6.62           | 0.11           | 2.22           |            |
| Basic net income before extraordinary items and accounting changes per share <sup>(3)</sup>   | 0.17           | 0.69           | 0.66           | 0.01           | 0.22           |            |
| Diluted net income per share <sup>(4)</sup>   | 0.17           | 0.69           | 0.66           | 0.01           | 0.22           |            |
| Diluted net income per GDS <sup>(4)</sup>   | 1.68           | 6.92           | 6.62           | 0.11           | 2.16           |            |
| Diluted net income before extraordinary items and accounting changes per share <sup>(4)</sup> | 0.17           | 0.69           | 0.66           | 0.11           | 0.22           |            |
| Weighted - average number of shares outstanding   | 578,676        | 578,676        | 578,676        | 578,676        | 549,277        | 444        |
| Adjusted weighted - average number of shares <sup>(4)</sup>                                   | 578,676        | 578,676        | 578,676        | 578,676        | 570,472        | 540        |
| <b>BALANCE SHEET DATA</b>   |                |                |                |                |                |            |
| <b>Argentine GAAP</b>   |                |                |                |                |                |            |
| Cash and banks and current investments  | 92,057         | 378,353        | 330,343        | 401,796        | 545,192        | 856        |
| Inventories   | 63,908         | 262,660        | 259,569        | 24,899         | 53,602         | 35         |

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|  |                  |                  |                  |                  |                  |              |
|--|------------------|------------------|------------------|------------------|------------------|--------------|
| Accounts receivable net                                      | 60,582           | 248,998          | 359,529          | 263,471          | 186,017          | 172          |
| <b>Total current assets</b>                                  | <b>254,302</b>   | <b>1,045,180</b> | <b>1,190,332</b> | <b>891,869</b>   | <b>893,842</b>   | <b>1,175</b> |
| Non-current Inventories                                      | 21,761           | 89,441           | 55,088           | 164,933          | 129,178          | 220          |
| Accounts receivable net                                      | 3,479            | 14,300           | 42,123           | 6,626            | 10,395           | 42           |
| Non-current investments <sup>(5)</sup>                       | 473,515          | 1,946,145        | 1,480,805        | 1,001,654        | 833,373          | 673          |
| Fixed assets net   | 828,674          | 3,405,851        | 2,692,637        | 2,720,506        | 2,530,141        | 2,027        |
| <b>Total non-current assets</b>                              | <b>1,282,270</b> | <b>5,270,130</b> | <b>4,443,109</b> | <b>4,044,118</b> | <b>3,578,130</b> | <b>2,969</b> |
| <b>Total assets</b>  | <b>1,536,572</b> | <b>6,315,310</b> | <b>5,633,441</b> | <b>4,935,987</b> | <b>4,471,972</b> | <b>4,144</b> |
| Short-term debt <sup>(6)</sup>                               | 166,378          | 683,813          | 609,190          | 351,173          | 190,153          | 214          |
| <b>Total current liabilities</b>                             | <b>317,702</b>   | <b>1,305,757</b> | <b>1,341,620</b> | <b>974,890</b>   | <b>742,267</b>   | <b>652</b>   |
| Long-term debt <sup>(7)</sup>                                | 427,474          | 1,756,919        | 1,031,528        | 1,044,725        | 1,121,264        | 1,222        |
| <b>Total non-current liabilities</b>                         | <b>537,935</b>   | <b>2,210,912</b> | <b>1,325,668</b> | <b>1,401,054</b> | <b>1,348,812</b> | <b>1,395</b> |
| <b>Total liabilities</b>                                     | <b>855,637</b>   | <b>3,516,669</b> | <b>2,667,288</b> | <b>2,375,944</b> | <b>2,091,079</b> | <b>2,047</b> |
| Minority interest  | 77,087           | 316,826          | 563,107          | 464,381          | 456,715          | 450          |
| Cumulative translation adjustment                            | 8,303            | 34,124           | 17,459           | 12,849           | -                | -            |
| <b>Shareholders' equity</b>                                  | <b>603,848</b>   | <b>2,481,815</b> | <b>2,403,046</b> | <b>2,095,662</b> | <b>1,924,178</b> | <b>1,646</b> |
| <b>U.S. GAAP</b>   |                  |                  |                  |                  |                  |              |
| Cash and banks and current investments                       | 89,205           | 366,635          | 312,827          | 374,574          | 531,575          | 856          |
| Inventories  | 9,121            | 37,487           | 16,107           | 31,002           | 38,905           | 160          |
| Accounts receivable, net                                     | 61,242           | 251,702          | 373,427          | 262,128          | 195,269          | 208          |
| Other receivables and prepaid expenses                       | 70,895           | 291,376          | 385,466          | 413,554          | 249,153          | 238          |
| Non-current investments <sup>(5)</sup>                       | 530,811          | 2,181,635        | 1,587,282        | 740,407          | 748,550          | 590          |
| Fixed assets, net  | 607,452          | 2,496,626        | 2,557,845        | 2,469,051        | 2,331,695        | 1,827        |
| Intangible assets, net                                       | 588              | 2,417            | 11,907           | 8,051            | 16,789           | 22           |
| Total current assets   | 196,307          | 806,822          | 897,769          | 870,065          | 912,354          | 1,183        |
| <b>Total assets</b>  | <b>1,383,196</b> | <b>5,684,931</b> | <b>5,319,867</b> | <b>4,411,670</b> | <b>4,219,383</b> | <b>3,997</b> |
| Trade accounts payable                                       | 26,202           | 107,687          | 248,278          | 328,890          | 314,948          | 293          |
| Other liabilities  | 23,571           | 96,878           | 124,934          | 176,525          | 133,273          | 101          |
| Short-term debt <sup>(6)</sup>                               | 161,398          | 663,344          | 606,189          | 349,627          | 190,153          | 216          |
| <b>Total current liabilities</b>                             | <b>278,908</b>   | <b>1,146,311</b> | <b>1,171,949</b> | <b>996,787</b>   | <b>749,505</b>   | <b>669</b>   |
| Long-term debt <sup>(7)</sup>                                | 411,294          | 1,690,417        | 996,040          | 1,013,494        | 1,120,257        | 1,225        |
| <b>Total non-current liabilities</b>                         | <b>493,155</b>   | <b>2,026,863</b> | <b>1,430,020</b> | <b>1,469,341</b> | <b>1,447,833</b> | <b>1,603</b> |
| Shareholders' equity   | 611,133          | 2,511,757        | 2,717,898        | 1,958,586        | 2,026,823        | 2,725        |
| Non-controlling interest                                     | 80,786           | 332,031          | 521,374          | 370,060          | 385,959          | 366          |
| <b>Shareholders' equity attributable to IRSA</b>             | <b>530,347</b>   | <b>2,179,726</b> | <b>2,196,524</b> | <b>1,588,126</b> | <b>1,640,864</b> | <b>1,358</b> |
| <b>CASH FLOW DATA</b>  |                  |                  |                  |                  |                  |              |
| <b>Argentine GAAP</b>  |                  |                  |                  |                  |                  |              |
| Net cash provided by operating activities                    | 139,132          | 571,832          | 376,458          | 442,619          | 469,117          | 207          |
| Net cash used in investing activities                        | (181,519)        | (746,042)        | (455,979)        | (455,041)        | (812,718)        | (510)        |
| Net cash provided by (used in) financing activities          | 81,540           | 335,130          | 44,933           | (190,640)        | 24,082           | 848          |
| <b>U.S. GAAP<sup>(8)</sup></b>                               |                  |                  |                  |                  |                  |              |
| Net cash provided by operating activities                    | 121,523          | 499,459          | 294,062          | 348,841          | 351,020          | 226          |
| Net cash used in investing activities                        | (71,536)         | (294,015)        | (526,705)        | (466,771)        | (401,678)        | (1,179)      |
| Net cash (used in) provided by financing activities          | (4,541)          | (18,662)         | 179,874          | (58,898)         | 149,145          | 892          |
| Effect of exchange rate changes on cash and cash equivalents | (831)            | (3,416)          | (2,340)          | (20,677)         | 2,161            | 2            |
| <b>OTHER FINANCIAL DATA</b>                                  |                  |                  |                  |                  |                  |              |
| <b>Argentine GAAP</b>  |                  |                  |                  |                  |                  |              |
| Capital expenditures <sup>(9)</sup>                          | 235,270          | 966,958          | 168,460          | 323,123          | 768,699          | 419          |
| Depreciation and amortization <sup>(10)</sup>                | 41,740           | 171,553          | 160,746          | 136,392          | 115,207          | 98           |

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|   |          |           |           |          |         |     |
|---|----------|-----------|-----------|----------|---------|-----|
| Working capital <sup>(11)</sup>                   | (63,401) | (260,577) | (151,288) | (83,021) | 151,575 | 523 |
| Ratio of current assets to current liabilities    | 0.800    | 0.800     | 0.887     | 0.915    | 1.204   | 1   |
| Ratio of shareholders equity to total liabilities | 0.706    | 0.706     | 0.901     | 0.882    | 0.920   | 0   |
| Ratio of non-current assets to total assets       | 0.835    | 0.835     | 0.789     | 0.819    | 0.800   | 0   |

(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, 2011 which was Ps.4.11 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 29.77% (without considering treasury shares) investment in Banco Hipotecario, Hersha, Metropolitan and Rigby, 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 25 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.

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

We classified cash flows from interest paid as operating activities for the years ended June 30, 2010, 2009, 2008 and 2007. As part of our IFRS implementation efforts, for the fiscal year ended June 30, 2011, we changed this accounting policy to treat these cash flows from interest paid as financing activities as permitted also by Argentine GAAP (RT No. 8). Therefore, we have retroactively adjusted as of June 30, 2010, 2009, 2008 and 2007 years, as follows:

|   | <b>As of June, 2010</b> |                             | <b>As of June, 2009</b> |                             |
|---|-------------------------|-----------------------------|-------------------------|-----------------------------|
|   | <b>As adjusted</b>      | <b>As originally Issued</b> | <b>As adjusted</b>      | <b>As originally Issued</b> |
| Net cash provided by operating activities           | Ps. 376,458             | Ps. 239,943                 | Ps. 442,619             | Ps. 310,877                 |
| Net cash used in investing activities               | (455,979)               | (455,979)                   | (455,041)               | (455,041)                   |
| Net cash provided by (used in) financing activities | 44,933                  | 181,448                     | (190,640)               | (58,898)                    |

|   | <b>As of June, 2008</b> |                             | <b>As of June, 2007</b> |                             |
|---|-------------------------|-----------------------------|-------------------------|-----------------------------|
|   | <b>As adjusted</b>      | <b>As originally Issued</b> | <b>As adjusted</b>      | <b>As originally Issued</b> |
| Net cash provided by operating activities           | Ps. 469,117             | Ps. 344,054                 | Ps. 207,067             | Ps. 163,099                 |
| Net cash used in investing activities               | (812,718)               | (812,718)                   | (510,774)               | (510,774)                   |
| Net cash provided by (used in) financing activities | 24,082                  | 149,145                     | 848,290                 | 892,258                     |

*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 14, 2011 the exchange rate was Ps. 4.2610=US\$1.00 as quoted by Banco de la Nación Argentina at the average of the U.S. Dollar selling rate and U.S. Dollar buying rate. During 2008, 2009, 2010 and 2011 the Central Bank indirectly intervened in the exchange rate market with the purpose of maintaining a stable parity notwithstanding international volatility.

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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, 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                        |
| Fiscal year ended June 30, 2011 | 4.0900              | 3.9110             | 3.9810                 | 4.0900                        |
| July 2011                       | 4.1250              | 4.0900             | 4.1080                 | 4.1250                        |
| August 2011                     | 4.1800              | 4.1270             | 4.1484                 | 4.1800                        |
| September 2011                  | 4.2040              | 4.1690             | 4.1841                 | 4.1850                        |
| October 2011                    | 4.2160              | 4.1850             | 4.2030                 | 4.2160                        |
| November 2011                   | 4.2610              | 4.2210             | 4.0959                 | 4.2610                        |
| December 12, 2011               | 4.2660              | 4.2580             | 4.2607                 | 4.2610                        |

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) Average exchange rate for the fiscal year, month or partial period described in the table above.

(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.

### **Risks Related to Argentina**

#### ***Argentina's 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.

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In 2010, the Argentine GDP tended to return to its pre-crisis levels, increasing by 9.2%, according to data published by the National Institute of Statistics (Instituto Nacional de Estadísticas y Censos or INDEC). For the six months ended June 30, 2011, GDP increased 9.91% relative to the same period the prior year, according to data published by INDEC. As of June 30, 2011, the Monthly Economic Activity Estimator (Estimador Mensual de Actividad Económica or “EMAE”) increased 8.2%, relative to the same period the prior year, according to data published by INDEC.

Moreover, the country’s relative stability since 2002 has been affected 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 2007, 2008, 2009, 2010 and 2011, inflation according to INDEC was 7.7%, 7.2%, 8.5%, 11.0% and 9.7%, respectively, in part due to actions implemented by the Argentine government to control inflation, including limitations on exports and price arrangements agreed upon with private companies. The 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 adversely impacting the level of economic activity and employment.

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

***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 the new index, however, has been criticized by economists and investors after an initial report found prices rising well below expectations. These events have adversely 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.

In December 2010, the Argentine government agreed to meet with an official IMF team that had arrived in Argentina to assist INDEC develop a new national price index. In April 2011, the IMF team completed the second technical mission to assist on the design and methodology of a new national 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***

In 2001, the Argentine government defaulted on its sovereign debt which totaled more than US\$144 billion. In 2005, the Argentine government launched a debt restructuring exchange offer that achieved an acceptance rate of approximately 76%. Approximately US\$20 billion of the then outstanding debt rejected the exchange offer. More recently, through Executive Branch Decree No. 563/10, the Argentine government launched a second debt exchange offer to restructure the outstanding debt that had been rejected in the first exchange offer in 2005. This second exchange offer concluded with an acceptance level of approximately 70%, bringing the total acceptance level of the two exchange offers to approximately 90%. However, approximately, US\$4.5 billion of outstanding Argentine sovereign debt remains in default, and the government of Argentina still has to negotiate with the Paris Club to restructure such debt.

The fact that Argentina continues to have outstanding sovereign debt in default has limited Argentina's access to the international markets which, in the future, could directly affect our own ability to access the capital markets to finance our growth and operations, thereby adversely affecting our results from operations and business activities.

***Argentina is subject to lawsuits filed by bondholders and foreign shareholders in Argentine companies that could limit the government's use of resources and adversely affect its ability to implement reforms and promote Argentina's economic growth.***

Certain holders of un-restructured Argentine sovereign debt 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") and other international courts, alleging that certain measures adopted by the Argentine government during the financial crises in 2001 and 2002 violated the equal and just treatment norms stipulated in various bilateral treaties signed by Argentina. As of today, the ICSID has ruled against the Argentine government in various of these legal claims. Numerous legal claims by creditors against the Argentine government are currently pending, and other creditors may decide to file additional claims against Argentina in the future.

Litigation initiated by holdout creditors as well as ICSID claims has resulted in material judgments against Argentina and may result in new material judgments ordering the attachment of or injunctions relating to, government assets that may have been intended for other uses. As a result, the Argentine government may not have the financial resources necessary to implement reforms and promote economic growth which could have a material adverse effect on the country's economy, and consequently, our financial condition and results of operations.

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***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 consequences on the Argentine economy and on businesses and individuals' financial condition. The devaluation of the Peso had a negative impact on the ability of Argentine businesses to pay their foreign currency-denominated debt, which initially led to very high inflation, significantly reduced real wages, a negative impact on businesses whose success depended on domestic market demand such as utilities and the financial industry, and adversely affected the government's ability to pay its foreign debt obligations.

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

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

A substantial increase in the value of the Peso against the U.S. Dollar also presents risks for the Argentine economy. The appreciation of the Peso against the U.S. Dollar negatively impacts the financial condition of entities which 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 heavy reliance on export taxes. A substantial 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 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 social security agency ("ANSES") managed by the National State.

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 a decrease in their number, becoming a concentrated group. In addition, the government became a significant shareholder in many of the country's publicly-held companies. Pursuant to current regulations, ANSES may exercise the voting rights corresponding to its respective shares, which could eventually result in uncertain consequences.

***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. On 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. On October 2011, new exchange controls measures that restrict foreign exchange inflows and outflows of capital have been implemented, among them it was established as a requirement for the repatriation of the direct investment of the non-resident (purchase of shares of local companies and real estate), the demonstration of the income of the currency and its settlement in the single free exchange market "*Mercado Único y Libre de Cambios*". 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, in response to capital flight or depreciation of the Peso, as other reasons. 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 constrained.

***Property values in Argentina can significantly be reduced.***

Property values are influenced by multiple factors that are not in our control. We cannot assure you that property values will continue to increase or that they will not be reduced. Many of the properties we own are located in Argentina. As a result, a reduction in the value of properties in Argentina would materially affect our business.

***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 the amount, outside Argentina require 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 net earnings corresponding to 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.



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***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-U.S. Dollar parity in the context of its solvency crisis.

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

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

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

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

Financial and securities markets in Argentina are influenced, to varying degrees, by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors' perception of the events occurring in one country may substantially affect capital flows into other countries, including Argentina and the availability of funds for issuers in such countries. Lower capital inflows and declining prices of securities may adversely 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 other 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 our business, operations and financial condition.

Since 2008, crisis "sub-prime" in the United States and the recent economic recession and fiscal deficit experienced in certain European countries have caused an economic slowdown in the world's principal economies. Recently, the possibility of a Greek or some Eurozone countries default has increased market volatility and it can complicate financing access a decline in global economic activity.

The global economic crisis and the consequent instability of the international financial system have had and may continue to have a negative effect on Argentina's economic growth. Moreover, political instability and economic crisis, such as the recent turmoil in Africa and the Middle East, as well as natural disasters, such as the recent earthquake and tsunami in Japan, the economic and social crisis in Europe and the U.S., may cause instability in the local markets. Argentina may be adversely affected by such events 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.

***If prices for Argentina's main commodity exports decline, 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 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 export taxes. If commodity prices continue to decline, the growth of the Argentine economy could be affected. Such occurrence could 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 a prolonged recession, and the forced conversion into Pesos and subsequent freeze of gas and electricity tariffs in Argentina, 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, which has prompted the government to adopt a series of measures that have resulted in industry shortages and/or costs increase.

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 limited, which could have a significant adverse effect on our business.

As a first step of these measures, subsidies on energy tariffs are being withdrawn to industries and high income consumers. As a result, our operating costs may increase.

**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 our debt obligations 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;
- 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;
- 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;

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- 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, 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;
- 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;
- 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

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- 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 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.

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***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 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, 2011, our consolidated financial debt was Ps.2,441 million (including short-term and long-term debt, accrued interest and deferred financing costs).

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 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.

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***Adverse incidents that occur in our shopping centers may result in damage to our image and a decrease in the number of our customers.***

Given that shopping centers are open to the public, with ample circulation of people, accidents, theft, robbery and other incidents may occur in our facilities, regardless of the preventative measures we adopt. In the event such an incident or series of incidents occurs, shopping center customers and visitors may choose to visit other shopping venues that they believe are safer and less violent, which may cause a reduction in the sales volume and operating income of our shopping centers.

***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 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, 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.

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***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 AH1N1 influenza in the winter of 2010 and 2011, 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;

- changes in tourism and travel patterns, including seasonal changes and changes due to pandemic outbreaks, such as the AH1N1 virus or weather phenomenon or other natural events, such as the eruption of the Puyehué volcano in June 2011;
- 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.

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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.

***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 our fiscal years ended June 30, 2010 and 2011, approximately 88% and 85% of our consolidated revenues were derived from properties in the Buenos Aires metropolitan area including the City of Buenos Aires. Although we own properties and may acquire or develop additional properties outside Buenos Aires, we expect to continue to depend to a large extent on economic conditions affecting those areas, and therefore, an economic downturn in those areas could have a material adverse effect on our financial condition and results of operations.

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***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, we 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.

***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. During fiscal year 2011, as a result of certain negotiations, an agreement was reached to restructure Metropolitan's debt, following such closing, we indirectly hold 49% of New Lipstick LLC, a holding company that is owner of Metropolitan. 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 "Operating and Financial Review and Prospects."

Since August 2009 we acquired and subsequently sold part of our equity interests in Hersha Hospitality Trust, therefore, on June 30, 2011 our share is 9.2%. The main assets are hotels, most of them are located on the east coast of the United States. At June 30, 2011, Hersha was the holder of an indirect controlling interest in 78 hotels. For more information on Hersha, see "*Business-International*"

In December 2010, we, through Rigby 183 LLC, in which we indirectly holds a 49% equity interest through IMadison LLC, jointly with other partners, acquired a building located at 183 Madison Avenue, Midtown South, Manhattan, New York.

If the conditions of our Supertel Hospitality Inc. tender offer made in November 2011 are met, we will have an important equity ownership in this REIT, which main assets are 101 hotels across 23 states of the US. For more information about liquidity please see "Recent Developments".

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 lead 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.

***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.54.4 million as of June 30, 2011, would be lost. As of June 30, 2011, we had not established any reserve in respect of this contingency.

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***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, 2011, we owned approximately 94.9% of Alto Palermo. Through our subsidiary Alto Palermo S.A. (“Alto Palermo” or “APSA”), 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. In addition we have a 100% stake in Solares de Santa María S.A. 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 own approximately 29.77% of Banco Hipotecario, while the Argentine government has a controlling interest in it. Finally, we own a 49% interest in Metropolitan, 49% in a building located at Madison Avenue in New York and 9.2% in Hersha.

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

We have subsidiaries and an important source of funds for are cash dividends and other permitted payments from its subsidiaries. The debt agreements of our subsidiaries contain covenants restricting their ability to pay dividends or make other distributions. If our subsidiaries are unable to make payments to us, or are able to pay only limited amounts, we may be unable to make payments on its 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 June 30, 2011, such beneficial ownership consisted of: (i) 292,811,013 shares held by Cresud, (ii) 41,080,112 shares held by Agrology, S.A. ("Agrology"), (iii) 628,070 shares held by Consultores Assets Management S.A., and (iv) 765,100 shares held directly by Mr. Elsztain.

Conflicts of interest between our management, Cresud S.A.C.I.F. y A. and our affiliates may arise in the performance of our business activities. As of June 30, 2011, Mr. Elsztain also beneficially owned (i) approximately 37.0% of Cresud's common shares and (ii) approximately 94.9% 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, 2011, the majority of our liabilities, such as our 8.5% and 11.5% notes due 2017 and 2020 respectively, 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, 2011, 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.

***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, 2011, we owned approximately 29.77% of the outstanding capital stock of Banco Hipotecario (without considering treasury shares) which represented 14.8% 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.

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

Over the last calendar year, 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. 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.

***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.

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 *Coeficiente 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. As a result, only 10% of Banco Hipotecario’s mortgage 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. 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 2010, CER increased 8%, 7% and 11%, respectively, and WPI increased 10%, 1.2% and 14.6% respectively. As of June 30, 2011, CER increased 4.8% and the WPI increased 6.3%.

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.

***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.

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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 8,317 mortgage loans representing approximately Ps.235.8 million in the aggregate. As of September 30, 2010, Banco Hipotecario had constituted loan allowances in connection with the results of this recalculation.

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 June 30, 2010 and June 30, 2011, Banco Hipotecario's portfolio of non-mortgage loans increased 62.0% from Ps.908.4 million to Ps.712.0 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 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. As of June 30, 2011 there are included securities that were not valued according to Argentine GAAP equivalent to Ps. 85.5 million. The impact of valuing these securities in accordance with Argentine GAAP results in a decrease in net assets of Ps. 7.3 million at June 30, 2010.

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

As of June 30, 2011, Banco Hipotecario's foreign currency-denominated liabilities exceeded its foreign-currency-denominated assets by approximately US\$ 157.1 million. 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.

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

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

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

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

- a fundamental change in Banco Hipotecario's corporate purpose;
- a change in Banco Hipotecario's domicile outside of Argentina;
- dissolution prior to the expiration of Banco Hipotecario's corporate existence;
- a merger or spin-off after which Banco Hipotecario would not be the surviving corporation;
- a total or partial recapitalization following a mandatory reduction of capital; and
- approval of voluntary reserves, other than legally mandated reserves, when their amount exceeds Banco Hipotecario's capital stock and its legally mandated reserves.

In addition, irrespective of what percentage of Banco Hipotecario's outstanding capital stock is represented by Class A Shares, the affirmative vote of the holders of Class A Shares is required to adopt certain decisions. Class D Shares will not be converted into Class A Shares, Class B Shares or Class C Shares by virtue of their reacquisition by the Argentine government, PPP or Programa de Propiedad Participada (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
- the possibility that management may be distracted from day-to-day business concerns by integration activities and related problem solving.

## **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 September 30, 2011, owned approximately 63.2 % of our common shares (or approximately 365,815,965 common shares which may be exchanged for an aggregate of 36,581,596 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 may be less publicly available information about the issuers of securities listed on the Buenos Aires Stock Exchange (the “*Bolsa de Comercio de Buenos Aires*”) than publicly available information 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 regulations of the CNV and Argentine GAAP except for financial institutions and insurance companies which must comply with the accounting standards issued by BCRA and the National Insurance Superintendance, respectively, which differ in certain significant respects from U.S. GAAP. For this and other reasons, the presentation of Argentine financial statements and reported earnings may differ from that of companies in other countries in this and other respects.

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

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

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

### ***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, 2011, 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. Please 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.

***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.

**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](http://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 Depositary 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*

We have been actively engaged in a range of diversified real estate activities in Argentina since 1991. After our global public offering in 1994, we launched 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, through our subsidiary Alto Palermo, we have expanded our real estate activities in the shopping center segment by through the acquisition of 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. During the same period, we have also expanded our operations 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 the greater Buenos Aires metropolitan 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 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. During fiscal year 2002, we increased our equity interest to 5.7% and during 2003 and 2004, we increased our investment to 11.8%. Since 2008, we have acquired additional shares increasing our equity interest to 29.77% as of the date of this annual report.

In 2005 we increased our ownership interest in Mendoza Plaza Shopping S.A. from 68.8% to 85.4% through our subsidiary Alto Palermo. We also opened Alto Rosario Shopping. Attractive prospects in our Offices business led 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.

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In December 2006, we started the operation of Córdoba Shopping, a shopping center located in the neighborhood of Villa Cabrera in the city of Cordoba. Cordoba Shopping has a total area of 35,000 square meters with 106 stores, 12 cinema screens and a parking lot for 1,500 vehicles. In addition, in 2007 we started the construction of one of our most important projects; a shopping mall and office building in the neighborhood of Saavedra, City of Buenos Aires, at the intersection of the Panamericana Highway and General Paz Avenue. The shopping mall, named Dot Baires Shopping, opened in May 2009 and includes 153 retail stores, a hypermarket, a cinema complex and parking spaces for 2,200 vehicles.

During 2007, we consummated several significant acquisitions in the shopping center and office building segments. In 2007 we purchased Edificio Bouchard Plaza, also known as Edificio La Nación, a 23-floor AAA office building with a total leasable area of 33,324 square meters, located in downtown Buenos Aires. We subsequently sold 9,946 square meters ending up with a total leasable area of 23,378 square meters. In 2007 we also purchased Edificio Dock del Plata which has a gross leasable area of 7,921 square meters located in the exclusive area of Puerto Madero, and subsequently we sold 3,937 square meters, retaining 3,985 square meters as of December 31, 2009. With these new purchases, we increased our premium office leasable area by 70%. We also launched the development of an office building at Dock IV of Puerto Madero, representing an additional leasable area of approximately 11,000 square meters, which was opened in May 2009.

In 2007, we acquired a 50% interest in an office building with 31,670 square meters of gross leasable area, known as the BankBoston Tower, for total consideration of US\$54 million including all existing 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 (who also designed the World Financial Center in New York and the Petronas Towers in Kuala Lumpur).

In December 2007, Alto Palermo entered into an agreement with INC S.A, an unrelated party, for the acquisition of the Soleil Factory shopping center business, for US\$20.7 million, of which US\$8.1 million has been paid. The balance of US\$12.6 million is payable on the seventh anniversary of the closing. The acquisition of the Soleil Factory shopping center business includes a parcel of land on which the shopping center and another business are located. INC S.A. has agreed to subdivide the parcel into two separate parcels so the shopping center and other business are on separate parcels. Once this has been done, INC S.A. has agreed to transfer the parcel on which the shopping center is located to Alto Palermo. Upon this transfer, the US\$12.6 million balance of the purchase price will begin to accrue interest at 5% per year payable annually. Alto Palermo has also made an offer to acquire from INC S.A. a parcel of land in the city of San Miguel de Tucumán, Province of Tucumán, and to construct and operate a shopping center on such parcel. Alto Palermo's offer has been accepted by INC S.A., but the closing of this transaction is subject to completion of the Soleil Factory transaction.

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 innovative sales and financing policy. The partnership's first project is in the Vicente López neighborhood, Province of Buenos Aires and as of December 31, 2009 preliminary sales agreements for 99% of the units to be marketed had been entered into.

In April 2008, we acquired a building known as "República Building", in the City of Buenos Aires. This property, designed by the architect César Pelli (who also designed the World Financial Center in New York and the Petronas Towers in Kuala Lumpur) is a premium office building in downtown Buenos Aires and adds approximately 19,533 gross leasable square meters to our portfolio. We paid US\$70.2 million for this property, partially financed by a US\$33.6 million mortgage loan with an annual fixed rate of 12%, to be paid in five annual installments commencing in April 2009. In June 2008, Alto Palermo 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 close to our shopping center known as “Shopping Alto Palermo”. The transaction was executed for a total price of US\$17.8 million.

In July 2008, we acquired for US\$22.6 million a 30% equity interest in Metropolitan, a Delaware limited liability company, United States of America. Metropolitan’s principal asset is a 34-story office building known as the Lipstick Building located in New York City at Third Avenue between 53rd and 54th Streets. Metropolitan has incurred mortgage debt in connection with the Lipstick Building. This office building has approximately 59,000 square meters of gross leasable area. At the same time, we acquired the right to sell back 50% of the interest acquired until the third anniversary of this investment at a price equal to 50% of the price we paid for the total investment plus interest at 4.5% per annum, and a right of first offer with respect to 60% of the 5% interest currently held by one of the shareholders of Metropolitan. During fiscal year 2011, as a result of certain negotiations carried out successfully, an agreement was reached to restructure the debt of the Metropolitan. This restructuring was completed on December 30, 2010, the date on which a payment was made for US\$ 15.0 million as payment for the new restructured mortgage debt, reducing it from US\$ 130.0 million to US\$ 115.0 million. As a result of the closure, we have an indirect 49% of New Lipstick LLC, a holding company owner of Metropolitan, and as part of such agreements canceled the put option for 50% of the equity initially purchased.

In 2009, due to the deterioration of Tarshop’s financial condition and results of operations as a result of adverse economic conditions, Alto Palermo participated in capital increases for Tarshop and invested Ps.165.0 million, to provide liquidity and additional capital, thereby increasing its equity interest in Tarshop from 80% to 98.6%. In December 2009, we entered into an agreement to sell shares representing 80% of Tarshop’s capital stock to our affiliate Banco Hipotecario for US\$26.8 million. Our proposed sale of Tarshop remains subject to the approval of the Central Bank of Argentina.

In December 2010, through Rigby LLC, in which we participate indirectly through our 49% stake in IMadison LLC, together with other partners, we purchased a building at 183 Madison Avenue, Midtown South in Manhattan, NY.

In March 2011 we bought the Nobleza Piccardo (British American Tobacco company) deposit building through a subsidiary in which we have 50% stake. This property is located in the city of San Martín, Buenos Aires Province, and in its size and location is an excellent venue for the future development of different segments. The total plot area is 160,000 square meters and floor area of 81,786 square meters. Under the agreement signed, Nobleza Piccardo rents the property during the first year, releasing it partially until the third year, at which time it releases the entire building. During the first year, rent surface is 80,026 square meters between warehouses and offices, during the second year, the leasable area drops to 27,614 meters. We are working on the design of a Master Plan to apply to the authorities of San Martín that allow us to develop a mixed-use project.

### ***Capital Expenditures***

*Fiscal Year 2011.* During the fiscal year ended June 30, 2011, we invested Ps. 967.1 million of which (i) Ps.899.8 million are related to acquisitions and improvements of fixed assets, mainly due to (a) Ps. 713.1 million related to the APSA shares purchase, (b) the acquisition of Soleil Factory for Ps. 41.7 million, (c) the acquisition of San Martín property for Ps. 70.2 million, (d) properties to receive (parking lots) related to Beruti barter agreement for Ps. 9.3 million, (e) Ps. 7.7 million in the construction of Dot Baires Shopping and its office building, (f) improvements in our shopping centers for Ps. 9.5 million, (g) improvements in our hotels Sheraton, Llao Llao and Intercontinental for Ps. 4.6 million, Ps. 1.7 million and Ps.2.2 million, respectively, and (ii) Ps. 67.3 million in the acquisition of plots of land, of which Ps. 29.6 million are related to the acquisition on the 50% equity interest in Liveck S.A. (Zetol and Vista al Muelle), Ps. 18.1 million are related to the acquisition of Unicity S.A. (additional 10% stake in Santa María del Plata), Ps. 12.9 million are related to the APSA stake purchase, and Ps. 6.7 million are related to Soleil Factory acquisition and its construction permits.



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*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.276.6 million) and the construction of Dique IV, and (ii) Ps.9.8 million were invested in the acquisition of undeveloped parcels of land.

***Recent Developments***

***New Global Program for the issuance of non-convertible notes.***

Our annual ordinary shareholders' meeting approved a new global program for the issuance of non-convertible notes, either secured or unsecured, for a maximum outstanding amount at any time of up to US\$ 300 million, all in accordance with the provisions of the Negotiable Obligations Law, and delegated to the Board of Directors broad powers to decide the terms, conditions and implementation of such global program.

***IRSA Dividend***

By letter dated October 31, 2011, we reported the following Summary of the resolutions adopted at the captioned Shareholder's Meeting: To pay a cash dividend of Ps. 211,575,000, and allocate the remaining balance to the "Free Availability Reserve" account, on November 10, 2011, the Board of Directors approved the payment and the settlement was on November 21, 2011.

***Sale of a plot of land***

On October 26, 2011, we reported the sale of a plot of land of approximately 8 hectares, located in Thames St. N° 1868, (between Alberto Lartigau St. and Ramón Falcón St.), in the city of San Justo, Province of Buenos Aires, Argentina.

The purchase price was US\$ 4,7 million, which was paid on October, 25, 2011. The book value of the plot of land as of June 30, 2011 was US\$ 0.9 million.

***Hotel Esplendor Savoy - City of Rosario***

On December 13, 2011, we reported that we have indirectly acquired 49% of the capital stock of Bitania 26 S.A., a corporation which owns the hotel "Esplendor Savoy" in the city of Rosario. The purchase price agreed was Ps. 21.4 million.

***Sale of a lot to GENSAR S.A.***

On September 22, 2011, APSA through its subsidiary Shopping Neuquén Sociedad Anónima agreed to assign, sell and transfer to GENSAR S.A. a lot designated as Lot H with all the fixtures, buildings, and improvements bound to the soil. This lot is part of the property facing Doctor Ramon St. and the National Road N° 7, located in the City of Neuquén, Province of Neuquén, Argentina, Department of Confluencia, First section, with a total area of 14,792 meters and 68 square decimeters. The purchase price was US\$ 0.4 million, which was paid in cash. The property would be transferred on the condition that the buyer utilized it to construct and operate a supermarket at its own cost and expense, in accordance with the terms and conditions agreed upon with Neuquén Municipality.

***La Ribera Shopping – Santa Fe***

On August 18, 2011, APSA informed that it fulfilled the conditions of the transaction reported by Form 6-K, dated as of June 27, 2011. By means of which, APSA reported that it had conditionally acquired from Boldt S.A. and Iverama S.L. fifty percent of the shares of Nuevo Puerto Santa Fe S.A., a corporation that leases a building in which was built and operates a shopping center of approximately 8,000 leasable square meters, located at the Santa Fe City's Port, Santa Fe Province and a sub-licensee as from the date hereof.

The transaction has been approved by the Administrative Entity of Puerto Santa Fe, regarding the modification of the capital stock of Nuevo Puerto Santa Fe S.A., and has not been opposed by Santa Fe Lottery Social Welfare Found “*Caja de Previsión Social Lotería Santa Fe*”.

Consequently, the Company NPSF is constituted 50% by APSA and the remaining 50% by GRAINCO SA.

***Supertel Hospitality Inc.***

On November 16, 2011, we reported that Real Estate Strategies L.P., an investment vehicle managed and indirectly wholly owned by us, had entered into a purchase agreement with Supertel Hospitality Inc. (“Supertel”), subject to Supertel’s shareholders’ approval and our approval to Supertel’s debt restructuring.

Supertel is a Real Estate Investment Trust (“REIT”) and its shares are listed and traded in NASDAQ under the symbol “SPPR”. Supertel began its operations in the late 1970s and in 1994 completed its Initial Public Offering.

Currently Supertel focuses on midscale, economy and extended-stay segments of the hospitality Industry, owning 101 hotels across 23 states of the US. Its properties are operated by various third party management companies and their franchise agreements, including brands such as Comfort Inn, Days Inn, Hampton Inn, Holiday Inn Express, Sleep Inn and Super 8.

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In case the conditions described above are met, Real Estate Strategies L.P. will invest US\$20 million in exchange of two million newly issued preferred shares of Supertel, which will also include an option to purchase, up to an additional one million preferred shares for a price of US\$10 per share.

The preferred shares will bear an annual 6.25% preferred dividend; vote with the common stock, subject to certain voting limitations, and subject to ownership limitations, will be convertible into common stock of Supertel at the rate of ten shares for each share of preferred stock for a period of 5 years.

As part of the Agreement, Real Estate Strategies L.P. will also receive warrants to purchase 20 million shares of common stock, which may be increased up to 30 million shares pro rata with Real Estate Strategies L.P.'s exercise of the option for additional preferred shares. Subject to ownership limitations, these warrants are exercisable at any time with an exercise price of US\$ 1.20 per share for a period of 5 years (with forced exercise under certain conditions after 3 years).

The transaction is anticipated to close within 90 days, subject to the fulfillment of the aforementioned precedent conditions in connection to the approval of Supertel shareholders', and to the investor company satisfaction with certain Supertel's debt restructuring.

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

On September 22, 2011, APSA reported that one holder of their convertible notes exercised its conversion rights. Therefore, APSA issued 277,777 common shares, of nominal value pesos 0.1 (V\$N 0.1) each, and canceled convertible notes for an amount of US\$ 9,000.

As a result of the conversion, APSA capital stock increased from Ps. 125,960,841.1 to Ps. 125,988,618.8 and the amount of APSA outstanding shares increased from 1,259,608,411 to 1,259,886,188. On the other hand, the amount of convertible notes outstanding as a consequence of this conversion decreased to US\$ 31,746,502. APSA also reported that the conversions were performed in accordance with the terms and conditions established in the prospectus of issuance of the convertible notes and at the conversion rate of 30.864 shares, nominal value pesos 0.10, per Convertible Note of nominal value US\$ 1.

***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 in Argentina, including:

- the acquisition, development and operation of shopping centers, including consumer finance activities,
- the development and sale of residential properties,
- the acquisition and development of office and other non-shopping center properties primarily for rental purposes,

- the acquisition and operation of luxury hotels,
- the acquisition of undeveloped land reserves for future development and sale, and
- selected real estate investments outside Argentina.

As of June 30, 2010 and 2011, we had total assets of Ps. 5,633.4 million and Ps. 6,315.3 million, respectively and shareholders' equity of Ps. 2,403.0 million and Ps. 2,481.8 million, respectively. Our net income for the fiscal years ended June 30, 2009, 2010, and 2011 was Ps. 158.6 million, Ps. 334.5 million and Ps. 282.1 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 29.77% ,without considering treasury shares of Banco Hipotecario S.A. ("Banco Hipotecario"), one of the leading financial institutions in Argentina.

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

#### Consolidated Revenues by Business Segment and Geographic Area

|   | Fiscal years ended June 30, (1) |         |         |
|---|---------------------------------|---------|---------|
|   | 2011                            | 2010    | 2009    |
|   | (in thousand of Pesos)          |         |         |
| <b>Offices and Other Non-Shopping Center Rental Properties:</b> |                                 |         |         |
| City of Buenos Aires  | 163,949                         | 153,989 | 147,142 |
| Buenos Aires Province   | 669                             | 175     | 607     |
| Subtotal  | 164,618                         | 154,164 | 147,749 |
| <b>Shopping Centers and Consumer Financing:</b>                 |                                 |         |         |
| City of Buenos Aires  | 534,563                         | 638,694 | 514,353 |
| Buenos Aires Province   | 91,321                          | 59,833  | 47,488  |
| Salta Province  | 19,275                          | 13,701  | 10,838  |
| Santa Fe Province   | 42,642                          | 30,821  | 24,141  |
| Mendoza Province  | 36,441                          | 27,206  | 25,478  |
| Córdoba Province  | 19,113                          | 13,446  | 11,262  |
| Subtotal  | 743,355                         | 783,701 | 633,560 |
| <b>Development and Sale of Properties:</b>                      |                                 |         |         |
| City of Buenos Aires  | 192,605                         | 214,913 | 262,646 |
| Buenos Aires Province   | 114,695                         | 9,461   | 10,043  |
| Córdoba Province  | 63                              | 21      | 29      |
| Santa Fe Province   | 24,461                          | -       | 7,644   |
| Mendoza Province  | -                               | 1,172   | -       |
| Salta Province  | 148                             | -       | -       |
| Neuquén Province  | 9,102                           | -       | -       |
| Subtotal  | 341,074                         | 225,567 | 280,362 |

**Hotels:**

|                      |         |         |         |
|----------------------|---------|---------|---------|
| City of Buenos Aires | 122,627 | 101,088 | 98,427  |
| Rio Negro Province   | 70,256  | 58,806  | 60,486  |
| Subtotal             | 192,883 | 159,894 | 158,913 |

**Total by Geographic Area:**

|                       |                  |                  |                  |
|-----------------------|------------------|------------------|------------------|
| City of Buenos Aires  | 1,013,744        | 1,108,684        | 1,022,568        |
| Buenos Aires Province | 206,685          | 69,469           | 58,138           |
| Rio Negro Province    | 70,256           | 58,806           | 60,486           |
| Santa Fe Province     | 67,103           | 30,821           | 31,785           |
| Salta Province        | 19,423           | 13,701           | 10,838           |
| Córdoba Province      | 19,176           | 13,467           | 11,291           |
| Mendoza Province      | 36,441           | 28,378           | 25,478           |
| Neuquén Province      | 9,102            | -                | -                |
| <b>Total</b>          | <b>1,441,930</b> | <b>1,323,326</b> | <b>1,220,584</b> |

(1) Our Financial Operations and Others segment does not generate revenues, but instead generates gain (loss) on equity investees.

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*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, seven of which are located in the Buenos Aires metropolitan area and four of which are located in the provinces of Mendoza, Santa Fe, Córdoba and Salta. Recently APSA has started operations, through a concession, of its 13<sup>th</sup> Shopping Center in the province of Santa Fé. Our shopping center segment had assets of Ps.1.9 billion as of June 30, 2010, and Ps. 2.2 billion as of June 30, 2011, representing 34.3% and 35.4 % of our consolidated assets as of such dates respectively, and generated operating income of Ps.268.0 million and Ps.385.1 million during our 2010 fiscal year and 2011 fiscal year, respectively, representing 49.6% and 65.8% of our consolidated operating income for such years.

*Consumer financing.* We are engaged in the consumer financing business through our subsidiary Tarshop S.A. (“Tarshop”). Tarshop’s credit card operations consist primarily of lending and servicing activities relating to the credit card products it offers to consumers at shopping centers, hypermarkets and street stores.

Our Consumer Financing segment had a low impact in our figures this fiscal year since September 1<sup>st</sup>, 2010, Tarshop S.A. no longer consolidates its financial statement due to an 80% sale of its shares in our portfolio to Banco Hipotecario on September 1, 2010. However, we still have a 100% equity interest in Metroshop, a small consuming financing company with a residual credit portfolio which will keep diminishing here on.

As of June 30 2010 and 2011 our consumer financing segment had assets equivalent to Ps.327.3 million and Ps. 48.7 million, respectively, representing 5.8% and 0.8% of our consolidated assets as of such date, and had an operating loss of Ps.53.3 million and Ps. 19.0 million during our 2010 and 2011 fiscal years which represented 9.9% and 3.2% of our consolidated operating income for such periods.

*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, we generally acquire vacant land, develop infrastructure such as roads, utilities and common areas and sell plots of land for construction of residential units. Our Development and Sale of Properties segment had assets of Ps.657.6 million and Ps. 712.5 million as of June 30, 2010 and June 30, 2011 respectively, representing 11.7% and 11.3% of our consolidated assets as of such dates, and had an operating income of Ps.139.5 million and Ps.85.1 million during fiscal years 2010 and 2011, respectively, representing 25.8% and 14.5% of our consolidated operating income for for such years.

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*Offices and Other Non-Shopping Center Rental Properties.* As of June 30, 2011, we directly and indirectly owned interests in 12 office buildings that in the aggregate represented 150,860 square meters of gross leasable area. Our Office and Other Non-Shopping Center Rental Properties segment had assets of Ps.1.1 as of June 30, 2010 and of Ps. 1.4 billion as of June 30, 2011, representing 19.3% and 22.4% of our consolidated assets as of such dates, and generated operating income of Ps.73.5 million and Ps.84.1 million during fiscal year 2010 and 2011, respectively, representing 13.6% and 14.4% of our consolidated operating income for such years.

*Hotels.* We own 50% of the Hotel Llao Llao in Bariloche, 76.34% in the Hotel Intercontinental in Buenos Aires and 80% of the Hotel Sheraton Libertador in Buenos Aires. Our Hotels segment, which consists of our investments in these three hotels, had assets of Ps.248.3 million as of June 30, 2010 and Ps. 239.5 million as of June 30, 2011, representing 4.4% and 3.8% of our consolidated assets as of such dates, and generated operating income of Ps.5.4 million and Ps.12.2 million during fiscal years 2010 and 2011, respectively, representing 1.0% and 2.1% of our consolidated operating income for such years. During fiscal year 2011 we spent US\$ 0.98 million in re-styling and improving our hotels.

*Banco Hipotecario.* During fiscal year 2011 we continued increasing our equity interest in Banco Hipotecario, as of June 30, 2011, we owned approximately 29.77% of Banco Hipotecario, Argentina's largest mortgage lender in terms of outstanding mortgage loans. Our investment in Banco Hipotecario is held in the form of Class D shares which are currently entitled to three votes per share, affording us the right to cast 46.46% of the total votes at Banco Hipotecario's shareholders' meetings. As of June 30, 2011, our investment in Banco represented 14.5% of our consolidated assets, and such investment generated a gain of Ps.142.1 million, Ps. 151.6 million and Ps. 76.7 million during our fiscal years ended June 30, 2009, 2010 and 2011.

*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 sold between 2001 and 2002. Recently we have acquired through a subsidiary, in which we have a 49% equity interest, an office building located in Madison Avenue in the city of New York. Additionally, we own a 49% interest in a United States company which principal asset is the office building known as "Lipstick" in New York city. Furthermore, together with some affiliates, we had acquired and later sold part of our equity interest in Hersha, a real estate investment trust listed on the New York Stock Exchange (NYSE:HT), which has interests in 78 hotels, primarily distributed along the northeast corridor of USA, totalizing about 10,400 rooms as of June 30, 2011. At the end of our fiscal year 2011 we owned 9.2% stake in such company. We intend to continue evaluating real estate investment opportunities outside of Argentina.

### *Business Strategy*

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

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

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

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

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

*Hotels.* We believe our portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and 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.

*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. We have recently acquired through our subsidiary, in which we hold a 49% equity interest, an office building located at Madison Avenue in the City of New York, we also have a 49% interest in a US company, which principal asset is the so-called "Lipstick" office building located in the City of New York. In addition, jointly with subsidiaries, we acquired and then partially sold equity interests in a Real Estate Investment Trust, called Hersha (NYSE: HT), which holds a controlling interest in 78 hotels in the United States, totaling around 10,400 rooms as of June 30, 2011, we currently hold 9.2% of such company's aggregate capital stock. 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.

*Shopping Centers*

***Overview***

We are engaged in purchasing, developing and managing shopping centers through our subsidiary, Alto Palermo. As of June 30, 2011, Alto Palermo operated and owned majority interests in twelve shopping centers, six of which are located in the City of Buenos Aires (Abasto, Paseo Alcorta, Alto Palermo, Patio Bullrich, Buenos Aires Design and Dot Baires Shopping), two of which are located in the greater Buenos Aires (Alto Avellaneda and Soleil Factory) metropolitan area and the other 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, 2011, we owned 94.9% of Alto Palermo. The remaining shares are held by the investor public and traded on the Bolsa de Comercio de Buenos Aires and the related GDSs are listed and traded on the Nasdaq National Market (USA) under the symbol "APSA." In addition, as of June 30, 2011, we owned US\$31.8 million of Alto Palermo's convertible notes due July 2014. If we, and all the other holders of such convertible Notes were to exercise their options to convert the convertible notes into shares of Alto Palermo's common stock, our shareholding in Alto Palermo would increase to 97.5% of its fully diluted capital.

As of June 30, 2011, Alto Palermo's shopping centers comprised a total of 299,326 square meters of gross leaseable area. For fiscal year 2011, the average occupancy rate of Alto Palermo's shopping center portfolio was approximately 97.3%.

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.

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The following table shows certain information concerning our Alto Palermo subsidiary's shopping centers as of June 30, 2011:

**Shopping Centers**

|   | Date<br>of<br>Acquisition | Leaseable<br>Area<br>sqm <sup>(1)</sup> | APSA's<br>Effective<br>Interest<br><sup>(3)</sup> | Occupancy<br>rate <sup>(2)</sup> | Accumulated Annual<br>Rental Income for the<br>fiscal year |         |         | Book<br>Value<br><br>(Ps./000)<br>(5) |
|---|---------------------------|---|---|----------------------------------|--|---------|---------|---------------------------------------|
|   |                           |   |   |                                  | (in Ps./000) <sup>(4)</sup>                                |         |         |                                       |
|   |                           |   |   |                                  | 2011   | 2010    | 2009    |                                       |
| Shopping Centers <sup>(6)</sup>             |                           |   |   |                                  |  |         |         |                                       |
| Alto Palermo                                | 11/97                     | 18,701                                  | 100.0%  | 100.0%                           | 120,338  | 98,020  | 82,450  | 280,946                               |
| Abasto Shopping <sup>(7)</sup>              | 07/94                     | 37,731                                  | 100.0%  | 99.8%                            | 118,259  | 91,304  | 77,773  | 327,531                               |
| Alto Avellaneda                             | 11/97                     | 36,663                                  | 100.0%  | 96.3%                            | 77,121   | 59,833  | 47,488  | 172,135                               |
| Paseo Alcorta                               | 06/97                     | 13,911                                  | 100.0%  | 99.2%                            | 52,027   | 42,714  | 39,067  | 133,979                               |
| Patio Bullrich                              | 10/98                     | 11,741                                  | 100.0%  | 100.0%                           | 45,033   | 37,254  | 31,537  | 137,572                               |
| Alto Noa Shopping                           | 03/95                     | 19,001                                  | 100.0%  | 100.0%                           | 19,275   | 13,701  | 10,838  | 41,813                                |
| Buenos Aires Design                         | 11/97                     | 13,777                                  | 53.7%   | 98.6%                            | 17,329   | 14,613  | 12,965  | 17,659                                |
| Alto Rosario Shopping <sup>(7)</sup>        | 11/04                     | 28,646                                  | 100.0%  | 95.0%                            | 42,642   | 30,821  | 24,141  | 141,034                               |
| Mendoza Plaza Shopping                      | 12/94                     | 40,659                                  | 100.0%  | 95.2%                            | 36,441   | 27,206  | 25,478  | 124,377                               |
| Fibesa and Others <sup>(8)</sup>            | -                         | N/A                                     | 100.0%  | N/A                              | 35,832   | 24,928  | 25,235  | -                                     |
| Neuquén <sup>(9)</sup>                      | 07/99                     | N/A                                     | 98.1%   | N/A                              | -  | -       | -       | 17,063                                |
| Dot Baires Shopping <sup>(10)</sup>         | 05/09                     | 49,527                                  | 80.0%   | 99.7%                            | 77,169   | 64,515  | 8,499   | 492,799                               |
| Córdoba Shopping Villa Cabrera              | 12/06                     | 15,174                                  | 100.0%  | 98.1%                            | 19,113   | 13,446  | 11,262  | 79,887                                |
| Soleil                                      | 07/10                     | 14,091                                  | 100.0%  | 87.8%                            | 14,200   | -       | -       | 68,715                                |
| TOTAL SHOPPING CENTERS                      |                           | 299,622                                 | 95.1%   | 97.6%                            | 674,779  | 518,355 | 396,733 | 2,035,510                             |
| Consumer Financing Revenues <sup>(11)</sup> | -                         | N/A                                     | 20.0%   | N/A                              | 68,576   | 265,346 | 236,827 | -                                     |
| GENERAL TOTAL <sup>(12)</sup>               |                           | 299,622                                 | 90.1%   | 97.3%                            | 743,355  | 783,701 | 633,560 | 2,035,510                             |

**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 94.9% interest in APSA.-

(4) Corresponds to total leases, consolidated as per the Technical Resolution 21 method.-

(5) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment. Does not include works in progress.

(6) Through Alto Palermo S.A.

(7) Excludes Museo de los Niños (3,732 in Abasto and 1,261 in Alto Rosario).-

(8) Includes revenues from Fibesa S.A., Comercializadora Los Altos S.A. (merged with Fibesa S.A.), and others.

(9) Land for the development of a shopping center.

(10) During May 2009, a shopping center, a hypermarket and a movie theater complex were opened.

(11) APSA's interest in Tarshop was 100% until 08/31/2010 and as from 09/01/2010 was 20%. APSA's interest in Metroshop

(12) Corresponds to the "shopping center" business unit mentioned in Note 6 to the Consolidated Financial Statements; include

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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:

|                                 | <b>Accumulated Tenants' retail sales as of June 30,</b> |             |             |
|---------------------------------|---|-------------|-------------|
|                                 | <b>(Ps. 000) <sup>(1)</sup></b>                         |             |             |
|                                 | <b>2009</b>   | <b>2010</b> | <b>2011</b> |
| Abasto                          | 774,496   | 926,373     | 1,227,372   |
| Alto Palermo                    | 745,009   | 879,728     | 1,100,349   |
| Alto Avellaneda                 | 696,502   | 885,195     | 1,132,631   |
| Paseo Alcorta                   | 374,757   | 414,652     | 525,752     |
| Patio Bullrich                  | 274,923   | 344,789     | 432,319     |
| Alto Noa                        | 211,353   | 280,241     | 381,181     |
| Buenos Aires Design             | 129,072   | 140,974     | 188,475     |
| Mendoza Plaza                   | 436,599   | 559,359     | 733,370     |
| Alto Rosario                    | 318,444   | 419,143     | 610,932     |
| Córdoba Shopping- Villa Cabrera | 133,527   | 164,257     | 244,189     |
| Dot Baires Shopping             | 99,478  | 763,528     | 985,672     |
| Soleil                          | -   | -           | 204,077     |
| Total <sup>(2)</sup>            | 4,194,160   | 5,778,239   | 7,766,319   |

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

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

*Expiration of Lease Agreements*

The following table shows a schedule of lease expirations for our shopping center properties in place as of June 30, 2011, assuming that none of the tenants exercise renewal options or terminate their lease early.

| <b>Lease Expirations<br/>as of June 30,</b> | <b>Number of<br/>Leases<br/>Expiring<sup>(1)</sup></b> | <b>Surface area<br/>subject to<br/>Expiring Leases</b> | <b>Percentage of<br/>Total Surface<br/>Area subject to<br/>Expiration</b> | <b>Annual Base Rent<br/>under Expiring<br/>Leases <sup>(3)</sup></b> | <b>Percentage of<br/>Total Base Rent<br/>Under Expiring<br/>Leases</b> |
|---|--|--|---|--|--|
|   |  | <b>(m<sup>2</sup>)</b>                                 | <b>(%)</b>  | <b>(in thousands of Ps.)</b>   | <b>(%)</b>   |
| 2012  | 616  | 102,627  | 34%   | 120,894  | 38%  |

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|                           |       |         |      |         |      |
|---------------------------|-------|---------|------|---------|------|
| 2013                      | 396   | 52,174  | 17%  | 80,446  | 25%  |
| 2014                      | 316   | 46,362  | 15%  | 72,723  | 23%  |
| 2015 and subsequent years | 107   | 98,459  | 33%  | 46,313  | 14%  |
| Total <sup>(2)</sup>      | 1,435 | 299,622 | 100% | 320,376 | 100% |

- (1) Includes vacant stores as of June 30, 2011. 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.
- (3) Even though the leases are voidable by law, APSA considers them to be non voidable for these purposes. See note 24.1.4.2 to our consolidated financial statements.

**Occupancy Rate**

The following table shows the occupancy rate of each shopping center during fiscal years ended June 30, 2009, 2010 and 2011:

|                                | 2009        | As of June 30, |  | 2011        |
|--------------------------------|-------------|----------------|--|-------------|
|                                |             | 2010           |  |             |
| Abasto                         | 99.8        | 99.6           |  | 99.8        |
| Alto Palermo                   | 100.0       | 100.0          |  | 100.0       |
| Alto Avellaneda                | 100.0       | 96.0           |  | 96.3        |
| Paseo Alcorta                  | 97.9        | 97.5           |  | 99.2        |
| Patio Bullrich                 | 99.6        | 99.7           |  | 100.0       |
| Alto Noa                       | 99.9        | 99.9           |  | 100.0       |
| Buenos Aires Design            | 98.8        | 98.4           |  | 98.6        |
| Mendoza Plaza                  | 96.8        | 93.1           |  | 95.2        |
| Alto Rosario                   | 95.0        | 93.7           |  | 98.1        |
| Córdoba Shopping Villa Cabrera | 96.4        | 98.8           |  | 98.1        |
| Dot Baires Shopping            | 99.9        | 100.0          |  | 99.7        |
| Soleil                         | -           | -              |  | 87.8        |
| <b>Weighted Average</b>        | <b>98.5</b> | <b>97.5</b>    |  | <b>97.6</b> |

**Rental Price**

The following table shows the annual rental price per square meter for the fiscal years ended June 30, 2011, 2010 and 2009:

|                                 | <b>Fiscal year ended June 30,</b> |  |             |
|---------------------------------|-----------------------------------|--|-------------|
|                                 | <b>2009</b>                       | <b>(Ps./sqm) <sup>(1)</sup></b><br><b>2010</b> | <b>2011</b> |
| Abasto                          | 1,710.8                           | 1,986.8  | 2,549.5     |
| Alto Palermo                    | 3,580.8                           | 4,033.8  | 4,995.7     |
| Alto Avellaneda                 | 1,156.0                           | 1,469.2  | 1,877.6     |
| Buenos Aires Design             | 731.1                             | 810.2  | 959.7       |
| Paseo Alcorta                   | 2,408.7                           | 2,498.9  | 3,233.6     |
| Patio Bullrich                  | 2,254.6                           | 2,673.9  | 3,201.7     |
| Alto Noa                        | 502.6                             | 658.6  | 920.3       |
| Alto Rosario                    | 746.5                             | 948.4  | 1,336.5     |
| Mendoza Plaza                   | 546.8                             | 598.8  | 804.9       |
| Córdoba Shopping- Villa Cabrera | 590.7                             | 731.6  | 1,104.0     |
| Dot Baires Shopping             | 1,162.4                           | 1,081.9  | 1,288.4     |
| Soleil                          | -                                 | -  | 870.5       |

(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.

**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 our audited consolidated financial statements.

**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. Alto Palermo'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;
- 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.

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 (the "Base Rent") and (ii) a specified percentage of the tenant's monthly gross sales in the store (the "Percentage Rent") (which generally ranges between 3% 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 18% and 24% each year on an annual and cumulative basis as from the thirteenth (13th) month of the lease effective term. Although many of our lease agreements contain readjustment clauses, these are not based on an official index nor do they reflect the inflation index. In the event of litigation, no assurance can be given that Alto Palermo may be able to enforce such clauses contained in its lease agreements.

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

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

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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 (Base Rent or Percentage Rent, as applicable), in addition to rent and expense payments. Alto Palermo may increase the percentage that tenants must contribute to the CPF, but the increase cannot exceed 25% of the original amount set forth in the corresponding lease agreement for the contributions to the CPF. Alto Palermo also may require tenants to make extraordinary contributions to the CPF to fund special promotional and marketing campaigns or to cover the costs of special promotional events that benefit all tenants. 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.

***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, 2009, 2010 and 2011:

| <b>Type of Business</b> | <b>Accumulated Tenants' Sales as of June 30 for the fiscal periods (in millions of Ps.)</b> |                |                |
|-------------------------|---|----------------|----------------|
|                         | <b>2011</b>   | <b>2010</b>    | <b>2009</b>    |
| Anchor Store            | 571.6   | 449.7          | 243.7          |
| Clothes and footwear    | 3,801.0   | 2,754.2        | 2,148.6        |
| Entertainment           | 262.8   | 180.2          | 133.8          |
| Home                    | 1,468.8   | 1,172.9        | 817.8          |
| Restaurant              | 701.6   | 495.9          | 382.5          |
| Miscellaneous           | 918.7   | 691.4          | 440.7          |
| Services                | 41.8  | 33.9           | 27.1           |
| <b>Total</b>            | <b>7,766.3</b>  | <b>5,778.2</b> | <b>4,194.2</b> |

***Additional Information About Alto Palermo's Shopping Centers***

Set forth below is a brief description of each of Alto Palermo's shopping centers

***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 18,701 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, 2011, the public visiting the shopping center generated nominal retail sales totaling approximately Ps. 1,100.3 million, which represents annual sales for approximately Ps. 58,839.6 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) accounted for approximately 15.0% of its gross leaseable area at June 30, 2011 and approximately 17.2% of its annual base rent for the fiscal year ended on such date.

**Alto Avellaneda, Avellaneda, Greater Buenos Aires.** Alto Avellaneda is a 141-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 36,663 square meters of gross leaseable area. The shopping center has a six-screen multiplex movie theater, the first Wal-Mart supercenter in Argentina, an entertainment center, a food court with 20 restaurants, an anchor store, Falabella and 1,585 square meters of clothing store Zara, that opened in September, 2011. 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, 2011, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,132.6 million, which represents annual revenues for approximately Ps. 30,893 per square meter. Principal tenants currently include Falabella, Garbarino, Frávega, Compumundo and Sport Line. Alto Avellaneda's five largest tenants (in terms of sales in this shopping center) accounted for approximately 35.4% of its gross leaseable area at June 30, 2011 and approximately 38.8% of its annual base rent for the fiscal year ended on such date

**Paseo Alcorta, City of Buenos Aires.** Paseo Alcorta is a 110-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 square meters that consists of 13,911 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 June 30, 2011, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 525.8 million, which represents annual sales for approximately Ps. 37,794.6 per square meter.

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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 13.5% of its gross leaseable area at June 30, 2011 and approximately 16.1% of its annual base rent for the fiscal year ended on such date.

**Abasto Shopping, City of Buenos Aires.** Abasto Shopping is a 174-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 37,731 square meters of gross leaseable area (41,463 square meters including Museo de los Niños). The shopping center includes a food court with 28 stores, a 12-screen multiplex movie theatre seating approximately 3,100 people, covering an area of 8,021 square meters, entertainment facilities and the museum for children, covering an area of 3,732 square meters (excluded from the gross leaseable area). Abasto Shopping is spread out over five levels and has a 1,200-car parking lot. In the fiscal year ended June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 1,227.4 million, which represents annual sales for approximately Ps. 32,529.4. Principal tenants currently include Hoyts General Cinema, Garbarino, Zara, Frávega and Compumundo. Abasto's five largest tenants (in terms of sales in this shopping center) accounted for approximately 30.7% of its gross leaseable area as of June 30, 2011 and approximately 18.2% of the annual base rent for the fiscal year ended on such date.

**Patio Bullrich, City of Buenos Aires.** Patio Bullrich is an 84-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 11,741 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, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 432.3 million, which represents sales for approximately Ps. 36,822.2 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 its gross leaseable area at June 30, 2011, and approximately 22.7% of its annual base rent for the fiscal year ended on such date.

**Alto Noa, Salta, Province of Salta.** Alto Noa is an 92-store shopping center located in the City of Salta, the capital of the Province of Salta. The shopping center consists of approximately 30,876 square meters of total constructed area that consists of 19,001 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, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 381.2 million, which represents annual sales for approximately Ps. 20,060.8 per square meters. Principal tenants currently include Supermercado Norte, Cines NOA, Boulevard Casino, Y.P.F., and Frávega. Alto Noa's five largest tenants (in terms of sales in this shopping center) represented approximately 50% of its gross leaseable area as of June 30, 2011 and approximately 27.5% of its annual base rent for the fiscal year ended on such date.

**Buenos Aires Design, City of Buenos Aires.** Buenos Aires Design is a 62-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. Alto Palermo owns Buenos Aires Design through a 53.68% interest in Emprendimiento Recoleta S.A., which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta, one of the most popular tourist zone in Buenos Aires City. Buenos Aires Design has a total constructed area of 26,131.5 square meters that consists of 13,777 square meters of gross leaseable area and 8 restaurants. It is divided into two floors and has a 174-car parking lot. In the fiscal year ended June 30, 2011, the

shopping center's tenants generated nominal retail sales that totaled approximately Ps. 188.5 million, which represents annual sales for approximately Ps. 13,680.9 per square meter. Principal tenants currently include Morph, Hard Rock Café, Barugel Azulay, Bazar Geo and Las Malvinas. Buenos Aires Design's five largest tenants (in terms of sales in this shopping center) accounted for approximately 25.2% of its gross leaseable area as of June 30, 2011 and 29.7% of its annual base rent for the fiscal year ended on such date.

**Alto Rosario, Santa Fe, City of Rosario.** Alto Rosario is a shopping center of 145 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 28,646 square meters of gross leaseable area. This center is primarily devoted to clothing and entertainment and includes a food court with 17 stores, a children's entertainment area, a 14-screen cinema complex and parking lot for close to 1,736 vehicles. In the fiscal year ended June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 610.9 million, which represents annual sales for approximately Ps. 21,326.8 per square meters. Principal tenants are Frávega, Cines Rosario, Sport 78, Red Megatone and Compumundo. Alto Rosario's five largest tenants (in terms of sales in this shopping center) accounted for approximately 37.1% of Alto Rosario's gross leaseable area as of June 30, 2011 and 17.9% of its annual base rent for the fiscal year ended on such date.

**Mendoza Plaza Shopping, Mendoza, City of Mendoza.** Mendoza Plaza Shopping is a 150-store shopping center located in the City Mendoza in the Province of Mendoza. It consists of 40,659 square meters of gross leaseable area. Mendoza Plaza has a multiplex movie theatre covering an area of approximately 3,659 square meters, the Chilean department store Falabella, a food court with 22 stores, an entertainment center and a supermarket which is also a tenant. In the fiscal year ended June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 733.4 million, which represents annual sales for approximately Ps. 18,037 per square meters. Principal tenants currently include Falabella, Super Plaza Vea, Garbarino, Frávega and Cines MP. Mendoza Plaza's five largest tenants (in terms of sales in this shopping center) accounted for approximately 44.3% of its gross leaseable area at June 30, 2011, and approximately 34.7% of its annual base rent for the fiscal year ended on such date.

**Córdoba Shopping, Villa Cabrera, City of Córdoba.** Córdoba Shopping is a 108-store commercial center located in Villa Cabrera, Province of Córdoba. It covers 15,174 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. During the six-month period ended June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 244.2 million, which represents annual sales for approximately Ps. 16,092.4 per square meter. Principal tenants are Cines CBA, Mc Donald's, Garbarino, Jazmin Chebar and Rapsodia. Córdoba Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 42.3% of its gross leaseable area as of June 30, 2011 and approximately 16.4% of its annual base rent for the fiscal year ended on such date. On July 2011, a new food court was inaugurated.

**Dot Baires Shopping, City of Buenos Aires, Buenos Aires.** Dot Baires Shopping is a shopping center that was opened in May 2009. It has 4 floors and 3 underground levels, a covered surface area of 173,000 square meters, of which 49,527 constitute Gross Leasable Area, 155 retail stores, a hypermarket, a 10-screen multiplex movie theater and parking space for 2,200 vehicles. Alto Palermo is owner of Dot Baires Shopping through an 80% ownership interest in this shopping center. For the fiscal year ended on June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 985.7 million, which represents annualized sales for approximately Ps. 19,901.5 per square meters. 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 46.5% of its gross leaseable area as of June 30, 2011 and approximately 29.2% of its annual base rent for the fiscal year ended on such date.

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***Soleil Factory, San Isidro, Province of Buenos Aires.*** On December 28, 2007, APSA and INCSA signed a letter of intent to acquire, build and manage a shopping center in a plot of land owned by INCSA, located in the City of San Miguel de Tucumán, Province of Tucumán. This transaction was contingent upon the acquisition of the Soleil Factory shopping center. Upon completion of the acquisition of the Soleil Factory on July 1, 2010, as described below, APSA was obligated to commence the construction works on the site on May 2, 2011. However, INCSA shall comply with certain obligations prior to the commencement of said 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 APSA. As of the date of this annual report, these obligations have not been fulfilled and the construction works have not commenced.

On July 1, 2010, APSA and INCSA entered into an agreement pursuant to which the Soleil Factory shopping center and other fixed assets were transferred to APSA. The transaction excluded any receivable or payable arising out of INCSA's business prior to the transaction and also excluded a building, which currently is being operated as a hypermarket within the same premises. INCSA transferred the deed of title to APSA on August 3, 2011. The transaction was authorized by the *Comisión Nacional de Defensa de la Competencia*, the National Commission of Competition in Argentina, on April 12, 2011.

Soleil Factory is a one-story shopping center, with a surface area of 48,313 square meters, 14,091 square meters of which are gross leaseable area, in respect of which APSA is also authorized to build more than 9,697 square meters. It comprises 74 stores and 2,335 parking spaces. Soleil Factory opened in Argentina more than 25 years ago and we are turning it into a top-brand outlet. During the fiscal year ended June 30, 2011, the public visiting the shopping center generated nominal retail sales totaling approximately Ps. 204.1 million, representing average sales for the period of approximately Ps. 14,483.2 per square meters. The main tenants include Cinemark, Cheeky, Stock Center, Dexter Outlet and Mc Donald's. Soleil Factory's five largest tenants (in terms of sales in this shopping center) accounted for approximately 41.9% of its gross leaseable area as of June 30, 2011 and approximately 32.0% of its annual base rent for the fiscal year ended on such date.

### ***Control Systems***

APSA has a computer systems to monitor tenants' sales in all of our shopping centers (except Nuevo Puerto de Santa Fé) . APSA also conduct regular manual audits of APSA's tenants accounting sales records in all of our shopping centers. Almost every store in those shopping centers has a point of sale 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 statistics regarding total sales, average sales, peak sale hours, etc., for marketing purposes and as a reference for the processes of internal audit. The lease contracts for tenants in Alto Avellaneda, Alto Palermo, Paseo Alcorta, Patio Bullrich, Buenos Aires Design (only with in respect to agreements signed after its acquisition), Abasto, Alto Rosario Shopping, Alto NOA, Dot Baires, Córdoba Shopping, Soleil and Mendoza Plaza Shopping contain a clause requiring tenants to be linked to the computer monitoring system, there being certain exceptions to this requirement.

### ***Related Business***

#### ***Consumer financing segment***

We operate a consumer financing business through APSA's wholly-owned subsidiary Metroshop and our affiliate Tarshop. On December 29, 2009, APSA entered into an agreement to sell shares representing 80% of Tarshop's stock to Banco Hipotecario for US\$26.8 million, which sale was approved by the Central Bank on August 30, 2010. As a

result, on September 13, 2010, APSA transferred 107,037,152 common shares of Tarshop to Banco Hipotecario, maintaining only 20% of Tarshop's capital stock. Due to this sale, the Consumer financing segment will have a less significant impact on APSA results of operations going forward. As part of the sale, we agreed to not compete for 5 years in the credit card and/or consumer business in which Tarshop has a presence. APSA acquired 50% of the capital stock of Metroshop from Tarshop on May 21, 2010, and the remaining 50% from Metronec S.A. on January 13, 2011. Metroshop has agreed to sell to Tarshop S.A. its credit card portfolio comprised by delinquent accounts of less than 60 days, among other assets. As of the date of this annual report, we are analyzing various possibilities in order to define the future operations of Metroshop. On July 20, 2011, the general extraordinary shareholders' meeting of Metroshop S.A. unanimously approved the change of its corporate name to APSAMEDIA S.A. and the amendment of its corporate purpose to capitalize on market opportunities. See "Related Party Transactions—Negotiation between Metroshop and Tarshop."

#### *Sales and Development of Properties and Land Reserves*

##### *Residential Development Properties*

The acquisition and development of residential apartment complexes and residential communities for sale is one of our core activities. Our development of residential apartment complexes consists of the new construction of high-rise towers or the conversion and renovation of existing structures such as factories 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, 2011, revenues from our Development and sale of properties segment were Ps. 341.1 million, compared to Ps. 225.6 million in the fiscal year ended June 30, 2010.

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.

The following table shows certain information and gives an overview regarding our sales and development properties as of June 30, 2011, 2010 and 2009:

Table of Contents**Sales and Development Properties**

| Developments  | Date of Acquisition | Estimated / Real Cost (in thousands of Ps.) (1) | Area intended for Sale (sqm) (2) | Total Units / Lots (3) | IRSA's Effective Interest | Percentage Built | Percentage Sold (4) | Accumulated Sales (in thousands of Ps.) (5) | Accumulated Sales the Fiscal Years ended June 30, (in thousands of Ps.) |                |      |
|---|---------------------|---|----------------------------------|------------------------|---------------------------|------------------|---------------------|---|---|----------------|------|
|   |                     |   |                                  |                        |                           |                  |                     |   | 2011  | 2010           | 2009 |
| <b>Residential</b>                                    |                     |   |                                  |                        |                           |                  |                     |   |   |                |      |
| <b>Apartments</b>                                     |                     |   |                                  |                        |                           |                  |                     |   |   |                |      |
| Torres Renoir <sup>(15)</sup>                         | 09/09/99            | 22,861  | 5,383                            | 28                     | 100.00%                   | 100.00%          | 100.00%             | 53,940                                      | -   | 142,500        |      |
| Caballito Nuevo <sup>(16)</sup>                       | 11/03/97            | -   | 6,833                            | 118                    | 100.00%                   | 100.00%          | 81.18%              | 39,170                                      | 39,170  | -              |      |
| Torres de Rosario <sup>(8) (15)</sup>                 | 04/30/99            | -   | 4,692                            | 80                     | 94.89%                    | 100.00%          | 3.08%               | 1,530                                       | 1,530   | -              |      |
| Libertador 1703 /1755 (Horizons) <sup>(14) (17)</sup> | 01/16/07            | 399,355   | 44,648                           | 467                    | 50.00%                    | 100.00%          | 100.00%             | 92,362                                      | 92,362  | -              |      |
| Other Residential Apartments <sup>(9)</sup>           | N/A                 | 231,677   | 158,747                          | 1,660                  |                           |                  |                     | 310,128                                     | 1,599   | 117,000        |      |
| <b>Subtotal Residential Apartments</b>                |                     | <b>653,893</b>                                  | <b>220,303</b>                   | <b>2,353</b>           |                           |                  |                     | <b>497,130</b>                              | <b>134,661</b>  | <b>259,500</b> |      |
| <b>Residential Communities</b>                        |                     |   |                                  |                        |                           |                  |                     |   |   |                |      |
| Abril/Baldovinos <sup>(10)</sup>                      | 01/03/95            | 130,955   | 1,408,905                        | 1273                   | 100.00%                   | 100.00%          | 99.50%              | 238,669                                     | 1,607   | 5,067          |      |
| El Encuentro <sup>(18)</sup>                          | 11/18/97            | -   | 125,889                          | 110                    | 100.00%                   | 100.00%          | 64.24%              | 24,147                                      | 20,665  | 3,482          |      |
| Villa Celina I, II y III                              | 05/26/92            | 4,742   | 75,970                           | 219                    | 100.00%                   | 100.00%          | 100.00%             | 14,028                                      | -   | -              |      |
| <b>Subtotal Residential Communities</b>               |                     | <b>135,697</b>                                  | <b>1,610,764</b>                 | <b>1,602</b>           |                           |                  |                     | <b>276,844</b>                              | <b>22,272</b>   | <b>8,549</b>   |      |
| <b>Land Reserves</b>                                  |                     |   |                                  |                        |                           |                  |                     |   |   |                |      |
| Puerto Retiro   | 05/18/97            |   | 82,051                           | -                      | 50.00%                    | 0.00%            | 0.00%               | -   | -   | -              |      |
| Santa María del Plata                                 | 07/10/97            |   | 715,951                          | -                      | 100.00%                   | 0.00%            | 10.00%              | -   | -   | -              |      |
| Pereiraola  | 12/16/96            |   | 1,299,630                        | -                      | 100.00%                   | 0.00%            | 100.00%             | 46,311                                      | -   | 46,311         |      |
| Terreno Rosario <sup>(8) (19)</sup>                   | 04/30/99            |   | 31,000                           | -                      | 94.89%                    | 0.00%            | 100.00%             | 34,003                                      | 22,931  | -              |      |
| Terreno Caballito                                     | 11/03/97            |   | 7,451                            | -                      | 100.00%                   | 0.00%            | 100.00%             | 52,658                                      | 52,658  | -              |      |

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|                                     |          |                   |                   |              |         |         |                  |                |                |
|-------------------------------------|----------|-------------------|-------------------|--------------|---------|---------|------------------|----------------|----------------|
| Neuquen <sup>(8)</sup>              | 07/06/99 | 4,332             | 1                 | 94.89%       | 0.00%   | 100.00% | 9,102            | 9,102          | -              |
| Terreno Baicom                      | 12/23/09 | 6,905             | -                 | 50.00%       | 0.00%   | 0.00%   | -                | -              | -              |
| Canteras Natal Crespo               | 07/27/05 | 4,300,000         | -                 | 50.00%       | 0.00%   | 0.00%   | 336              | 63             | 21             |
| Terreno Beruti <sup>(8)</sup>       | 06/24/08 | 3,207             | -                 | 94.89%       | 0.00%   | 100.00% | 75,373           | 75,373         | -              |
| Pilar                               | 05/29/97 | 740,237           | -                 | 100.00%      | 0.00%   | 0.00%   | -                | -              | -              |
| Coto Air Space <sup>(8)</sup>       | 09/24/97 | 24,000            | -                 | 94.89%       | 0.00%   | 0.00%   | -                | -              | -              |
| Torres Jardín IV                    | 07/18/96 | 3,176             | -                 | 100.00%      | 0.00%   | 100.00% | 11,480           | 11,480         | -              |
| Terreno Caballito <sup>(8)</sup>    | 10/22/98 | 23,389            | -                 | 94.89%       | 0.00%   | 0.00%   | -                | -              | -              |
| Patio Olmos <sup>(8)</sup>          | 09/25/07 | 5,147             | -                 | 94.89%       | 100.00% | 0.00%   | -                | -              | -              |
| Other Land Reserves <sup>(11)</sup> | N/A      | 13,603,466        | 1                 |              |         |         | 4,182            | 1,969          | 1,172          |
| <b>Subtotal Land Reserves</b>       |          | <b>20,849,942</b> | <b>2</b>          |              |         |         | <b>233,445</b>   | <b>173,576</b> | <b>47,504</b>  |
| <u>Others</u>                       |          |                   |                   |              |         |         |                  |                |                |
| Madero 1020                         | 12/21/95 | 5,069             | N/A               | 100.00%      | 100.00% | 100.00% | 18,848           | -              | 71             |
| Della Paolera 265                   | 08/27/07 | 472               | N/A               | 100.00%      | 100.00% | 100.00% | 6,850            | -              | -              |
| Madero 942                          | 08/31/94 | 768               | N/A               | 100.00%      | 100.00% | 100.00% | 6,137            | -              | -              |
| Dock del Plata                      | 11/15/06 | 7,942             | N/A               | 100.00%      | 100.00% | 100.00% | 84,206           | -              | 42,136         |
| Libertador 498                      | 12/20/95 | 7,439             | N/A               | 100.00%      | 100.00% | 100.00% | 93,462           | 10,504         | 46,608         |
| Edificios Costeros                  | 03/20/97 | 6,389             | N/A               | 100.00%      | 100.00% | 100.00% | 68,580           | -              | 68,580         |
| Libertador 602                      | 01/05/96 | 677               | N/A               | 100.00%      | 100.00% | 100.00% | 10,948           | -              | 10,948         |
| Laminar                             | 03/25/99 | 6,521             | N/A               | 100.00%      | 100.00% | 100.00% | 74,510           | -              | -              |
| Reconquista 823                     | 11/12/93 | 5,016             | N/A               | 100.00%      | 100.00% | 100.00% | 31,535           | -              | -              |
| Locales Crucero I                   |          | 192               | N/A               | 100.00%      | 100.00% | 100.00% | 2,006            | -              | -              |
| Others <sup>(12)</sup>              | N/A      | -                 | N/A               | N/A          | N/A     | N/A     | 25,342           | 59             | 912            |
| <b>Subtotal Other</b>               |          | <b>40,485</b>     |                   |              |         |         | <b>422,424</b>   | <b>10,563</b>  | <b>169,255</b> |
| <b>Total <sup>(13)</sup></b>        |          | <b>789,590</b>    | <b>22,721,494</b> | <b>3,957</b> |         |         | <b>1,429,844</b> | <b>341,072</b> | <b>225,567</b> |

**Notes:**

1. Cost of acquisition plus total investment made and/or planned for apartments and residential communities' projects already developed or under development (adjusted for inflation as of 02/28/03, if applicable).-
2. Total area intended for sale upon completion of the development or acquisition and before the sale of any of the units (including parking and storage spaces but excluding common areas). In the case of Land Reserves the land area was considered.
3. Represents the total units or plots upon completion of the development or acquisition (excluding parking and storage spaces).
4. The percentage sold is calculated dividing the square meters sold by the total saleable square meters, which includes sales made under the preliminary sales agreements for which no title deed has been executed yet.
5. Includes only the cumulative sales consolidated by the RT21 method adjusted for inflation as of 02/28/03.-
6. Corresponds to the company's total sales consolidated by the RT4 method adjusted for inflation as of 02/28/03. Excludes turnover tax deduction.-
7. Cost of acquisition plus improvements, plus capitalized interest of consolidated properties in portfolio as of June 30, 2011, adjusted for inflation as of 02/28/03.
8. Through Alto Palermo S.A.
9. Includes the following properties: Torres de Abasto through APSA (fully sold), units to be received by Beruti through APSA, Torres Jardín, Edificios Cruceros (fully sold), San Martin de Tours, Rivadavia 2768, Alto Palermo Park (fully sold), Minetti D (fully sold), Dorrego 1916 (fully sold), Padilla 902 (fully sold), rights for residential units to be received in Caballito and Pereiraola lots through us.
10. Includes the sales of Abril's shares.
11. Includes the following land reserves: Pontevedra plot of land, Isla Sirgadero, San Luis plot of land, Mariano Acosta, Merlo and Intercontinental Plaza II through us, Zetol and Vista al Muelle through Liveck and C.Gardel 3134 (fully sold), C.Gardel 3128 (fully sold), Agüero 596 (fully sold), República Árabe Siria (fully sold), Terreno Mendoza (fully sold), Zelaya 3102, Conil, Soleil air space and Other APSA (Through APSA).
12. Includes the following properties: Dock XIII (fully sold). It also includes income from termination and income due to the reimbursement of common maintenance expenses, stamp tax and associated fees.
13. Corresponds to the "Sales and Developments" business unit mentioned in Note 6 to the Consolidated Financial Statements.
14. Owned by CYRSA S.A.

15. Corresponds to swap receivables disclosed as "Inventories" in the Consolidated Financial Statements for parcels "G" and "H". The degree of physical progress of parcel "G" at June 30, 2011 is 100% and of parcel "H" is 84%.
16. 78% of the area was sold under deed. The book value includes net realizable value for Ps. 373.3 thousand representing 1% of the total square meters.
17. Gains derived from 99.4% of sales have been recognized as Net Realizable Value.
18. 54% of the area was sold under deed. The book value includes net realizable value for Ps. 1,051.0 thousand representing 3% of the total square meters.
19. The book value includes net realizable value for Ps. 14,964.4 thousand following offer letters representing 41% of the total square meters.

### *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.

### *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, 2011, 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, 2011 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 2011, 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 has 165 parking spaces and also seven retail units that belong to us. All of the loft units in the complex have been sold.

***Concepción Arenal 3000, City of Buenos Aires.*** Concepción Arenal 3000 is a 70-loft residential property located in the north-central area of the City of Buenos Aires. Each loft unit has a salable area of 86 square meters and a parking space. Lofts in this building are targeted towards the middle-income market. As of June 30, 2011, the project had been completed and fully sold.

***Alto Palermo Park and Plaza, City of Buenos Aires.*** Alto Palermo Park is one of two 34-story apartment buildings located two blocks from Alto Palermo Shopping in the exclusive neighborhood of Palermo. Apartments in this building are targeted primarily towards the upper-income market. Alto Palermo Park is located next to its twin building, Alto Palermo Plaza. Both buildings are comprised of three- and four-bedroom apartments with an average

area of 158 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 meters parking/storage space, respectively. These buildings were included with the assets that we acquired in November 1997 from Pérez Companc. As of the date of this report, 100% of both towers was sold.

***Villa Celina, Province 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, 2011, 100% of the project had been sold.

***Torres Renoir, Dique III.*** During fiscal year 2006 we closed swap agreements that allowed us to start the construction of these two exclusive residential buildings of 37 and 40 stories. Located in Dique III in Puerto Madero, City of Buenos Aires, this project was directed to a medium-high income public. The project includes amenities and high-class services. As of June 30, 2011, the works were completed and the units were fully sold.

#### *Apartment Projects Currently Under Development*

***Torre Caballito, City of Buenos Aires.*** This property, with a surface of 8,404 square meters, is situated in the northern area of Caballito's residential neighborhood in the City of Buenos Aires. On May 4, 2006, 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 offers a wide variety of amenities and services. As a result of this transaction, Koad delivered to us 118 apartments and 61 parking lots in the first tower, representing 25% of the total square meters for sale. As of June 30, 2011, 82% of the apartments and 86% of the parking lots were sold and 21 apartments and 14 parking spaces are still on sale.

***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.

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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).

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, 2011 100% of the units were sold, the degree of progress was about 96.0% and 87 title deeds have been signed.

**PAMSA-Dot Baires Offices.** Panamerican Mall S.A., a subsidiary of APSA, developed an office building with a gross leasable area of 9,700 square meters adjacent to the shopping center opened in May 2009, Dot Baires. As of June 30, 2011, this building was in operating conditions and fully leased.

#### *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, 2011, our residential communities for the construction of single-family homes for sale in Argentina had a total of 7,422 square meters of saleable area in Abril, and 45,705 square meters 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, 2011, 99.5% of the property had been sold for an aggregate of Ps. 238.7 million, with 7,422 square meters available for sale.

***El Encuentro, Benavidez, Tigre.*** In the district of Benavidez, Municipality of Tigre, 35 kilometers north from downtown Buenos Aires, a 110-hectare gated residential complex known as “El Encuentro” is located, consisting of a total of 527 lots with a total saleable area of 610,785.15 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 127,795 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, 2011, after having started its commercialization in March 2010, 61 units have been sold and there are portfolio reserves for 16 additional units for an amount of US\$ 0.89 million, and 38 units are available for sale.

#### *Land Reserves*

We have acquired large undeveloped properties as land reserves located in strategic areas for the future development of office and apartment buildings, shopping centers and single family housing. We have acquired what we believe to be two of the largest and most important undeveloped river front plots in Buenos Aires, Puerto Retiro and Santa María del Plata, for the future development of residential and office spaces. In addition, we have benefited from the improvement of land values during periods of economic growth. As of June 30, 2011, our land reserves totaled 25 properties consisting of approximately 2,160 hectares (including the lot in Caballito, and the air space over Coto C.I.C.S.A. - “Coto”- where we hold interests through our subsidiary Alto Palermo).

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

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

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As part of the project, we have sold 10% of Solares de Santa María capital stock for US\$10.6 million to Mr. Israel Sutton Dabbah, who is part of the Sutton Group. An initial payment of US\$1.5 million was made and the balance of US\$9.1 million was capitalized in September 2010.

In September 2010, we acquired through E-Commerce Latina 100% of the capital stock of Unicity S.A. for an amount of US\$ 2.5 million. Unicity capitalized its US\$ 9.1 million debt with us 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.

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

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

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

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

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

***Puerto Retiro.*** Puerto Retiro is an 8.2 hectare undeveloped riverside property bounded by the Catalinas and Puerto Madero office zones to the west, the Retiro railway station to the north and the Río de la Plata to the south and east. One of the only two significant privately owned waterfront properties in the City of Buenos Aires, Puerto Retiro may

currently be utilized only for port activities, so we have initiated negotiations with municipal authorities in order to rezone the area. Our plan is to develop a 360,000 square meters 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, Ferro Project.** This is a property of approximately 23,791 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. The zoning for the property allows the development of a 30,000 square meters shopping center, 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. which already has the consent of the Executive Branch.

**Beruti plot.** 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 near to our Shopping Center known as “Alto Palermo Shopping”. The property has 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.

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

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

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**Caballito plot.** During this fiscal year, we and TGLT executed a barter deed pursuant to which we transferred to TGLT under a swap agreement the property detailed in the deed as described below, which has a total surface area of 9,784 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, TGLT agreed to carry out in the property a real estate development for residential use. In exchange for the transfer of the property, APSA will receive non-cash considerations equivalent to US\$ 12.75 million, which consist in transferring under barter to APSA certain home units in the buildings to be built which will represent 23.1% of the saleable area and 21.1% of the parking spaces. As security for the transaction, TGLT has granted to us a first-degree mortgage over the property in the amount of US\$ 12.75 million.

**Coto Residential Project.** Alto Palermo owns approximately 24,000 square meters 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. On July 25, 2008, an exchange 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 if certain conditions are met. In exchange, Cyrsa would deliver to APSA an undefined number of units in the building to be erected equivalent to 25% of the square meters. On September 17, 2010, the exchange agreement was terminated.

**Baicom plot.** 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 our subsidiary that owns 130-hectare undeveloped property adjacent to Abril, a private residential community developed by us.

On April 21, 2010, we entered into a purchase and sale agreement with a third party by means of which we agreed to sell 100% of Pereiraola S.A.’s capital stock. The purchase price of the transaction was set at US\$11.8 million plus VAT, which represented 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 to 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 the 36 months following the date its bid was accepted.

To secure payment of the price, the buyer pledged in our favor its Pereiraola’s shares and granted 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, 2011.

*Land Reserves in Other Provinces*

**Torres Rosario Project, City of Rosario, Province of Santa Fe.** APSA owns a plot of land of approximately 50,000 square meters divided into eight smaller plots in the City of Rosario, near the Alto Rosario Shopping Center.

On October 11, 2007, APSA entered into an exchange agreement with Condominios del Alto S.A., by means of which lot 2-G was transferred by APSA to Condominios de Alto S.A. As consideration for the exchange of the property, Condominios de Alto S.A. agreed to transfer to APSA 15 apartments, with an aggregate surface of 1,504 square meters and 15 parking spots. As of the end of fiscal year 2010, we and Condominios del Alto S.A. executed a supplementary deed that specifically determines the units involved in the exchange 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 of parcel 2-G is 100%.

Additionally, on November 27, 2008, APSA entered into an exchange agreement with Condominios de Alto S.A., by means of which APSA transferred lot 2-H to Condominios de Alto S.A. As consideration, for the exchange of parcel 2-H (totaling a surface area of 14,500 square meters for sale), Condominios del Alto S.A. will transfer 42 apartments, with aggregate total constructed surface of 3,188 square meters (representative of 22% of the total parking surface to be constructed in this property). The degree of completion of parcel 2-H is 84% and the works are expected to conclude during the first half of 2012.

As of June 30, 2011, the remaining lots were sold as follows: (i) on April 14, 2010, APSA sold lot 2-A for US\$4.2 million, (ii) on May 3, 2010, APSA sold lot 2-E for US\$1.4 million, (iii) on November 10, 2010, APSA sold lot 2-F for US\$1.9 million, (iv) on December 3, 2010, APSA sold lot 2-D for US\$1.5 million, (v) on December 3, 2010, APSA sold lot 2-B for US\$ 1.5 million and (vi) on December 3, 2010, APSA sold lot 2-C for US\$1.5 million.

*Condominios del Alto I- (parcel 2-G)*

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The project is composed of two opposite blocks of buildings, commercially divided into eight sub-blocks. Apartments (97 units) are distributed in six stories with 98 underground parking spaces. Condominios del Alto I's amenities include a swimming pool with solarium, a multiple use room, sauna, a gym with dressroom and a laundry. Given its excellent location and construction quality, this development is targeted to a medium-high income segment.

As of June 30, 2011, the construction of 15 apartments had been completed and two apartments with parking spaces had been sold, with 13 apartments and 13 parking spaces are available for sale.

*Condominios del Alto II – (parcel 2-H)*

The project will be composed of two opposite blocks of buildings, commercially divided into 10 sub-blocks. The project will include a total of 189 apartments distributed in six stories and 195 parking spaces located in two basements. The amenities will include a swimming pool with solarium, a multiple use room, sauna, a gym with dressroom and a laundry. Completion of the work is expected to occur in the first quarter of 2012.

As of June 30, 2011 45 parking spaces and 5 storage spaces were available for sale.

***Neuquén Project, Province of Neuquén.*** The main asset of the Neuquen 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 December 13, 2006 Shopping Neuquén signed an agreement with the Municipality of Neuquén and the Province of Neuquen, which establishes a timetable for land development and an authorization to Shopping Neuquén to sell plots of lands (different than those in which the shopping will be built). On April 8, 2010 the municipality approved the project and construction plans of the mall and the hypermarket, which construction began on July 5, 2010.

The first stage of the works is projected to be finished within the 22 month period following the date of commencement of the construction works. In the event of a breach in the conditions by APSA, the Municipality of Neuquén is entitled to terminate the agreement and repossess the property.

***Ex-Escuela Gobernador Vicente de Olmos, Córdoba, Province of Córdoba.*** In November 2006, we participated in a public bidding process called by Corporación Inmobiliaria Córdoba S.A. for the sale of the building known as Ex-Escuela Gobernador Vicente de Olmos, located in the City of Córdoba. The building has a surface of 5,147 square meters. 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 adjacent buildings with cinemas and a commercial annex connected to the property subject to the bid and connected by certain easement contracts. The building is under a concession contract granted by us effective for a 40-year term, expiring in February 2032. On September 25, 2007, the Government of the Province of Córdoba executed and delivered the title deed in our favor of the property where the Patio Olmos Shopping Center is currently operating.

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

This project 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, and lots for sale or rent, production of quarries, real estate business and construction of houses.

#### ***Purchase of Nobleza Piccardo's Plant***

We have acquired, through a subsidiary in which we have a 50% interest, the property where Nobleza Piccardo has its manufacturing plant. It is located in the City of San Martín (Av. San Martín 601), in the Province of Buenos Aires; and due to its size and location it is an excellent site for the future development of different segments. The total area of its plot is 160,000 square meters with a built area of 81,786 square meters. According to the executed agreement, Nobleza Piccardo will lease 100% of the plot during the first year, releasing it partially until the 3rd lease year, at which moment it will release the whole plot.

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

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

#### ***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 Pongvedra. 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 Liao Liao, 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 Liao Liao 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%.

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The following chart shows certain information regarding our luxury hotels:

| Hotels                             | 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 (Ps. 000) |
|------------------------------------|---------------------|---------------------------|-----------------|------------------------------------|---|---|----------|---------|----------------------|
|                                    |                     |                           |                 |                                    |   | 2011  | 2010     | 2009    |                      |
|                                    |                     |                           |                 |                                    |   | Intercontinental <sup>(3)</sup>                               | 11/01/97 | 76.34%  |                      |
| Sheraton Libertador <sup>(4)</sup> | 03/01/98            | 80.00%                    | 200             | 87.4%                              | 506                                       | 43,786  | 36,996   | 37,060  | 41,091               |
| Llao Llao <sup>(5)</sup>           | 06/01/97            | 50.00%                    | 201             | 49.7%                              | 1,258                                     | 70,256  | 58,806   | 60,486  | 75,207               |
| Terrenos Bariloche <sup>(5)</sup>  | 12/01/06            | 50.00%                    | N/A             | N/A                                | N/A                                       | N/A   | N/A      | N/A     | 21,900               |
| Total                              | -                   | -                         | 710             | 72.5%                              | 714                                       | 192,883   | 159,894  | 158,913 | 190,486              |

(1) Accumulated average in the fiscal year.

(2) Accumulated average in the fiscal year.

(3) Indirectly owned through Nuevas Fronteras S.A.

(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 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 Companc S.A. 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 meters 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, Liao Liao 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 Liao Liao 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.

#### ***International Investments***

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

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

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

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

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

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

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

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

On December 17, 2010, we entered into a stock purchase agreement with Cyrela pursuant to which we purchased from Cyrela a 50% interest in Liveck S.A. for US\$ 2.7 million. Accordingly, as of June 30, 2011, our interest, through Tyrus, in Liveck is 100%.

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

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

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

- (i) the mortgage debt was reduced from US\$ 210.0 million to US\$ 130.0 million at a Libor rate + 400 basis points, subject to a cap of 6.25% and a 7-year maturity term;
- (ii) the junior debt, amounting to US\$ 45.0 million (excluding accrued interest) was repaid with the payment of US\$ 2.25 million; and
- (iii) the existing ground leases will be maintained under the same terms and conditions as they were granted, in principle for a remaining period of 66 years.

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

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

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

As of June 30, 2011, this building had an occupancy rate over 89% generating average revenues above US\$ 60.0 per square meters per month.

At present, works are being carried out in the 26th floor of the building for the construction of 4 "turn key" offices designed by the renowned architecture firm Gensler. Those spaces are being leased and completion is expected to take place by the end of 2011. There is also a project in charge of the firm Moed de Armas & Shannon to remodel the interior and exterior of the Lobby while preserving its original style.

***Investment in Hersha Hospitality Trust.*** On August 4, 2009, through Real Estate Investment Group L.P. ("REIG"), a company indirectly controlled and managed by our Company, together with other minority investors, we acquired 5.7 million common shares of Hersha, a leading company in the hotels segment in the United States, for a total purchase price of US\$ 14.3 million. Accessorily to the initial acquisition of our equity interest in Hersha, we has an option to buy up to 5.7 million additional common shares in Hersha at a price of US\$ 3.00 per share exercisable at any time prior to July 31, 2014 subject to certain conditions. In addition, as a part of the investment agreements, our Board Chairman and CEO, Mr. Eduardo S. Elsztain, was appointed member of the board of directors of Hersha.

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In January 2010, we acquired 4.8 million additional shares for a total price of US\$ 14.4 million, increasing our stake in Hersha to 10.3%. In turn, on March 24, 2010, Hersha resolved upon a capital increase whereby it issued 27,600,000 Class A common shares. In connection with this increase we exercised our preemptive subscription rights granted under the initial transaction and acquired 3,864,000 additional Class A common shares for a price per share of US\$ 4.25, for a total amount of US\$ 16.4 million. In October 2010, under the scope of the new issue of capital, we acquired 2,952,625 Class A common shares, at a price per share of US\$ 5.8 for a total amount of US\$ 17.1 million. Then, during this fiscal period, we sold a total of 2,542,379 Class A common shares, at a weighted average price of US\$ 5.63 for a total amount of US\$ 14.3 million. Therefore, as of June 30, 2011, our interest in Hersha amounted to 9.2%.

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 some select niches in the US West coast. Hersha chooses its acquisitions in locations that it perceives as booming markets and relies on intensive management to create and enhance long-term value added.

As of June 30, 2011, Hersha's portfolio of hotels comprises majority stakes in 63 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 78 hotels represent over 10,443 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.

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

The purchased property consists of a pre-war building built in 1925 designed by the architecture firm Warren & Wetmore (the same that designed the Grand Central Terminal of New York). It has 19 office stories for rent and a store on its Ground Floor. The net leaseable area is approximately 22,893 square meters, 3,523 square meters of which correspond to retail stores and 19,677 square meters are offices.

The total purchase price was US\$ 85.1 million (US\$ 3,793 per leaseable square meters) composed of US\$ 45.1 million of principal (IMadison contributed US\$ 23.5 million) and US\$ 40 million under a loan granted by M&T Bank at a rate of 5.01% per annum due in 5 years and a facilities loan for US\$ 10 million to carry out the capex and prebuilds program.

As of June 30, 2011, the building's occupancy rate was over 63% and generated average revenues above US\$ 35 per square meters. During this period, works have been carried out to remodel the building's common areas and also to construct "turn key" offices in the ninth floor. The remodeling program is expected to be fully completed by the end of

the year.

***Supertel Hospitality Inc.***

On November 16, 2011, we reported that Real Estate Strategies L.P., an investment vehicle managed and indirectly wholly owned by us, had entered into a purchase agreement with Supertel Hospitality Inc. (“Supertel”), subject to Supertel’s shareholders’ approval and our approval to Supertel’s debt restructuring.

Supertel is a Real Estate Investment Trust (“REIT”) and its shares are listed and traded in NASDAQ under the symbol “SPPR”. Supertel began its operations in the late 1970s and in 1994 completed its Initial Public Offering.

Currently Supertel focuses on midscale, economy and extended-stay segments of the hospitality Industry, owning 101 hotels across 23 states of the US. Its properties are operated by various third party management companies and their franchise agreements, including brands such as Comfort Inn, Days Inn, Hampton Inn, Holiday Inn Express, Sleep Inn and Super 8.

In case the conditions described above are met, Real Estate Strategies L.P. will invest US\$20 million in exchange of two million newly issued preferred shares of Supertel, which will also include an option to purchase, up to an additional one million preferred shares for a price of US\$10 per share.

The preferred shares will bear an annual 6.25% preferred dividend; vote with the common stock, subject to certain voting limitations, and subject to ownership limitations, will be convertible into common stock of Supertel at the rate of ten shares for each share of preferred stock for a period of 5 years.

As part of the Agreement, Real Estate Strategies L.P. will also receive warrants to purchase 20 million shares of common stock, which may be increased up to 30 million shares pro rata with Real Estate Strategies L.P.’s exercise of the option for additional preferred shares. Subject to ownership limitations, these warrants are exercisable at any time with an exercise price of US\$ 1.20 per share for a period of 5 years (with forced exercise under certain conditions after 3 years).

The transaction is anticipated to close within 90 days, subject to the fulfillment of the aforementioned precedent conditions in connection to the approval of Supertel shareholders', and to the investor company satisfaction with certain Supertel's debt restructuring.

*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, 2011, we directly and indirectly owned interests in 22 office and other rental properties in Argentina, which comprised 327,838 square meters of gross leaseable area. Of these properties, 15 were office properties, which comprised 150,860 square meters of gross leaseable area. For fiscal year 2011, we had revenues from Offices and other non-shopping center rental properties of Ps. 164.6 million.

All our office rental property in Argentina is located in Buenos Aires City. For the year ended June 30, 2011, the average occupancy rate for all our properties in the Offices and other non-shopping center rental properties segment was approximately 85.0%. Seven different tenants accounted for approximately 43.0% of our total revenues from office rentals for fiscal year 2011: Exxon Mobile Business, Price Waterhouse, Grupo Total Austral, Apache Energía Argentina, Grupo Danone Argentina, Sibille S.C. (KPMG) and Microsoft de Argentina S.A.

*Management.*

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

*Leases.*

We lease our offices and other properties 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 offices and other non-shopping center rental properties:

| Offices and other rental properties           | Date of Acquisition | Gross Leasable Area (sqm) <sup>(1)</sup> | Occupancy Rate <sup>(2)</sup> | IRSA's Effective Interest | Monthly Rental Income (in thousands of Ps.) <sup>(3)</sup> | Annual accumulated rental income over fiscal years ended |                |                | Book Value (in thousands of Ps.) <sup>(5)</sup> |
|---|---------------------|--|-------------------------------|---------------------------|--|--|----------------|----------------|---|
|   |                     |  |                               |                           |  | (in thousands of Ps.) <sup>(4)</sup>                     |                |                |   |
|   |                     |  | June-11                       |                           |  | 2011   | 2010           | 2009           |   |
| <b>Offices</b>                                |                     |  |                               |                           |  |  |                |                |   |
| Edificio República                            | 04/28/08            | 19,884                                   | 85%                           | 100%                      | 2,302  | 26,013   | 21,188         | 17,114         | 215,535   |
| Torre Bankboston                              | 08/27/07            | 14,873                                   | 78%                           | 100%                      | 1,615  | 20,655   | 22,333         | 19,670         | 152,498   |
| Bouchard 551                                  | 03/15/07            | 23,378                                   | 91%                           | 100%                      | 1,969  | 24,026   | 22,441         | 20,342         | 148,242   |
| Intercontinental Plaza                        | 11/18/97            | 22,535                                   | 96%                           | 100%                      | 1,918  | 21,405   | 21,559         | 18,372         | 78,394  |
| Bouchard 710                                  | 06/01/05            | 15,014                                   | 92%                           | 100%                      | 1,591  | 16,800   | 14,076         | 17,379         | 64,277  |
| Dique IV, Juana Manso 295 <sup>(10)</sup>     | 12/02/97            | 11,298                                   | 92%                           | 100%                      | 1,264  | 14,715   | 13,963         | 1,743          | 62,218  |
| Maipú 1300                                    | 09/28/95            | 10,280                                   | 100%                          | 100%                      | 1,031  | 11,870   | 11,339         | 9,890          | 36,904  |
| Costeros Dique IV                             | 08/29/01            | 5,437                                    | 100%                          | 100%                      | 471  | 5,288  | 5,358          | 5,056          | 18,523  |
| Libertador 498                                | 12/20/95            | 3,094                                    | 100%                          | 100%                      | 430  | 5,301  | 6,900          | 9,285          | 12,024  |
| Suipacha 652/64                               | 11/22/91            | 11,453                                   | 95%                           | 100%                      | 652  | 7,071  | 4,804          | 3,820          | 10,484  |
| Madero 1020                                   | 12/21/95            | 101                                      | 100%                          | 100%                      | 3  | 35   | 31             | 32             | 197   |
| Dot Building <sup>(13)</sup>                  | 11/28/06            | 11,242                                   | 86%                           | 95%                       | 294  | 2,143  | -              | -              | 105,144   |
| Other Offices <sup>(6)</sup>                  | N/A                 | 2,271                                    | 86%                           | N/A                       | 189  | 965  | 4,602          | 18,768         | 4,690   |
| <b>Subtotal Offices</b>                       |                     | <b>150,860</b>                           | <b>91%</b>                    | <b>N/A</b>                | <b>13,729</b>  | <b>156,287</b>   | <b>148,594</b> | <b>141,471</b> | <b>909,130</b>                                  |
| <b>Other Properties</b>                       |                     |  |                               |                           |  |  |                |                |   |
| Commercial Properties <sup>(7)</sup>          | N/A                 | 312                                      | -                             | N/A                       | -  | -  | 1              | 209            | 3,379   |
| Museo Renault                                 | 12/06/07            | 1,275                                    |                               | 100%                      | -  | 191  | 356            | 356            | 4,692   |
| Santa María del Plata S.A.                    | 07/10/97            | 60,100                                   | 100%                          | 100%                      | 90   | 3,035  | 1,014          | 959            | 12,508  |
| Thames  | 11/01/97            | 33,191                                   | -                             | 100%                      | -  | -  | 175            | 607            | 3,897   |
| Predio San Martín                             | 05/31/11            | 80,028                                   | 100%                          | 50%                       | 1,300  | 669  | -              | -              | 69,994  |
| Catalinas Norte plot of land <sup>(12)</sup>  | 12/17/09            | N/A                                      | N/A                           | N/A                       | -  | 1,018  | N/A            | N/A            | 102,666   |
| Other Properties <sup>(8)</sup>               | N/A                 | 2,072                                    | 100%                          | N/A                       | 10   | 128  | 80             | 2,207          | 6,929   |
| <b>Subtotal Other Properties</b>              |                     | <b>176,978</b>                           | <b>80%</b>                    | <b>N/A</b>                | <b>1,400</b>   | <b>5,041</b>   | <b>1,626</b>   | <b>4,338</b>   | <b>204,065</b>                                  |
| Management Fees <sup>(11)</sup>               |                     | N/A                                      | N/A                           | N/A                       | N/A  | 3,290  | 3,944          | 1,940          | N/A   |
| <b>Total Offices and Other <sup>(9)</sup></b> |                     | <b>327,838</b>                           | <b>85%</b>                    | <b>N/A</b>                | <b>15,129</b>  | <b>164,618</b>   | <b>154,164</b> | <b>147,749</b> | <b>1,113,195</b>                                |

## Notes:

- (1) Total leaseable area for each property as of June 30, 2011. Excludes common areas and parking.
- (2) Calculated dividing occupied square meters by leaseable area as of June 30, 2011.
- (3) Agreements in force as of 06/30/11 for each property were computed.
- (4) Total leases consolidated by application of the method under Technical Resolution 21.

(5) Cost of acquisition, plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment.

(6) Includes the following properties: Madero 942 (fully sold), Av. de Mayo 595, Av. Libertador 602 (fully sold), Rivadavia 2774, Sarmiento 517, Dock del Plata (fully sold), Edificio Costeros (fully sold), Laminar (fully sold), Reconquista 823/41 (fully sold).

(7) Includes the following properties: Constitución 1111, Crucero I (fully sold); Retail stores in Abril (wholly assigned) and Casona de Abril.

(8) Includes the following properties: Constitución 1159 and Dique III (fully sold) and Canteras.

(9) Corresponds to the “Offices and other non-shopping center rental properties” business unit mentioned in Note 6 to the Consolidated Financial Statements.

(10) The building was occupied in May 2009.

(11) Revenues from building management fees.

(12) Includes other income from lease of parking spaces.

(13) Through Alto Palermo S.A. – The building has income as from August 2010.

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The following table shows a schedule of the lease expirations of our office and other properties for leases outstanding as of June 30, 2011, assuming that none of the tenants exercise renewal options or terminate their lease early. Most tenants have renewal clauses in their leases.

| <b>Fiscal year of lease expiration</b> | <b>Number of leases expiring</b> | <b>Surface area subject to expiring leases (m<sup>2</sup>)</b> | <b>Percentage of total surface area subject to expiration (%)</b> | <b>Annual rental income under expiring leases (Ps.)</b> | <b>Percentage of total rental income under expiring leases (%)</b> |
|--|----------------------------------|--|---|---|--|
| 2012                                   | 27                               | 64,595   | 23%   | 22,251,727  | 12%  |
| 2013                                   | 58                               | 39,813   | 14%   | 57,805,158  | 32%  |
| 2014                                   | 42                               | 40,626   | 15%   | 42,403,339  | 24%  |
| 2015+                                  | 61                               | 134,181  | 45%   | 57,758,706  | 32%  |
| <b>Total</b>                           | <b>188</b>                       | <b>279,215</b>   | <b>100%</b>   | <b>180,218,930</b>                                      | <b>100%</b>  |

\*Includes Offices which contract has not been renewed as of June 30, 2011.

\*Does not include vacant leased square meters.

\*Does not include square meters or revenues from parking spaces.

The following table shows our offices occupancy percentage as of the end of fiscal years ended June 30, 2011, 2010 and 2009:

|                        | <b>Occupancy Percentage</b>                     |             |             |
|------------------------|---|-------------|-------------|
|                        | <b>Fiscal year ended June 30 <sup>(1)</sup></b> |             |             |
|                        | <b>2011</b>                                     | <b>2010</b> | <b>2009</b> |
|                        | <b>(%)</b>                                      | <b>(%)</b>  | <b>(%)</b>  |
| <b>Offices</b>         |   |             |             |
| Intercontinental Plaza | 96  | 100         | 100         |
| Bouchard 710           | 92  | 83          | 100         |
| Bouchard 551           | 91  | 100         | 96          |
| Libertador 498         | 100   | 100         | 100         |
| Maipu 1300             | 100   | 99          | 100         |
| Madero 1020            | 100   | 100         | 100         |
| Suipacha 652/64        | 95  | 95          | 100         |
| Costeros Dock IV       | 100   | 90          | 90          |
| Torre Bankboston       | 78  | 96          | 100         |

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|                           |    |     |     |
|---------------------------|----|-----|-----|
| Edificio República        | 85 | 80  | 64  |
| Dique IV, Juana Manso 295 | 92 | 92  | 89  |
| Dot Building              | 86 | N/A | N/A |
| Others <sup>(2)</sup>     | 86 | 86  | 72  |

(1) Leased surface area in accordance with agreements in effect as of June 30, 2011, 2010 and 2009 considering the total leaseable office area for each year.

(2) Includes the following properties: Madero 942 (fully sold), Av. de Mayo 595, Av. Libertador 602 (fully sold), Rivadavia 2774, Sarmiento 517, Dock del Plata (fully sold), Edificio Costeros (fully sold), Laminar (fully sold) and Reconquista 823/41 (fully sold).

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The following table sets forth the annual average income per square meter for our offices during fiscal years ended June 30, 2011, 2010 and 2009:

|  | <b>Annual average income per square meter</b>   |                            |                            |
|--|---|----------------------------|----------------------------|
|  | <b>Fiscal year ended June 30 <sup>(1)</sup></b> |                            |                            |
|  | <b>2011</b>                                     | <b>2010</b>                | <b>2009</b>                |
|  | <b>(Ps./m<sup>2</sup>)</b>                      | <b>(Ps./m<sup>2</sup>)</b> | <b>(Ps./m<sup>2</sup>)</b> |
| <b>Offices</b>                           |   |                            |                            |
| Intercontinental Plaza                   | 950   | 957                        | 717                        |
| Bouchard 710                             | 1,119   | 938                        | 1,158                      |
| Bouchard 557                             | 1,028   | 960                        | 870                        |
| Libertador 498                           | 1,713   | 1,366                      | 1,005                      |
| Maipu 1300                               | 1,155   | 1,103                      | 962                        |
| Madero 1020                              | 347   | 307                        | 281                        |
| Suipacha 652/64                          | 617   | 419                        | 334                        |
| Costeros Dock IV                         | 973   | 985                        | 930                        |
| Torre Bankboston                         | 1,389   | 1,502                      | 1,238                      |
| Edificio República                       | 1,308   | 1,066                      | 861                        |
| Dique IV, Juana Manso 295 <sup>(2)</sup> | 1,302   | 1,236                      | 154                        |
| Dot Building                             | 191   | N/A                        | N/A                        |
| Others <sup>(3)</sup>                    | 425   | 404                        | 672                        |
| Notes:                                   |   |                            |                            |

(1) Calculated considering annual leases to total leaseable office area, in accordance with our percentage of ownership in each building.

(2) Fiscal year 2009 income corresponds to only 45 days.

(3) Includes the following properties: Madero 942 (fully sold), Av. de Mayo 595, Av. Libertador 602 (fully sold), Rivadavia 2774, Sarmiento 517, Dock del Plata (fully sold), Edificio Costeros (fully sold), Laminar (fully sold) and Reconquista 823/4 (fully sold).

#### *Additional Information About Our Office Properties*

Below is 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, City of Buenos Aires.** This property, which was designed by the renowned architect César Pelli (who also designed the World Financial Center in New York and the Petronas Towers in Kuala Lumpur) is a unique premium office building in downtown Buenos Aires and adds approximately 19,884 gross leaseable square meters to

our portfolio distributed in 20 floors. The main tenants include Apache Energía, Deutsche Bank, Estudio Beccar Varela, BASF Argentina S.A., Enap Sipetrol Argentina S.A., Maxifarm and Infomedia.

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

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

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

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**Dique IV, Juana Manso 295, Puerto Madero, City of Buenos Aires.** About mid-May 2009 we completed an office building located in Puerto Madero's Dock IV. It is a luxury building with a leasable area of approximately 11,298 square meters composed of large and versatile spaces. Its lay-out is optimum both for companies that require smaller office space at an average 200 square meters and for corporations that need the entire floor. The building has nine office stories and retail stores in the first story. The main tenant in the building is Exxon Mobile.

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

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

**Libertador 498, Ciudad de 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 5 stories with an average area per floor of 620 square meters and of 145 parking spaces. This building features a unique design in the form of a cylinder and a highly visible circular lighted sign at the top which turn it into a landmark in the Buenos Aires skyline. The main tenants include Sideco Americana S.A., Goldman Sachs Argentina LLC, Empresa Argentina de Soluciones Satelitales S.A., Japan Bank for the International Cooperation, Gates Argentina S.A., Kandiko S.A. and Allergan Productos Farmacéuticos S.A.

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

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

**PAMSA-Dot Baires Offices.** Pan American Mall S.A., a subsidiary of our subsidiary APSA, developed an office building with a gross leasable area of 11,241 square meters adjacent to Dot Baires Shopping. This building was opened in July 2010. As of June 30, 2011 the building's occupancy rate was 85.9%. The principal tenants include General Electric International Inc., Metrogames, Mallinckrodt Medical Arg. Limited, Carrier and Boston Scientific Argentina S.A. After the end of the fiscal year, the occupancy rate of this building reached 100%.

**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. 1.1 million in annual rental income for fiscal year 2011. Among these properties are Madero 942 (fully sold), Libertador 602 (fully sold), Dock del Plata (fully sold), Edificio Costeros (fully sold), Laminar (fully sold), Reconquista 823/41 (fully sold), Av. de Mayo 595, Rivadavia 2768 and Sarmiento 517.

***Retail and other properties.***

Our portfolio of rental properties as of June 30, 2011 includes 4 non-shopping center leased properties that are leased as shops on streets, a lot in industrial premises, two undeveloped plots of land and other properties for various uses. Most of these properties are located in the City of Buenos Aires, although some are located in other cities in Argentina. These properties include Constitución 1111, Museo Renault, Thames and Solares de Santa María.

***Terreno Catalinas Norte***

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

***Our Investment in Banco Hipotecario***

As of June 30, 2011, we owned approximately 29.77% of Banco Hipotecario which represented 14.5% of our consolidated assets as of such date. 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 49 branches and 18 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, 2011, Banco Hipotecario ranked fifth in the Argentine financial system in terms of shareholders' equity and thirteenth in terms of total assets. As of June 30, 2011, Banco Hipotecario's shareholders' equity was Ps.3,068.1 million, its assets were Ps.12,102.8 million, and its net income was Ps.218.4 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.

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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, 2011, its portfolio of non-mortgage loans represented 76.2% of its total loan portfolio, compared to 62.8% as of June 30, 2010.

During the period ended June 30, 2011, 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>At June 30,</b>                             |             | <b>% Change</b>  |
|---|--|-------------|------------------|
|   | <b>2011</b>                                    | <b>2010</b> | <b>2011/2010</b> |
|   | (in millions of Pesos, except for percentages) |             |                  |
| Bonds <sup>(1)</sup>                            | 1,847.6  | 2,336.5     | (20,9)           |
| Borrowings from Central Bank                    | 12.5   | 17.1        | (26,9)           |
| Borrowings from bank and international entities | 200.0  | 20.2        | NA               |
| Deposits  | 5,109.4  | 4,390.7     | 17.2             |
| Total   | 7,169.5  | 6,764.5     | 6.0              |

(1) Excludes accrued interest.

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

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

***Shopping centers***

Because most of our shopping centers are located in 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.

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

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| Company                              | Shopping Center                                 | Location<br>(1) | Gross leaseable<br>area<br>(sqm) | Shops        | National gross leaseable<br>area (2)<br>(%) | % Shops<br>(2)<br>(%) |
|--------------------------------------|---|-----------------|----------------------------------|--------------|---|-----------------------|
| <b>APSA</b>                          |   |                 |                                  |              |   |                       |
|                                      | Abasto de Buenos Aires                          | CABA            | 41,463                           | 175          | 2.54%                                       | 2.93%                 |
|                                      | Alto Palermo Shopping                           | CABA            | 18,701                           | 144          | 1.15%                                       | 2.41%                 |
|                                      | Buenos Aires Design <sup>(3)</sup>              | CABA            | 13,786                           | 62           | 0.84%                                       | 1.04%                 |
|                                      | Dot Baires Shopping                             | CABA            | 49,526                           | 153          | 3.03%                                       | 2.56%                 |
|                                      | Paseo Alcorta <sup>(4)</sup>                    | CABA            | 52,466                           | 112          | 3.21%                                       | 1.87%                 |
|                                      | Patio Bullrich                                  | CABA            | 11,742                           | 83           | 0.72%                                       | 1.39%                 |
|                                      | Córdoba Shopping <sup>(4)</sup>                 | Córdoba         | 22,185                           | 105          | 1.36%                                       | 1.76%                 |
|                                      | Alto Avellaneda <sup>(4)</sup>                  | GBA             | 67,543                           | 145          | 4.14%                                       | 2.42%                 |
|                                      | Soleil  | GBA             | 14,033                           | 74           | 0.86%                                       | 1.24%                 |
|                                      | Mendoza Plaza<br>Shopping <sup>(4)</sup>        | Mendoza         | 40,659                           | 150          | 2.49%                                       | 2.51%                 |
|                                      | Alto Rosario <sup>(4)</sup>                     | Rosario         | 40,909                           | 146          | 2.51%                                       | 2.44%                 |
|                                      | Alto Noa <sup>(4)</sup>                         | Salta           | 19,001                           | 92           | 1.16%                                       | 1.54%                 |
|                                      | Subtotal  |                 | 392,014                          | 1,441        | 24.01%                                      | 24.11%                |
| <b>Cencosud S.A.</b>                 |   |                 |                                  |              |   |                       |
|                                      | Portal de Palermo <sup>(4)</sup>                | CABA            | 32,252                           | 36           | 1.98%                                       | 0.60%                 |
|                                      | Portal de Madryn                                | Chubut          | 4,100                            | 26           | 0.25%                                       | 0.43%                 |
|                                      | Factory Parque Brown <sup>(4)</sup>             | GBA             | 31,468                           | 91           | 1.93%                                       | 1.52%                 |
|                                      | Factory Quilmes <sup>(4)</sup>                  | GBA             | 40,405                           | 47           | 2.48%                                       | 0.79%                 |
|                                      | Factory San Martín <sup>(4)</sup>               | GBA             | 35,672                           | 31           | 2.19%                                       | 0.52%                 |
|                                      | Las Palmas del Pilar<br>Shopping <sup>(4)</sup> | GBA             | 50,906                           | 131          | 3.12%                                       | 2.19%                 |
|                                      | Plaza Oeste Shopping <sup>(4)</sup>             | GBA             | 41,120                           | 146          | 2.68%                                       | 2.61%                 |
|                                      | Portal Canning <sup>(4)</sup>                   | GBA             | 15,114                           | 21           | 0.93%                                       | 0.35%                 |
|                                      | Portal de Escobar <sup>(4)</sup>                | GBA             | 31,995                           | 31           | 1.96%                                       | 0.52%                 |
|                                      | Portal Lomas <sup>(4)</sup>                     | GBA             | 32,883                           | 50           | 2.01%                                       | 0.84%                 |
|                                      | Unicenter Shopping <sup>(4)</sup>               | GBA             | 94,279                           | 287          | 5.78%                                       | 4.80%                 |
|                                      | Portal de los Andes <sup>(4)</sup>              | Mendoza         | 33,154                           | 45           | 2.03%                                       | 0.75%                 |
|                                      | Portal de la Patagonia <sup>(4)</sup>           | Neuquén         | 33,468                           | 94           | 2.05%                                       | 1.57%                 |
|                                      | Portal de Rosario <sup>(4)</sup>                | Rosario         | 66,361                           | 182          | 4.07%                                       | 3.04%                 |
|                                      | Portal de Tucumán <sup>(4)</sup>                | Tucumán         | 21,301                           | 94           | 1.31%                                       | 1.57%                 |
|                                      | Portal de Trelew <sup>(4)</sup>                 | Chubut          | 21,812                           | 69           | 1.34%                                       | 1.15%                 |
|                                      | Subtotal  |                 | 586,290                          | 1,381        | 35.95%                                      | 23.08%                |
| <b>Other<br/>Operators<br/>Total</b> |   |                 | <b>653,944</b>                   | <b>3,158</b> | <b>40.07%</b>                               | <b>52.80%</b>         |
|                                      |   |                 | <b>1,632,248</b>                 | <b>5,980</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.

### ***Development and sale of properties***

A large number of companies are currently competing with us in the development and sale of properties in Argentina, as this segment is highly fragmented. In addition, there is a substantial supply of comparable properties in the vicinity of our developed properties which may adversely affect our ability to sell our developed properties at prices that generate a positive return on our investment.

### ***Hotels***

We own three luxury hotels in Argentina which are managed through strategic alliances by international operators including Sheraton Overseas Management Corporation, Intercontinental Hotels Corporation and the local operator Compañía de Servicios Hoteleros S.A. which manages the Hotel Alvear. The Hotel Llao Llao is unique for its landscape and beauty, and our other two hotels, Hotel Intercontinental and Hotel Sheraton Libertador, are located in the City of Buenos Aires. We compete with many other leading luxury hotels in the City of Buenos Aires including, among others: Abasto Plaza, Alvear Palace, Caesar Park, Claridge, Emperador, Feir's Park, Four Seasons, Hilton, Loi Suites, Marriot Plaza, Meliá, NH City, Panamericano, Sheraton, Sofitel, Madero, MayFlower, Etoile, Faena, and Regal Pacific.

### *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;
- 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 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 Courts authorized Alto Palermo 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 time necessary to recoup this investment.

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 month's 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.

### *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 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 regarding, 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 with regard to unencumbered property. Mortgaged property may only be registered where creditors agree to divide the debt in accordance with the subdivided plots. However, creditors may be judicially compelled to agree to the division;
- the preliminary registration with the Real Estate Registry of the purchase instrument 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 its 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.

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;
- a waiver of consumer rights;
- an extension of seller rights; and

- the 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 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.

*Buildings Law.* Buildings Law No. 19,724, as amended, sets forth a regime for the construction of buildings for subsequent 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 it is 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.

Title 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 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.

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 (financed by the Argentine Government) which would purchase the mortgage debts and reschedule the maturity date thereof. Financial institutions were afforded 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.

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 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 of 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.

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 the aggregate Ps.20.0 million or Ps.60.0 million during the last 36 months, these transactions must be notified to the Antitrust Authority.

As the consolidated annual sales volume of Alto Palermo and us 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 control 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 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 *Comisión Nacional de Valores* 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.

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

### ***C. Organizational Structure***

The following is our organizational chart showing our principal subsidiaries, as of June 30, 2011

- (1) 23.66% owned by Intercontinental Hotels Corporation.
- (2) 50% owned by the Sutton Group.
- (3) 20% owned by Hoteles Sheraton de Argentina.

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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, 2011.

| 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.               | Real estate     | Argentina                | 100%                                |
| Cyrsa S.A. <sup>(3)</sup>                 | Real estate     | Argentina                | 50%                                 |
| Inversora Bolivar S.A.                    | Real estate     | Argentina                | 100%                                |
| Quality Invest S.A. <sup>(4)</sup>        | Real estate     | Argentina                | 50%                                 |
| 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%                              |
| Hoteles Argentinos S.A.                   | Hotel           | Argentina                | 80%                                 |
| Llao Llao Resorts S.A.                    | Hotel           | Argentina                | 50%                                 |
| Alto Palermo S.A.                         | Shopping Center | Argentina                | 94.89%                              |
| Unicity S.A.                              | Investment      | Argentina                | 100%                                |

(1) Includes direct and indirect ownership

(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) We have joint control with EFESUL S.A..

We have a significant interest in Banco Hipotecario, an Argentine company organized under Argentine Law engaged in banking activity. As of June 30, 2011, we owned directly and indirectly 29.77% (without considering treasury shares) of Banco Hipotecario. Also, as of June 30, 2011, the voting power held by us directly and indirectly in Banco Hipotecario was 46.46%.

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

##### *Property*

As of June 30, 2011, most of our property (consisting of rental properties in the office and retail real estate sectors, development properties primarily in the residential real estate sector and shopping centers) was 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.

The following table sets forth certain information about our properties as of June 30, 2011:

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| Property (9)(11)                   | Date of Acquisition | Leasable/ Sale m2(1) | Location             | Net Book Value Ps./000(2) | Encumbrance | Outstanding principal amount Ps./000 | Maturity Date | Balance due at maturity | Rate                             | Use               | Occupancy rate (1) |
|------------------------------------|---------------------|----------------------|----------------------|---------------------------|-------------|--------------------------------------|---------------|-------------------------|----------------------------------|-------------------|--------------------|
| Intercontinental Plaza(3)          | 11/18/97            | 22,535               | City of Buenos Aires | 78,394                    | -           | -                                    | -             | -                       | -                                | Office Rental     | 96.                |
| ... Building                       | 11/28/06            | 11,242               | City of Buenos Aires | 105,143                   | -           | -                                    | -             | -                       | -                                | Office Rental     | 85.                |
| ... Richard 710                    | 06/01/05            | 15,014               | City of Buenos Aires | 64,277                    | -           | -                                    | -             | -                       | -                                | Office Rental     | 92.                |
| ... Richard 551                    | 03/15/07            | 23,378               | City of Buenos Aires | 148,242                   | -           | -                                    | -             | -                       | -                                | Office Rental     | 90.                |
| ... Bertador 498                   | 12/20/95            | 3,094                | City of Buenos Aires | 12,024                    | -           | -                                    | -             | -                       | -                                | Office Rental     | 100.               |
| ... ipú 1300                       | 09/28/95            | 10,280               | City of Buenos Aires | 36,904                    | -           | -                                    | -             | -                       | -                                | Office Rental     | 100.               |
| ... dero 1020                      | 12/21/95            | 101                  | City of Buenos Aires | 197                       | -           | -                                    | -             | -                       | -                                | Office Rental     | 100.               |
| ... pacha 2/64                     | 11/22/91            | 11,453               | City of Buenos Aires | 10,484                    | Mortgage(6) | -                                    | -             | -                       | -                                | Office Rental     | 95.                |
| ... steros que IV                  | 08/29/01            | 5,437                | City of Buenos Aires | 18,523                    | -           | -                                    | -             | -                       | -                                | Office Rental     | 100.               |
| ... ficioública que IV, na Manso 5 | 04/28/08            | 19,884               | City of Buenos Aires | 215,535                   | Mortgage    | 55.2                                 | Abr-13        | 27.6                    | annual nominal 12% over balances | Office Rental     | 85.                |
| ... De Mayo 5/99                   | 12/02/97            | 11,298               | City of Buenos Aires | 62,218                    | -           | -                                    | -             | -                       | -                                | Office Rental     | 91.                |
| ... radavia 2768                   | 08/19/92            | 1,958                | City of Buenos Aires | 4,255                     | -           | -                                    | -             | -                       | -                                | Office Rental     | 100.               |
| ... miento 517                     | 09/19/91            | 274                  | City of Buenos Aires | 191                       | -           | -                                    | -             | -                       | -                                | Office Rental     | 0.                 |
| ... nstitución 1                   | 01/12/94            | 39                   | City of Buenos Aires | 244                       | -           | -                                    | -             | -                       | -                                | Office Rental     | 0.                 |
|                                    | 06/16/94            | 312                  | City of Buenos Aires | 854                       | -           | -                                    | -             | -                       | -                                | Commercial Rental | 0.                 |

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|                              |            |        |                                       |         |          |      |        |      |      |                      |      |
|------------------------------|------------|--------|---------------------------------------|---------|----------|------|--------|------|------|----------------------|------|
| re Bank<br>ston              | 08/27/07   | 14,873 | Aires<br>City of<br>Buenos<br>Aires   | 152,498 | -        | -    | -      | -    | -    | Office<br>Rental     | 78.  |
| seo Renault                  | 12/06/07   | 1,275  | City of<br>Buenos<br>Aires            | 4,692   | -        | -    | -      | -    | -    | Commercial<br>Rental | 0.   |
| ta María del<br>ta           | 07/10/97   | 60,100 | City of<br>Buenos<br>Aires            | 12,508  | -        | -    | -      | -    | -    | Others<br>Rentals    | 100. |
| ames <sup>(3)</sup>          | 11/01/97   | 33,191 | Province<br>of<br>Buenos<br>Aires     | 3,897   | -        | -    | -      | -    | -    | Others<br>Rentals    | 0.   |
| stitución<br>9               | 01/16/94   | 2,072  | City of<br>Buenos<br>Aires            | 6,387   | -        | -    | --     | --   | -    | Others<br>Rentals    | 100. |
| reno<br>alinas Norte         | 12/17/2009 | N/A    | City of<br>Buenos<br>Aires            | 102,666 | -        | -    | -      | -    | -    | Others<br>Rentals    | N    |
| dio San<br>rtín              | 12/17/2009 | 80,028 | City and<br>Province<br>of Bs.<br>As. | 69,994  | Mortgage | 94.9 | May-14 | 31.6 | 7.5% | Others<br>Rentals    | 100. |
| er<br>perties <sup>(7)</sup> | N/A        | N/A    | City and<br>Province<br>of Bs.<br>As. | 3,067   | Mortgage | -    | -      | -    | -    | Office<br>Rentals    | N    |

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| Property <sup>(9)(11)</sup> | Date of Acquisition | Leasable/ Sale m2(1) | Location             | Net Book                     | Encumbrance | Outstanding              | Maturity Date | Balance         |      | Use             | Occupancy rate |
|-----------------------------|---------------------|----------------------|----------------------|------------------------------|-------------|--------------------------|---------------|-----------------|------|-----------------|----------------|
|                             |                     |                      |                      | Value Ps./000 <sup>(2)</sup> |             | principal amount Ps./000 |               | due at maturity | Rate |                 |                |
|                             | 11/23/97            | 18,701               | City of Buenos Aires | 280,946                      | -           | -                        | -             | -               | -    | Shopping Center | 9              |

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|   |            |           |                                |         |            |      |        |      |    |   |    |
|---|------------|-----------|--------------------------------|---------|------------|------|--------|------|----|---|----|
| Palermo<br>ping <sup>(4)</sup>          |            |           | City of<br>Buenos<br>Aires     |         |            |      |        |      |    | Shopping<br>Center                      | 9  |
| to <sup>(4)</sup>                       | 07/17/94   | 37,622    | City of<br>Aires               | 327,531 | -          | -    | -      | -    | -  | Shopping<br>Center                      | 9  |
| laneda <sup>(4)</sup>                   | 12/23/97   | 36,589    | City of<br>Avellaneda          | 172,135 | -          | -    | -      | -    | -  | Shopping<br>Center                      | 9  |
| o Alcorta <sup>(4)</sup>                | 06/06/97   | 13,816    | City of<br>Buenos<br>Aires     | 133,979 | -          | -    | -      | -    | -  | Shopping<br>Center                      | 9  |
| Bullrich <sup>(4)</sup>                 | 10/01/98   | 11,742    | City of<br>Buenos<br>Aires     | 137,572 | -          | -    | -      | -    | -  | Shopping<br>Center                      | 10 |
| Noa <sup>(4)</sup>                      | 03/29/95   | 19,001    | City of<br>Salta               | 41,813  | -          | -    | -      | -    | -  | Shopping<br>Center                      | 9  |
| os Aires<br>gn <sup>(4)</sup>           | 11/18/97   | 13,786    | City of<br>Buenos<br>Aires     | 17,659  | -          | -    | -      | -    | -  | Shopping<br>Center                      | 9  |
| Rosario<br>ping <sup>(4)</sup>          | 11/09/04   | 28,648    | City of<br>Rosario             | 141,034 | -          | -    | -      | -    | -  | Shopping<br>Center                      | 9  |
| doza Plaza<br>ping <sup>(4)</sup>       | 12/02/94   | 40,659    | City of<br>Mendoza             | 124,377 | -          | -    | -      | -    | -  | Shopping<br>Center                      | 9  |
| oba<br>ping Villa<br>era <sup>(4)</sup> | 12/31/06   | 15,203    | City of<br>Córdoba             | 79,887  | Anticresis | -    | -      | -    | -  | Shopping<br>Center                      | 9  |
| Baires<br>ping <sup>(4)</sup>           | 12/01/06   | 49,526    | City of<br>Buenos<br>Aires     | 492,799 | -          | -    | -      | -    | -  | Shopping<br>Center                      | 9  |
| quén<br>ct <sup>(4)</sup>               | 07/06/99   | N/A       | Province of<br>Neuquén         | 17,063  | -          | -    | -      | -    | -  | Shopping<br>Center (in<br>construction) | 9  |
| l <sup>(4)</sup>                        | 07/06/99   | 14,033    | Province of<br>Buenos<br>Aires | 68,715  | Mortgage   | 55.9 | Jul-17 | 51.8 | 5% | Shopping<br>Center (in<br>construction) | 9  |
| /Baldovinos                             | 01/03/95   | 1,408,905 | Province of<br>Buenos<br>Aires | 1,085   | -          | -    | -      | -    | -  | Residential<br>Communities              |    |
| ncuentro                                | 11/18/97   | 125,889   | Province of<br>Buenos<br>Aires | 5,918   | -          | -    | -      | -    | -  | Residential<br>Communities              |    |
| to Retiro <sup>(3)</sup>                | 05/18/97   | 82,051    | City of<br>Buenos<br>Aires     | 54,370  | -          | -    | -      | -    | -  | - Land Reserve                          |    |
| eno Baicom                              | 12/23/2009 | 6,905     | City of<br>Buenos<br>Aires     | 4,459   | -          | -    | -      | -    | -  | - Land Reserve                          |    |
| a María del                             | 07/10/97   | 715,951   | City of<br>Buenos<br>Aires     | 158,742 | -          | -    | -      | -    | -  | - Land Reserve                          |    |
| eno Torres<br>osario <sup>(4)</sup>     | 04/30/99   | 31,000    | City of<br>Rosario             | 25,511  | -          | -    | -      | -    | -  | - Land Reserve                          |    |

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|                                  |          |            |                                |         |   |   |   |   |                           |
|----------------------------------|----------|------------|--------------------------------|---------|---|---|---|---|---------------------------|
| erlas Natal<br>po                | 07/27/05 | 4,300,000  | Province of<br>Córdoba         | 5,779   | - | - | - | - | - Land Reserve            |
| Olmos <sup>(4)</sup>             | 09/25/07 | 5,147      | Province of<br>Córdoba         | 33,475  | - | - | - | - | City of<br>- Buenos Aires |
| rs Reserves<br>nd <sup>(5)</sup> | N/A      | 14,384,077 | Province of<br>Buenos<br>Aires | 137,666 | - | - | - | - | - Land Reserve            |



| Property <sup>(9)(11)</sup> | Date of Acquisition | Leasable/<br>Sale<br>m2(1)<br>N/A | Location<br>City and<br>Province<br>of Bs.As. | Net Book Value         |             | Outstanding principal |               | Balance due at |      | Use                                 | Occupancy rate <sup>(10)</sup> |
|-----------------------------|---------------------|-----------------------------------|---|------------------------|-------------|-----------------------|---------------|----------------|------|-------------------------------------|--------------------------------|
|                             |                     |                                   |   | Ps./000 <sup>(2)</sup> | Encumbrance | Ps./000               | Maturity Date | maturity Rate  | Rate |                                     |                                |
|                             | N/A                 | N/A                               |   | 312,708                | -           | -                     | -             | -              | -    | - Residential apartments and others | N/A                            |

| Residential<br>apartments,<br>communities<br>and others <sup>(8)</sup> |          |        |                             |        |          |   |   |   |   |       |      |
|--|----------|--------|-----------------------------|--------|----------|---|---|---|---|-------|------|
| Hotel Llao Llao  | 06/01/97 | 24,000 | City of<br>Bariloche        | 75,207 | -        | - | - | - | - | Hotel | 49.7 |
| Hotel<br>Intercontinental  | 11/01/97 | 37,600 | City of<br>Buenos<br>Aires  | 52,288 | -        | - | - | - | - | Hotel | 78.2 |
| Hotel Sheraton<br>Libertador   | 03/01/98 | 17,463 | City of<br>Buenos<br>Aires  | 41,091 | -        | - | - | - | - | Hotel | 87.4 |
| Bariloche Plot<br>of Land  | 12/01/06 | N/A    | Province<br>of Rio<br>Negro | 21,900 | Mortgage | - | - | - | - | Hotel | N/A  |

(1) Total leasable area for each property. Excludes common areas and parking spaces.

(2) Cost of acquisition or development (adjusted as discussed in Note 2.c. to the consolidated audited financial statements), plus improvements, less accumulated depreciation, less allowances.

(3) Through IBSA.

(4) Through Alto Palermo.

(5) Includes the following land reserves: Pilar and Torre Jardín IV plot of land, Pontevedra plot; Isla Sirgadero; Mariano Acosta, Intercontinental Plaza II, advance purchase San Luis and Merlo (through SRSA), Zetol and Vista al Muelle (through Liveck) and Caballito plot of land, the air space Coto project, C. Gardel 3128/34, Agüero 596, Zelaya 3102 and Conil (through Alto Palermo).

(6) 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.

(7) Includes the following properties: Abril and Alto Palermo Park.

(8) Includes the following properties: Torres Renoir I, Torres Jardín, Edificios Cruceros, San Martín de Tours, Rivadavia 2768, rights for residential units to be received Terreno Caballito (TGLT) and Caballito nuevo.

(9) All assets are owned by us or through any our subsidiary.

(10) Percentage of occupation of each property. The land reserves are assets that the company remains in the portfolio for future development.

(11) Does not include properties held outside of Argentina through our investments in Metropolitan, Rigby, Hersha and Liveck.

*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***

*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 increased the revenues of Alto Palermo, our subsidiary engaged in shopping center ownership and operation. During the fiscal years ended June 30, 2009, 2010 and 2011, our shopping center revenues were Ps. 396.7 million, Ps. 518.4 million and Ps. 674.8 million, respectively.

***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 Argentine crisis in 2001 and 2002, residential sales came to a virtual standstill and real estate prices fell sharply. During the last five years, the market has begun to recover gradually. 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, 2009, 2010 and 2011, our Development and Sale of Properties segment had revenues of Ps. 280.4 million, Ps. 225.6 million and Ps. 341.1million, respectively.

### ***Office and Other Non-Shopping Center Rental Properties***

The profitability of Offices and Other Non-Shopping Center Rental Properties segment is similarly affected by the macroeconomic factors described above. Favorable market conditions are also closely related to levels of vacancy and to the price at which we can lease our premises which in turn 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, 2009, 2010 and 2011, our Offices and Other Non-Shopping Center Rental Properties segment had revenues of Ps. 147.7 million, Ps. 154.2 million and Ps. 164.6 million, respectively.

### ***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 Argentines, many of whom replaced foreign travel with local travel. During fiscal years ended June 30, 2009, 2010 and 2011, our Hotels segment had revenues of Ps. 158.8 million, Ps. 159.9 million and Ps. 192.9 million, respectively.

### ***Financial Operations and Others***

As of June 30, 2011 we owned approximately 29.77% of Banco Hipotecario's capital stock, 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, 2009, 2010 and 2011, our investment in Banco Hipotecario generated a gain of Ps. 142.1 million,

Ps. 151.6 million and Ps. 76.7 million, respectively.

### **Variability of Results**

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

### **Critical Accounting Policies and Estimates**

In connection with the preparation of our 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 its 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:

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- business combinations;
- fixed assets, net;
- provision for allowances and contingencies;
- impairment of long-lived assets;
- deferred income tax;
- minimum presumed income tax (“MPIT”); and
- negative goodwill, net.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles used in Argentina and the regulations of the *Comisión Nacional de Valores* which differ in certain significant respects from generally accepted accounting principles in the United States of America.

***Business combinations***

Significant 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, 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. As far as banking operations are concerned, identifiable intangible assets, comprised of core deposit intangibles and customer relationship intangibles, represent the net present value of the future economy.

In some instances, the determination of fair values requires management to make significant assumptions with respect to the timing and amount of future revenues and expenses associated with an asset. Actual timing and amount of net cash flows from revenues and expenses related to that asset over time may differ materially from those initial estimates, and if the timing is delayed significantly or if the net cash flows decline significantly, the asset could become impaired.

***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)*

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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. 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. 1.7 million, Ps. 5.3 million and Ps.86.5 million for the years ended June 30, 2011, 2010 and 2009, respectively, mainly in connection with the construction of Shopping Neuquén, Dot Baires Shopping, Shopping Alto Rosario and Dique IV.

During the years 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.2.5 million, Ps.3.5 million and Ps.3.9 million for the years ended June 30, 2011, 2010 and 2009, respectively.

*Other property and equipment*

Other property and equipment are carried at cost (adjusted for inflation as described in Note 2.C to the Consolidated Financial Statements), 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> |
|--------------------------|--------------------------------------|
| - <u>Properties:</u>     |                                      |
| Office buildings         | Between 20 and 45                    |
| Shopping centers         | Between 16 and 31                    |
| Hotels                   | Between 14 and 24                    |
| Other                    | Between 16 and 50                    |
| - Leasehold improvements | 3                                    |
| - Facilities             | 10                                   |
| - Furniture and fixtures | Between 3 and 10                     |
| - Vehicles               | 5                                    |
| - Computer equipment     | 3                                    |

|                          |    |
|--------------------------|----|
| - Software               | 3  |
| -Machinery and equipment | 10 |

***Provisions for allowances and contingencies***

We provide for losses relating to mortgage and accounts receivable. The allowance for losses is based on the management's assessment of various factors, including the customers' credit risk, historical trends and other information. Although management uses the information available to make assessments, future adjustments to the allowances may be necessary if future economic conditions differ substantially from the assumptions used at the time of the determination. Management has considered all events and/or transactions subject to reasonable and standard estimation procedures. The consolidated financial statements reflect these 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' written reports. 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 were materially different from the assumptions used to make the assessments, it might cause a material effect on our consolidated financial statements. See note 3.r to our audited financial statements included elsewhere in this annual report.

***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.

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.

***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 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.

***Negative goodwill:***

Negative goodwill represents the excess of fair 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.



*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 this year.

**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 rate;
- 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 restoration of previously recognized impairment losses accounting;
- the accounting for convertible notes;
- the accounting of inventories;
- the revenue recognition of deferred brokerage commissions over the term of the respective leases;
- the escalation of revenue from rental under straight-line method or 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 derecognition of the put option for the sale of shares of Metropolitan;
- the differences between the price-level restated amounts of assets and liabilities and their historical basis, that under Argentine GAAP, are treated as permanent differences in accounting for deferred income tax calculation purposes while under U.S. GAAP are treated as temporary differences;
- the effect of the reversal of capitalized exchange differences;
- Acquisition of non controlling interest;

- the effects on deferred income tax of the foregoing taxes of the above-mentioned reconciling items, as appropriate; and
- the effect on minority interest of the above-mentioned reconciling items, as appropriate.

In addition, certain other disclosures required under U.S. GAAP have been included in the U.S. GAAP reconciliation. See Note 25 to our audited consolidated financial statements included elsewhere in this annual report.

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Net income under Argentine GAAP for the years ended June 30, 2009, 2010 and 2011 was approximately a gain of Ps. 158.6 million, Ps. 334.5 million and Ps. 282.1 million, respectively, compared to approximately a gain of Ps 6.6 million Ps 382.9 million and Ps. 400.2 million, respectively, under U.S. GAAP. Shareholders' equity under Argentine GAAP as of June 30, 2010 and 2011, was Ps. 2,403.0 million and Ps 2,481.8 million, respectively, compared to Ps 2,196.5 million and Ps. 2,179.7 million, respectively, under U.S. GAAP.

*Overview*

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

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

**Argentine Macroeconomic Environment**

As a result of the four-year recession that came to a close in the second quarter of 2002, the Argentine economy was dramatically weakened. The current account deficit and the budget deficit, together with the rigidity of its foreign exchange rate system (known as the convertibility regime), the country's excessive reliance on foreign capital and its mounting external debt resulted in a deep contraction of the economy and in a banking and fiscal crisis when capital started to leave the country. 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. In April 2002, the economy started its path to stabilization and realized a clear improvement during the second half of the year, mainly as a result of expanding exports and decreasing imports.

In May 2003, Argentina's political environment was reorganized when Néstor Kirchner took office as president. Argentina moved towards normalizing its relationship with the IMF, withdrew all the national and provincial governments' quasi-money securities from circulation 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. During 2004 and 2005, the Argentine economy continued to grow. 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.

In 2008, the global economy deteriorated significantly as a consequence of the subprime mortgage crisis. Thus, Argentina was faced with a global economic downturn and a drop in the level of activity that delayed the pace of growth. In 2008, inflation measured by the Wholesale Price Index ("IPIM") was 12.85%, the Peso depreciated against the U.S. Dollar by 8.97% and GDP increased by 4.05%.

The years 2009 and 2010 saw signs of an economic recovery on a global level, including increases in the level of activity in certain advanced economies, a reduction in unemployment and improvements in housing prices in the United States. Many currencies during this period appreciated against the U.S. Dollar, particularly those of Argentina's commercial partners, and the flow of capital to developing countries increased, improving Argentina's ability to pay the balance of its debt. In addition, local consumption grew during this period, driven by an increase in consumer financing.

In 2009, inflation measured by IPIM was 7.06%, the Peso depreciated against the U.S. Dollar by 9.5% and GDP increased by 2.61%. In 2010, inflation measured by IPIM was 14.57%, the Peso depreciated against the U.S. Dollar by 4.5% and GDP increased by 9.2%.

The Argentine GDP resumed the strong growth path that was interrupted in 2009, showing an increase of 9.2% in 2010, according to the Argentine Institute of Statistics and Censuses ("INDEC"). In 2011, the same positive trend in the level of activity has been noted. For the first half of 2011, the Monthly Economic Activity Estimator ("EMAE"), which is used to predict the GDP, rose 8.9% compared to the corresponding period of the prior year. With respect to inflation, the INDEC's measurements indicate that accumulated inflation for the first half of 2011 is approximately 5.5%.

The table below shows Argentina's GDP growth, inflation, dollar exchange rates and the appreciation (devaluation) of the Peso against the U.S. Dollar for the indicated periods.

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|  | <b>Fiscal year ended June 30,</b> |             |             |
|--|-----------------------------------|-------------|-------------|
|  | <b>2009</b>                       | <b>2010</b> | <b>2011</b> |
| Real GDP growth  | (4.1)%                            | 3.0%        | 9.14%       |
| Inflation (IPIM) <sup>(1)</sup>                                    | 5.4%                              | 15.2%       | 12.5%       |
| Inflation (CPI) <sup>(2)</sup>                                     | 5.3%                              | 11.0%       | 9.67%       |
| Appreciation (depreciation) of the<br>Peso against the U.S. Dollar | (20.5)%                           | (3.4)%      | (4.33)%     |
| Exchange rate per US\$1.00 as of the<br>end of the year            | Ps.3.7770                         | Ps.3.9110   | Ps.4.0900   |
| Average exchange rate per<br>US\$1.00 <sup>(3)</sup>               | Ps.3.3862                         | Ps.3.8255   | Ps.3.9805   |

(1) IPIM is the wholesale price index as measured by the Argentine Ministry of Economy and Production.

(2) CPI is the consumer price index as measured by the Argentine Ministry of Economy and Production.

(3) Represents average month-end closing exchange rates.

Sources: INDEC, Argentine Ministry of Economy and Production, *Banco de la Nación Argentina*.

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 Item 3 (d) "Risk Factors—Risks Related to Argentina."

## **Factors that Affect our Results**

### *Effects of the Argentine macroeconomic environment*

Most of our assets are located in Argentina, where we conduct our operations. Therefore, our financial condition and the results of our operations are significantly dependent upon the economic conditions prevailing in Argentina.

Changes in short- and long-term interest rates, unemployment and inflation may reduce the availability of consumer credit and the purchasing power of individuals who frequent shopping centers, as well as reducing economic activity and increase vacancy in our buildings and hotels.

Over the past three fiscal years, there has been a considerable improvement in private consumption and in the grant of loans to consumers, mainly due to a environment of relative stability, which has led to increased revenues in our three business segments.

### *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:

| <b>Year ended June 30,</b> | <b>Consumer Price Index</b> | <b>Wholesale Price Index</b> |
|----------------------------|-----------------------------|------------------------------|
| 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                       | 5.3%                        | 5.4%                         |
| 2010                       | 11.0%                       | 15.2%                        |
| 2011                       | 9.7%                        | 12.5%                        |

An increase in inflationary risk may erode our present macroeconomic stability, causing a negative impact on our operations. The IPIM increased by 8.48% in the first eight months of 2011, and the Consumer Price Index increased 5.63% in the same period.

Additionally, the minimum lease amounts paid by tenants in our shopping centers are generally adjusted in accordance with the *coeficiente de estabilización de referencia* (stabilization index, or "CER"), an inflation index published by the Central Bank. Although higher inflation rates in Argentina may increase the minimum lease amount, given that tenants tend to pass on any increases in their own expenses to consumers, higher inflation may lead to increased sale prices charged by tenants for their products, which will ultimately reduce their sales volumes and consequently the portion of rent we receive based on their total sales.

### ***Seasonality***

Our Shopping Center business is subject to seasonality, which affects the sales level of our tenants. During the summer holiday season (January and February) APSA's tenants experience their lowest sales levels, compared to the winter holidays (July) and the month of December (Christmas) when APSAs tenants tend to reach their peak sales figures. Clothes and footwear tenants usually change their collections in spring and autumn, which has a positive effect on shopping sales. Discount sales at the end of each season also impact our business.

### ***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 or 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. Since many of our customers have their cash flows in Pesos, a fluctuation in the 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.

### **Factors Affecting Comparability of our Results**

#### ***Recent Sale of 80% of our Consumer Financing Business***

In recent years, we have operated an important consumer financing business through our subsidiary Metroshop and our affiliate Tarshop. For the fiscal years ended June 30, 2008, 2009 and 2010, this consumer financing business

represented 45.5%, 36.9% and 33.8%, respectively, of APSA's revenues. In December 2009, we entered into an agreement for the sale of 80% of Tarshop's stock to Banco Hipotecario, our equity investee, for US\$26.8 million. On August 30, 2010, the Central Bank notified Banco Hipotecario of the approval of the transaction, and the transaction was closed on September 13, 2010. Immediately after the sale, our interest in Tarshop was reduced to 20% of its capital stock. Because we sold 80% of Tarshop in September 2010, our results for fiscal year 2011 and subsequent years will not be comparable to our results in past fiscal years. See "Summary—Unaudited Pro Forma Financial Information."

### ***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 transactions and other."

A general description of each segment follows:

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

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

*Shopping Centers.* This segment includes the operating results from the shopping center business, 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.* It includes the results from the management of the credit portfolio by the companies Tarshop S.A. and Metroshop S.A. As of September 1st, 2010, this segment no longer consolidates with our financial statements, remaining scarce activity in this segment.

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

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

*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 Hotels segments are allocated to these segments. These expenses are incurred individually by these segments. All other administrative expenses are prorated among the Development and sale of properties segment and the Offices and Other Non-Shopping Center Rental Properties segments based on the percentage of the operating assets and revenues generated by each segment. Accordingly, 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.

The following tables show certain operating data by business segment:

| As of and for year<br>ended June 30, 2011                    | Development<br>and sale of<br>properties | Office and<br>other<br>non-shopping<br>center rental<br>properties <sup>(1)</sup> | Shopping<br>centers | Hotels          | Consumer<br>Financing | Financial<br>transactions<br>and other | Total            |
|--|--|---|---------------------|-----------------|-----------------------|--|------------------|
|  | (in thousands of Ps.)                    |   |                     |                 |                       |  |                  |
| <b>Consolidated Income Statement data</b>                    |  |   |                     |                 |                       |  |                  |
| Revenues   | 341,074                                  | 164,618   | 674,779             | 192,883         | 68,576                |  | -1,441,930       |
| Costs  | (244,764)                                | (32,559)  | (181,473)           | (119,471)       | (22,488)              |  | -(600,755)       |
| <b>Gross profit</b>  | <b>96,310</b>                            | <b>132,059</b>  | <b>493,306</b>      | <b>73,412</b>   | <b>46,088</b>         |  | <b>- 841,175</b> |
| Selling expenses   | (15,396)                                 | (5,283)   | (40,229)            | (20,923)        | (24,873)              |  | -(106,704)       |
| Administrative expenses                                      | (41,425)                                 | (43,734)  | (67,935)            | (40,318)        | (6,947)               |  | -(200,359)       |
| Gain from recognition of inventories at net realizable value | 45,442                                   | -   | -                   | -               | -                     |  | - 45,442         |
| Net income from retained interest in securitized receivables | -  | -   | -                   | -               | 4,707                 |  | - 4,707          |
| Gain from operations and holding of real estate assets, net  | 128                                      | 1,012   | -                   | -               | -                     |  | - 1,140          |
| <b>Operating income</b>                                      | <b>85,059</b>                            | <b>84,054</b>   | <b>385,142</b>      | <b>12,171</b>   | <b>18,975</b>         |  | <b>- 585,401</b> |
| Amortization of negative goodwill, net                       | 981                                      | 725   | 15,621              | -               | 100                   |  | - 17,427         |
| Financial results, net                                       | (16,714)                                 | (38,369)  | (121,991)           | (11,326)        | (26,820)              | (67,026)                               | (282,246)        |
| Gain on equity investees                                     | 443                                      | -   | 41                  | 9,682           | 9,298                 | 118,956                                | 138,420          |
| Other income and expenses, net                               | (1,621)                                  | -   | (2,745)             | 1,040           | 9,245                 | (20,528)                               | (14,609)         |
| Gain before tax and minority interest                        | 68,148                                   | 46,410  | 276,068             | 11,567          | 10,798                | 31,402                                 | 444,393          |
| Income tax and minimum presumed income tax                   | (23,852)                                 | (16,244)  | (91,959)            | (7,046)         | 5,212                 | 29,365                                 | (104,524)        |
| Minority interest  | 768                                      | -   | (39,374)            | (19,161)        | -                     | 2                                      | (57,765)         |
| <b>Net Income, for the year</b>                              | <b>45,064</b>                            | <b>30,166</b>   | <b>144,735</b>      | <b>(14,640)</b> | <b>16,010</b>         | <b>60,769</b>                          | <b>282,104</b>   |
| Gross margin <sup>(2)</sup>                                  | 0.28                                     | 0.80  | 0.73                | 0.38            | 0.67                  |  | - 0.58           |

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|  |                |                  |                  |                |               |                  |                  |
|--|----------------|------------------|------------------|----------------|---------------|------------------|------------------|
| Operating margin <sup>(3)</sup>                | 0.25           | 0.51             | 0.57             | 0.06           | 0.28          | -                | 0.41             |
| Net margin <sup>(4)</sup>                      | 0.13           | 0.18             | 0.21             | (0.08)         | 0.23          | -                | 0.20             |
| Depreciations and amortizations <sup>(5)</sup> | 200            | 24,155           | 132,027          | 14,269         | 902           | -                | 171,553          |
| Consolidated Balance Sheet data                |                |                  |                  |                |               |                  |                  |
| Operating assets                               | 671,738        | 1,367,767        | 2,413,943        | 202,633        | 26,198        | 367,427          | 5,049,706        |
| Non-operating assets                           | 40,754         | 44,846           | (175,462)        | 36,913         | 22,510        | 1,296,043        | 1,265,604        |
| <b>Total assets</b>                            | <b>712,492</b> | <b>1,412,613</b> | <b>2,238,481</b> | <b>239,546</b> | <b>48,708</b> | <b>1,663,470</b> | <b>6,315,310</b> |
| Operating liabilities                          | 24,491         | 137,990          | 402,523          | 39,030         | 31,112        | -                | 635,146          |
| Non-operating liabilities                      | 483,151        | 436,886          | 1,568,627        | 198,135        | -             | 194,724          | 2,881,523        |
| <b>Total liabilities</b>                       | <b>507,642</b> | <b>574,876</b>   | <b>1,971,150</b> | <b>237,165</b> | <b>31,112</b> | <b>194,724</b>   | <b>3,516,669</b> |

(1) Includes offices, retail stores and residential units.

(2) Gross profit divided by Sales, leases and services.

(3) Operating income divided by Sales, leases and services.

(4) Income/(Loss) for the year divided by Sales, leases and services.

(5) Included in Operating income.

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| As of and for year ended<br>June 30, 2010                          | Development<br>and sale of<br>properties | Offices and<br>other<br>non-shopping<br>center rental<br>properties <sup>(1)</sup> | Shopping<br>centers | Hotels         | Consumer<br>Financing | Financial<br>transactions<br>and other | Total          |
|--|--|--|---------------------|----------------|-----------------------|--|----------------|
| (in thousands of Ps.)  |  |  |                     |                |                       |  |                |
| <b>Consolidated Income</b>   |  |  |                     |                |                       |  |                |
| <b>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> |
| 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)      |
| Gain from recognition of<br>inventories at net realizable<br>value | 33,831                                   | -  | -                   | -              | -                     | -                                      | 33,831         |
| Net Income from retained<br>interest in securitized<br>receivables | -  | -  | -                   | -              | 37,470                | -                                      | 37,470         |
| Gain from operations and<br>holding of real estate assets,<br>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 negative<br>goodwill, net                          | 844                                      | 863  | 561                 | -              | (627)                 | -                                      | 1,641          |
| Financial results, net   | (8,868)                                  | (18,487)   | (87,564)            | (15,697)       | (18,921)              | (15,559)                               | (165,096)      |
| Gain on equity investees   | 1,907                                    | -  | 40                  | 5,990          | -                     | 152,479                                | 160,416        |
| Other income and expenses,<br>net                                  | -  | -  | (1,321)             | 2,604          | (1,984)               | (9,610)                                | (10,311)       |
| Gain before tax and minority<br>interest                           | <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 minimum<br>presumed income tax                      | (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, for the year</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<br>amortizations <sup>(5)</sup>                  | 343                                      | 24,535   | 111,736             | 16,138         | 7,994                 | -                                      | 160,746        |
| <b>Consolidated Balance Sheet</b>                                  |  |  |                     |                |                       |  |                |
| <b>data</b>  |  |  |                     |                |                       |  |                |

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|                           |                |                  |                  |                |                |                  |                  |
|---------------------------|----------------|------------------|------------------|----------------|----------------|------------------|------------------|
| 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>657,648</b> | <b>1,088,752</b> | <b>1,934,317</b> | <b>248,251</b> | <b>327,271</b> | <b>1,377,202</b> | <b>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>368,236</b> | <b>474,751</b>   | <b>1,158,112</b> | <b>216,662</b> | <b>296,968</b> | <b>152,559</b>   | <b>2,667,288</b> |

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| As of and for year ended<br>June 30, 2009                          | Development<br>and sale of<br>properties | Offices and<br>other<br>non-shopping<br>center rental<br>properties <sup>(1)</sup> | Shopping<br>centers | Hotels        | Consumer<br>Financing | Financial<br>transactions<br>and other | Total          |
|--|--|--|---------------------|---------------|-----------------------|--|----------------|
| (in thousands of Ps.)  |  |  |                     |               |                       |  |                |
| <b>Consolidated Income</b>   |  |  |                     |               |                       |  |                |
| <b>Statement 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> |
| 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)      |
| Gain from recognition of<br>inventories at net realizable<br>value | 12,056                                   | -  | -                   | -             | -                     | -                                      | 12,056         |
| Net loss on retained interest<br>in securitized receivables        | -  | -  | -                   | -             | (46,012)              | -                                      | (46,012)       |
| Gain from operations and<br>holding of real estate assets,<br>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<br>goodwill, net                          | 455                                      | 1,100  | 47                  | -             | -                     | -                                      | 1,602          |
| Financial results and holding<br>results, net                      | (6,222)                                  | (14,202)   | (92,602)            | (16,083)      | (1,827)               | (5,445)                                | (136,381)      |
| Income / (loss) on equity<br>investees                             | 1,974                                    | -  | 40                  | -             | -                     | 59,528                                 | 61,542         |
| Other income and expenses,<br>net                                  | -  | -  | 3,882               | 127           | (606)                 | (12,258)                               | (8,855)        |
| Gain before tax and minority<br>interest                           | 117,376                                  | 63,383   | 126,270             | (7,366)       | (127,864)             | 41,825                                 | 213,624        |
| Income tax and minimum<br>presumed income tax                      | (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, for the year</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>(2)</sup>  | 0.47                                     | 0.80   | 0.72                | 0.38          | 0.48                  | -                                      | 0.58           |
| Operating margin <sup>(3)</sup>                                    | 0.43                                     | 0.52   | 0.54                | 0.05          | (0.53)                | -                                      | 0.24           |
| Net margin <sup>(4)</sup>  | 0.27                                     | 0.32   | 0.13                | 0.01          | (0.21)                | -                                      | 0.13           |
| Depreciations and<br>amortizations <sup>(5)</sup>                  | 782                                      | 23,962   | 88,063              | 18,001        | 5,584                 | -                                      | 136,392        |

**Consolidated Balance Sheet  
data**

|                           |                |                  |                  |                |                |                |                  |
|---------------------------|----------------|------------------|------------------|----------------|----------------|----------------|------------------|
| 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>       | <b>507,828</b> | <b>1,014,913</b> | <b>2,020,672</b> | <b>246,389</b> | <b>174,865</b> | <b>971,320</b> | <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        |
| <b>Total liabilities</b>  | <b>329,187</b> | <b>427,295</b>   | <b>1,086,175</b> | <b>206,001</b> | <b>243,614</b> | <b>83,672</b>  | <b>2,375,944</b> |

(1) Includes offices, retail stores and residential units.

(2) Gross profit divided by Sales, leases and services

(3) Operating income divided by Sales, leases and services

(4) Income for the year divided by Sales, leases and services

(5) Included in Operating income

## **Results of our Operations for the Fiscal Years ended June 30, 2011 and 2010**

### ***Revenues***

Revenues grew by 9.0%, from Ps. 1,323.3 million for the fiscal year 2010 to Ps. 1,441.9 million for the fiscal year 2011 due to the increases in revenues posted by each one of our segments, except for the Consumer Financing segment as discussed below.

### ***Development and Sale of Properties***

This segment's revenues often exhibit major variations between periods by reason of (i) the non-recurrent nature of real estate purchase and sale transactions (and of the price obtained from them), (ii) the quantity of construction works in progress and (iii) the date of completion of these construction works projects. The revenues of our Development and sale of properties segment increased by 51.2% from Ps. 225.6 million for the fiscal year 2010 to Ps. 341.1 million for the fiscal year 2011.

The revenues of our Development and sale of properties segment for fiscal year 2010 included, mainly:

- Ps. 68.6 million from the sale of Edificios Costeros (Dock II);
- Ps. 46.3 million from the sale of the Pereiraola property;
- Ps. 42.1 million from the sale of Dock del Plata finished units;
- Ps. 10.9 million from the sale of Libertador 602 in its entirety; and
- Ps. 46.6 million from the sale of stories of the building located in Av. del Libertador 498.

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

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

### ***Offices and Other Non-Shopping Center Rental Properties***

The revenues from our segment Offices and other non-shopping center rental properties increased by 6.8%, from Ps. 154.2 million for the fiscal year 2010 to Ps. 164.6 million for the fiscal year 2011, primarily due to a higher price per leasable square meter in fiscal year 2011 and an increase in the properties' occupancy rates (from 82% to 85%).

### ***Shopping Centers***

The revenues from our segment Shopping centers grew by 30.2%, from Ps. 518.4 million for the fiscal year 2010 to Ps. 674.8 million for the fiscal year 2011. The increase of Ps. 156.4 million was mainly generated from revenues from leases and admission rights, explained in turn by: (i) a 34.4% increase in our lessees' total sales, which rose from Ps. 5,778.2 million during the fiscal year 2010 to Ps. 7,766.3 million in the fiscal year 2011 thus resulting in higher leases payments and (ii) an increase in the average price per square meter.

### ***Hotels***

The revenues from our Hotels segment rose 20.6% , from Ps. 159.9 million posted for fiscal year 2010 to Ps. 192.9 million for the fiscal year 2011, owing mainly to increases in the average price per room which increased from Ps. 653 for fiscal year 2010 to Ps. 714 for fiscal year 2011 and the average occupancy rate, which increased to 72.5% for fiscal year 2011 from 65.6% for fiscal year 2010.

### ***Consumer Financing***

The revenues from our Consumer Financing segment declined by 74.2%, from Ps. 265.3 million for the fiscal year 2010 to Ps. 68.6 million for the fiscal year 2011 primarily as a result of the sale of Tarshop S.A.'s 80% interest.

## **Costs**

The costs increased by 26.4%, from Ps. 475.3 million for the fiscal year 2010 to Ps. 600.8 million for the fiscal year 2011, by reason of cost increases in our Development and sale of properties, Shopping centers, Hotels and Offices and other non-shopping center rental properties segments, partially offset by a reduction in the costs of our Consumer Financing segment. Our consolidated costs, as a percentage of our consolidated revenues increased from 35.9% for fiscal year 2010 to 41.7%, for fiscal year 2011.

## ***Development and Sale of Properties***

This segment's costs often exhibit major variations from period to period by reason of (i) the non-recurrent nature of real estate purchase and sale transactions (and of the price obtained from them), (ii) the quantity of construction work in progress and (iii) the date of completion of these construction works projects. The costs associated to our Development and sale of properties segment increased by 194.4%, from Ps. 83.1 million for the fiscal year 2010 to Ps. 244.8 million for the fiscal year 2011.

The costs incurred by our Development and sale of properties segment for fiscal year 2010 primarily included:

- Ps. 22.4 million related to the sale of the Pereiraola property;
- Ps. 21.4 million related to the sale of Edificios Costeros (Dique II);
- Ps. 14.5 million related to the sale of Dock del Plata finished units;
- Ps. 14.1 million related to the sale of stories at the building located in Av. Del Libertador 498; and
- Ps. 3.1 million related to the sale of Libertador 602 in its entirety.

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

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

**The costs associated to our Development and sale of properties segment as a percentage of this segment's revenues increased from 36.9% for fiscal year 2010 to 71.8% for fiscal year 2011.**

***Offices and Other Non-Shopping Center Rental Properties***

Depreciation accounts for the largest portion of this segment's costs. The costs of our Offices and other non-shopping center rental properties segment grew by 5.5%, from Ps. 30.9 million for the fiscal year 2010 to Ps. 32.6 million for the fiscal year 2011, mainly due to an increase in the depreciation cost of Dot Baires' offices, partially offset by the lower depreciation cost due to the sale of office units mainly during the fiscal year 2010.

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The costs associated to our Offices and other non-shopping center rental properties segment as a percentage of this segment's revenues remained stable, approximately of 20%, for both fiscal years.

***Shopping Centers***

The costs of our Shopping centers segment grew by 14.2% from Ps. 158.9 million for the fiscal year 2010 to Ps. 181.5 million for the fiscal year 2011, mainly due to the amortization of higher values related to the combination of businesses resulting from the acquisition of the equity interest previously held by Parque Arauco S.A.

The costs associated to our Shopping centers segment as a percentage of this segment's revenues declined from 30.7% for fiscal year 2010 to 26.9% for fiscal year 2011.

### ***Hotels***

The costs of our Hotels segment increased by 16.1%, from Ps. 102.9 million for the fiscal year 2010 to Ps. 119.5 million for the fiscal year 2011, mainly due to a Ps. 11.4 million increase in salaries and social security contributions resulting from salary raises and a Ps. 2.4 million increase in the cost of food and beverage.

**The costs associated to our Hotels segment as a percentage of this segment's revenues declined from 64.4% for fiscal year 2010 to 61.9% for fiscal year 2011.**

***Consumer Financing***

The costs of our Consumer Financing segment decreased by 77.4%, from Ps. 99.5 million for the fiscal year 2010 to Ps. 22.5 million for the fiscal year 2011. Such decrease is primarily due to the sale of Tarshop S.A.'s 80% interest.

***Gross profit***

Gross profit decreased by 0.8%, from Ps. 848.0 million for the fiscal year 2010 to Ps. 841.2 million for the fiscal year 2011, primarily due to the decline in the gross profit posted by our Consumer Financing and Development and sale of properties segments, partly offset by an increase in the gross profit of our Shopping Centers, Hotels and Offices and other non-shopping center rental properties segments. As a percentage of our revenues, gross profit declined from 64.1% for fiscal year 2010 to 58.3% for fiscal year 2011.

***Development and Sale of Properties***

The gross profit of our Development and sale of properties segment decreased by 32.4%, from Ps. 142.4 million for the fiscal year 2010 to Ps. 96.3 million for the fiscal year 2011.

***Offices and Other Non-Shopping Center Rental Properties***

The Gross profit of our Offices and other non-shopping center rental properties segment grew by 7.1%, from Ps. 123.3 million for the fiscal year 2010 to Ps. 132.1 million for the fiscal year 2011.

***Shopping Centers***

The Gross profit of our Shopping centers segment increased 37.2%, from Ps. 359.4 million for the fiscal year 2010 to Ps. 493.3million for the fiscal year 2011.

***Hotels***

The Gross profit of our Hotels segment increased by 28.8%, from Ps. 57.0 million for the fiscal year 2010 to Ps. 73.4 million for the fiscal year 2011.

***Consumer Financing***

The gross profit of our Consumer Financing segment declined by 72.2%, from Ps. 165.9 million for the fiscal year 2010 to Ps. 46.1 million for the fiscal year 2011.

***Selling expenses***

Selling expenses dropped by 42.4% from Ps. 185.4 million for the fiscal year 2010 to Ps. 106.7 million for the fiscal year 2011, mainly due to a reduction in the Selling expenses of our Consumer Financing segment, which were partly offset by increases in the Selling expenses of our Development and sale of properties, Hotels, Shopping centers and Offices and other non-shopping center rental properties segments.

As a percentage of revenues, selling expenses decreased from 14.0% for fiscal year 2010 to 7.4% for fiscal year 2011.

***Development and Sale of Properties***

The Selling expenses of our Development and sale of properties segment are made up by turnover tax, commissions and expenses derived from sales, advertising and promotion and the allowance for doubtful accounts. Selling expenses grew Ps. 13.0 million from Ps. 2.4 million for the fiscal year 2010 to Ps. 15.4 million for the fiscal year 2011, mainly by reason of a Ps. 6.9 million increase in the turnover tax charge and a Ps. 5.5 million increase in fess and expenses from sales.

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As a percentage of the segment's revenues, selling expenses related to the Development and sale of properties increased from 1.1% for fiscal year 2010 to 4.5% for fiscal year 2011.

***Offices and Other Non-Shopping Center Rental Properties***

The Selling expenses associated to our Offices and other non-shopping center rental properties segment increased by 18.7%, from Ps. 4.5 million for the fiscal year 2010 to Ps. 5.3 million for the fiscal year 2011, mainly due to the non-recurrence of doubtful accounts (bad debts) in the amount of Ps. 0.8 million.

The Selling expenses associated to our Offices and other non-shopping center rental properties segment as a percentage of this segment's revenues increased from 2.9% for fiscal year 2010 to 3.2% for fiscal year 2011.

### ***Shopping Centers***

The Selling expenses associated to our Shopping centers segment grew by 8.4%, from Ps. 37.1 million for the fiscal year 2010 to Ps. 40.2 million for the fiscal year 2011, primarily due to: (i) a Ps. 4.7 million increase in the turnover tax charge; and (ii) a Ps. 2.0 million increase in the salaries and social security contribution expenses, partially offset by: (iii) a Ps. 2.6 million decrease in expenses associated to courses, exhibitions and events and (iv) lower loan losses which amounted to Ps. 2.5 million during this fiscal year 2011.

**The Selling expenses associated to our Shopping centers segment as a percentage of this segment's revenues decreased from 7.2% for fiscal year 2010 to 6.0% for fiscal year 2011.**

### ***Hotels***

The Selling expenses associated to our Hotels segment increased by 26.7% from Ps. 16.5 million for the fiscal year 2010 to Ps. 20.9 million for the fiscal year 2011. The Selling expenses associated to our Hotels segment as a percentage of this segment's revenues increased slightly from 10.3% for fiscal year 2010 to 10.8% for fiscal year 2011.

### ***Consumer Financing***

The Selling expenses associated to our Consumer Financing segment decreased by Ps. 100.0 million, from Ps. 124.9 million for the fiscal year 2010 to Ps. 24.9 million for the fiscal year 2011, primarily due to a: (i) Ps. 22.1 million decrease in the turnover tax charge; (ii) Ps. 19.4 million decrease in salaries and social security contributions, (iii) Ps. 15.1 million decrease in fees for services; (iv) Ps. 14.5 million decrease in advertising expenses and (v) Ps. 13.8 million decline in loan losses during this fiscal year relative to the corresponding prior year. When measured as a percentage of the segment revenues, the Selling expenses associated to our Consumer Financing segment dropped from 47.1% for fiscal year 2010 to 36.3% for fiscal year 2011.

### ***Administrative expenses***

Administrative expenses is basically comprised of salaries and social security contributions, directors' fees, third parties' fees and services and taxes, rates and contributions (except for turnover tax). Administrative expenses grew by 2.6%, from Ps. 195.3 million for the fiscal year 2010 to Ps. 200.4 million for the fiscal year 2011, mainly on account of increases in our Shopping Centers, Development and sale of properties and Hotels operations segments, partially offset by declines in the Consumer Financing and Offices and other non-shopping center rental property segments.

As a percentage of revenues, Administrative expenses declined from 14.8% for fiscal year 2010 to 13.9% for fiscal year 2011.

### ***Development and Sale of Properties***

The Administrative expenses associated to our Development and sale of properties segment grew by 18.1%, from Ps.

35.1 million for the fiscal year 2010 to Ps. 41.4 million for the fiscal year 2011, mainly due to a Ps. 4.2 million increase in taxes, rates and contributions, a Ps. 1.6 million increase in salaries and a Ps. 1.2 million increase in third parties' fees and services.

The Administrative expenses associated to our Development and sale of properties segment as a percentage of this segment's revenues declined from 15.6% for fiscal year 2010 to 12.1% for fiscal year 2011.

*Offices and Other Non-Shopping Center Rental Properties*

The Administrative expenses of our Offices and other non-shopping center rental properties segment declined by 4.3%, from Ps. 45.7 million for the fiscal year 2010 to Ps. 43.7 million for the fiscal year 2011. The decrease was mainly due to a decline of Ps. 4.1 million in Directors' fees, partially offset by Ps. 2.1 million in taxes, rates and contributions.

The Administrative expenses associated to our Offices and other non-shopping center rental properties segment as a percentage of this segment's revenues declined from 29.6% for fiscal year 2010 to 26.6% for fiscal year 2011.

*Shopping Centers*

The Administrative expenses associated to our Shopping centers segment grew by 25.0%, from Ps. 54.3 million for the fiscal year 2010 to Ps. 67.9 million for the fiscal year 2011, as a result of: (i) a Ps. 7.8 million increase in directors fees, (ii) a Ps. 2.0 million increase in salaries and social security contributions; (iii) a Ps. 1.5 million increase in taxes, rates and contributions and (iv) a Ps. 1.5 million increase in fees for services. As a percentage of this segment's revenues, the Administrative expenses associated to our Shopping centers segment, decreased from 10.5% for fiscal year 2010 to 10.1% for fiscal year 2011.

*Hotels*

Administrative expenses associated to our Hotels segment grew by 15.0%, from Ps. 35.1 million for the fiscal year 2010 to Ps. 40.3 million for the fiscal year 2011, primarily as a result of a Ps. 2.9 million increase in salaries and social security contributions, a Ps. 1.7 million increase in third parties' fees and services and a Ps. 1.4 million increase in banking expenses, partially offset by a Ps. 1.2 million decrease in legal related expenses.

Administrative expenses associated to our Hotels segment as a percentage of this segment's revenues remained stable as they went from 21.9% for fiscal year 2010 to 20.9% for fiscal year 2011.

*Consumer Financing*

The Administrative expenses associated to our Consumer Financing segment declined by 72.3%, from Ps. 25.1 million for the fiscal year 2010 to Ps. 6.9 million for the fiscal year 2011. Such decrease is mainly due to the sale of Tarshop S.A.'s 80% interest.

When measured as a percentage of the segment's revenues, the Administrative expenses associated to our Consumer Financing segment increased from 9.5% for fiscal year 2010 to 10.1% for fiscal year 2011.

*Income/loss on recognition of inventories at net realizable value*

During fiscal year 2011, we recognized Ps. 45.4 million as income on the recognition of inventories at net realizable value, mainly in connection with "Horizons" for Ps. 13.2 million, "Torres Jardin IV" for Ps. 7.8 million and "Terrenos Rosario" for Ps. 15.0 million, which compares to the Ps. 33.8 million income that had been recognized for fiscal year 2010, mainly attributable to "Horizons" for Ps. 26.4 million and "Receivable on the Caballito property swap" for Ps. 4.8 million

*Net loss from retained interest in securitized receivables*

The line "Income/(loss) on retained interest in securitized receivables (Tarjeta Shopping)" declined Ps. 32.8 million, from a Ps. 37.5 million loss for the fiscal year ended 2010 to Ps. 4.7 million for fiscal year ended 2011, mainly on account of the sale of Tarshop S.A.'s 80% interest.

*Operating income (loss)*

Operating income increased by 8.5% from a Ps. 539.7 million in income for the fiscal year 2010 to Ps. 585.4 million in income for the fiscal year 2011, mainly due to an increase in our Shopping centers and Offices and other non shopping center rental properties and Hotels operations segments, which was partly offset by a reduction in the Operating income of our Development and sale of properties and Consumer Financing segments.

As a percentage of revenues, our Operating income declined from 40.8% for fiscal year 2010 to 40.6% for fiscal year 2011.

### ***Development and Sale of Properties***

The Operating income of our Development and sale of properties segment declined by 39.0%, from Ps. 139.5 million in income for the fiscal year 2010 to Ps. 85.1 million in income for the fiscal year 2011, mainly due to increases in selling expenses, administrative expenses and in income/(loss) from real estate transactions and holdings, which were partially offset by increases in revenues and Income/loss on recognition of inventories at net realizable value. The Operating income of our Development and sale of properties segment when measured as a percentage of this segment's revenues decreased from 61.9% for fiscal year 2010 to 24.9% for fiscal year 2011.

### ***Offices and Other Non-Shopping Center Rental Properties***

The Operating income of our Offices and other non-shopping center rental properties segment increased by 14.3%, from Ps. 73.5 million for the fiscal year 2010 to Ps. 84.1 million for the fiscal year 2011, mainly due to an increase in revenue, in the recovery for real estate transactions and holdings and lower administrative expenses, partly offset by higher Selling expenses. The Operating income of our Offices and other non-shopping center rental properties segment as a percentage of this segment's revenues increased from 47.7% for fiscal year 2010 to 51.1% for fiscal year 2011.

### ***Shopping Centers***

**The Operating income of our Shopping centers segment grew by 43.7%, up from Ps. 268.0 million in income for the fiscal year 2010 to Ps. 385.1 million in income for the fiscal year 2011, mainly due to higher revenues, which were partially offset by increases in costs. As a percentage of this segment's revenues, the Operating income of our Shopping centers increased from 51.7% for fiscal year 2010 to 57.1% for fiscal year 2011.**

*Hotels*

The Operating income of our Hotels segment increased by 124.8%, from Ps. 5.4 million for the fiscal year 2010 to Ps. 12.2 million for the fiscal year 2011, mainly due to an increase in revenues which was partly offset by an increase in costs and administrative and selling expenses. As a percentage of the segment's revenues, the Operating income of Hotels increased from 3.4% for fiscal year 2010 to 6.3% for fiscal year 2011.



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***Consumer Financing***

The Operating income of our Consumer Financing segment declined by 64.4%, from Ps. 53.3 million for the fiscal year 2010, to Ps. 19.0 million in income for the fiscal year 2011, as a result of decreased revenues and lower Income on retained interest in securitized consumer financing receivables, partially offset by lower Selling expenses, costs and Administrative expenses. When measured as a percentage of this segment's revenues, the Operating income associated to Consumer Financing increased from 20.1% for fiscal year 2010 to 27.7% for fiscal year 2011.

**Amortization of negative goodwill, net**

Goodwill amortization primarily includes: (i) the amortization of the goodwill associated to the following APSA's subsidiaries: Fibesa S.A., Soleil Factory S.A., Empalme S.A.I.C.F.A. y G., Mendoza Plaza Shopping S.A. and Emprendimiento Recoleta S.A., and (ii) the amortization of our negative goodwill arising from the acquisition of shares in Alto Palermo S.A. and Palermo Invest S.A. Goodwill amortization increased significantly in fiscal year 2011 due to the amortization of goodwill generated by the allocation of the price paid for APSA's minority stake.

## **Financial results, net**

Our Financial results, net (a loss) grew by Ps. 117.2 million, from a loss of Ps. 165.1 million for the fiscal year 2010 to a loss of Ps. 282.3 million for the fiscal year 2011, mainly due to:

- a Ps. 84.4 million increase in the financing expenses associated with the payments of interest accrued on our financial debts.
- a Ps. 16.9 million loss from foreign exchange differences, relative to the previous fiscal year due to a greater variation in the US Dollar offer rate throughout fiscal year 2011 (it rose from Ps. 3.931 at June 30, 2010 to Ps. 4.110 at June 30, 2011), in contrast to the situation a year earlier when the U.S. Dollar to the Peso exchange rate had slightly varied (up from Ps. 3.797 at June 30, 2009 to Ps. 3.931 at June 30, 2010).

## **Gain on equity investees**

Income on equity investees declined by Ps. 22.0 million, from Ps. 160.4 million for the fiscal year 2010 to Ps. 138.4 million in income for the fiscal year 2011. This decrease is mainly attributable to the non-recurrence of Ps. 70.4 million gain derived from the acquisition of additional shares in Banco Hipotecario during fiscal year 2010, which were partially offset by Ps. 47.1 million gain derived from our investment in Hersha Hospitality Trust.

## **Other income and expenses, net**

The line Other income and expenses, net, went up by Ps. 4.3 million, from a Ps. 10.3 million loss for the fiscal year 2010 to a Ps. 14.6 million loss for the fiscal year 2011, mainly due to: (i) a Ps. 2.3 million increase in legal-related contingencies and (ii) a Ps. 2.8 million increase in non-recordable VAT.

## **Income tax and minimum presumed income tax**

Income tax and minimum presumed income tax declined by Ps. 43.9 million, from a Ps. 148.4 million loss for the fiscal year 2010, to a Ps. 104.5 million loss for the fiscal year 2011. We applied the deferred tax method upon assessing income tax for the two fiscal years, thus recognizing temporary differences as deferred tax assets and liabilities.

## **Minority interest**

This line includes the results of third parties' minority interests in those subsidiaries in which we exercise control or in which we have effective control. This result increased by Ps. 14.3 million, from a Ps. 43.5 million loss for the fiscal year 2010, to a Ps. 57.8 million loss for the fiscal year 2011, mainly on account of the income earned by our subsidiaries during fiscal year 2011, strongly offset by the acquisition of APSA's minority interest.

## **Net income**

As a result of the factors described in the preceding paragraphs, net income declined by Ps. 52.4 million, from Ps. 334.5 million for the fiscal year 2010 to Ps. 282.1 million for the fiscal year 2011.

## **Results of our Operations for the Fiscal Years ended June 30, 2010 and 2009**

### *Revenues .*

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.

### *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 from our sale of units in the Torre Renoir building;
- Ps. 74.5 million from our sale of the Laminar Plaza building;
- Ps. 42.1 million from our sale of Dock del Plata finished units;
- Ps. 36.4 million from our sale of four stories at the building located at Avenida del Libertador 498;
- Ps. 31.5 million from our sale of the Reconquista 823 building;
- Ps. 9.9 million from our sale of parcels located in Abril, Province of Buenos Aires;
- Ps. 7.6 million from our sale of the “H” parcel at the Torres Rosario Project (formerly, “Rosario lot”);
- Ps. 6.9 million from our sale of one story at Torre Bank Boston storey; and
- Ps. 6.1 million 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 from our sale of Edificios Costeros (Dock II);
- Ps. 46.3 million from our sale of the Pereiraola property;
- Ps. 42.1 million from our sale of Dock del Plata finished units;
- Ps. 10.9 million from our sale of Libertador 602 in its entirety; and
- Ps. 46.6 million from our sale of stories at the building located in Av. Del Libertador 498.

#### *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 year 2009 to 93% during fiscal year 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 year 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.

*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 related to our sale of units in the Torre Renoir Building;
- Ps. 29.6 million related to our sale of the Laminar Plaza building;
- Ps. 18.8 million related to our sale of the building located at Reconquista 823;
- Ps. 12.0 million related to our sale of four stories at the building located at Avenida del Libertador 498;
- Ps. 5.0 million related to our sale of the “H” parcel at the Torres Rosario Project (formerly, “Rosario lot”);
- Ps. 5.1 million related to our sale of one story at Torre BankBoston storey;
- Ps. 13.3 million related to our sale of Dock del Plata finished units;
- Ps. 4.2 million related to our sale of parcels located in Abril; and
- Ps. 2.3 million 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 related to our sale of the Pereiraola property;
- Ps. 21.4 million related to our sale of Edificios Costeros (Dique II);
- Ps. 14.5 million related to our sale of Dock del Plata finished units;
- Ps. 14.1 million related to our sale of stories at the building located in Av. Del Libertador 498; and

- Ps. 3.1 million related to our sale of Libertador 602 in its entirety.

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.

***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.

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.

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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.

*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.

*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.

***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.

*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, decreased 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 year 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 year 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 year 2010 and compared to the previous fiscal year due to a reduced variation in the US Dollar exchange rate throughout fiscal year 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 adquisition 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.

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.

## **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 "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 polices 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 SA believes that the following are the critical accounting policies under Argentine Banking GAAP and U.S. 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.

*Allowance for loan losses*

Banco Hipotecario SA allowance for loan losses are maintained in accordance with Argentine Banking GAAP. Under such regulations, a minimum allowance 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 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 on 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.

Under U.S. GAAP the allowance for loan losses represent the estimate of probable losses in the loan portfolio. 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 Argentine Central Bank related thereto, which differ from U.S. GAAP in valuing financial instruments.

U.S. GAAP requires financial instruments to be valued at fair value. Banco Hipotecario estimated the fair value as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and such value was best evidenced by a quoted market price, if one existed. In cases where quoted market prices were not available, fair value estimation was based on the quoted market price of a

financial instrument with similar characteristics, the present value of expected future cash flows, or other valuation techniques, all of which were significantly affected by the assumptions used.

For a detailed description of the applicable accounting principles, please see Note 4 to the 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

***Minimum Presumed Income Tax***

Banco Hipotecario has recognized the minimum presumed income tax accrued as of June 30, 2011 and paid in prior years as an asset as of June 30, 2011, because Banco Hipotecario started to generate taxable income and 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.

**Twelve month periods ended June 30, 2011 and 2010****General**

The following table sets forth the principal components of its net income for the periods ended June 30, 2011 and 2010.

|   | <b>Period ended June 30,</b>                   |              | <b>% Change</b>  |
|---|--|--------------|------------------|
|   | <b>2011</b>                                    | <b>2010</b>  | <b>2011/2010</b> |
|   | (in millions of pesos, except for percentages) |              |                  |
| Financial income                                | 1,420.5  | 1,222.3      | 16.2%            |
| Financial expenses                              | (748.1)  | (661.6)      | 13.1%            |
| Net financial income                            | 672.4  | 560.7        | 19.9%            |
| Provision for loan losses                       | (110.1)  | (100.2)      | 10.0%            |
| Net contribution from insurance (1)             | 211.7  | 92.2         | 129.5%           |
| Other income from services                      | 568.2  | 369.4        | 53.8%            |
| Other expenses for services                     | (139.4)  | (134.3)      | 3.7%             |
| Administrative expenses                         | (919.2)  | (563.4)      | 63.2%            |
| Net income / (loss) from financial transactions | 283.6  | 224.5        | 26.3%            |
| Miscellaneous income, net (2)                   | (23.7)   | 0.3          | NA               |
| Non-Controlling interest                        | (13.4)   | (1.5)        | NA               |
| Income tax                                      | (28.0)   | (24.4)       | 15.1%            |
| <b>Net income</b>                               | <b>218.4</b>                                   | <b>198.9</b> | <b>9.8%</b>      |

(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, 2011 of Ps. 218.4 million was higher than Ps. 198.9 for the period ended June 30, 2010, principally due to:

- Higher financial income principally as a result of an increase on consumer products partially offset by lower income from government and private securities.
- Higher income from services mainly due to increase in credit card commissions, partially related to the acquisition of Tarshop S.A., and the increase in the activity developed by BHN Sociedad de Inversión S.A.

These factors were partially offset by:

- Higher administrative expenses mainly related to salaries, social security contributions, and fees related to actions adopted by Banco Hipotecario in developing its retail banking business.
- Higher financial expenditures principally as a result of higher interest liabilities resulting from increased average balances of time deposits.

Table of Contents**Financial Income**

The following table sets forth the principal components of its financial income for the periods ended June 30, 2011 and 2010.

|   | <b>Periods ended June 30,</b>                  |                | <b>% Change</b>  |
|---|--|----------------|------------------|
|   | <b>2011</b>                                    | <b>2010</b>    | <b>2011/2010</b> |
|   | (in millions of pesos, except for percentages) |                |                  |
| Mortgage loans and other financial transactions | 246.2  | 230.2          | 7.0%             |
| Government and Corporate Securities             | 447.4  | 479.3          | (6.7)%           |
| Adjustment from application of CER clause       | 9.0  | 10.5           | (14.5)%          |
| Mortgage-backed securities                      | 65.1   | 22.9           | 184.1%           |
| Cash and due from banks                         | 2.8  | 0.1            | NA               |
| Interbank Loans                                 | 8.3  | 1.8            | NA               |
| Other Loans                                     | 167.3  | 92.0           | 81.8%            |
| Credit card Loans                               | 297.6  | 198.7          | 49.8%            |
| Personal Loans                                  | 105.2  | 85.2           | 23.3%            |
| Overdraft facilities                            | 42.4   | 57.3           | (25.9)%          |
| Hedges  | 6.1  | 34.6           | (82.2)%          |
| Others  | 23.2   | 9.8            | 136.8%           |
| <b>Total Financial Income</b>                   | <b>1,420.6</b>                                 | <b>1,222.4</b> | <b>16.2%</b>     |

Banco Hipotecario's financial income increase 16.2% to Ps. 1,420.6 million (Ps. 136.9 million of which corresponded to Tarshop S.A.) for the period ended June 30, 2011 as compared to Ps. 1,222.4 million for the period ended June 30, 2010 primarily as a result of:

- Higher income from credit cards and personal loans as a result of higher loans originations.
- Higher income from other loans as a result of higher average balances
- Higher income from Mortgage-backed securities as a result of more securitizations programs.

These factors were partially offset by:

- Lower income from government and private securities as a result of lower average balances.
- Lower income from hedge operations, mainly due to lower market prices.

**Financial Expenses**

The following table sets forth information regarding its financial expenses for the periods ended June 30, 2011 and 2010.

|  | <b>Periods ended June 30,</b>                  |             | <b>% Change</b>  |
|--|--|-------------|------------------|
|  | <b>2011</b>                                    | <b>2010</b> | <b>2011/2010</b> |
|  | (in millions of pesos, except for percentages) |             |                  |

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|   |              |              |              |
|---|--------------|--------------|--------------|
| Bonds and similar obligations               | 174.3        | 200.2        | (12.9)%      |
| Borrowings from banks                       | 17.7         | 0.6          | NA           |
| Borrowings from Central Bank                | 1.4          | 1.9          | (27.8)%      |
| Other(1)                                    | 1.4          | 1.4          | (2.1)%       |
| Time deposits                               | 420.4        | 339.9        | 23.7%        |
| Effects of changes in exchange rates        | 15.7         | 0.0          | NA           |
| Forward transactions                        | 36.9         | 70.1         | (47.3)%      |
| Contributions and taxes on financial income | 80.3         | 47.4         | 69.2%        |
| <b>Total Financial expenses</b>             | <b>748.1</b> | <b>661.6</b> | <b>13.1%</b> |

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(1) Includes interest and other amounts payable on savings accounts, checking accounts, and other deposits.

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Banco Hipotecario's financial expenses for the period ended June 30, 2011 increased 13.1% to Ps.748.1 million (Ps. 50.7 million of which corresponded to Tarshop S.A.) from Ps. 661.6 million for the period ended June 30, 2010 primarily as a result of:

- Higher interest liabilities as a result of increased average balances on time deposits.
- Higher liabilities resulting from increased of contributions and taxes on financial income.

This effect was partially offset by:

- Lower interest liabilities resulting from decreased of Bonds and similar obligations as consequences of a decrease in average balances.
- Lower financial expenses in forward transactions.

***Provision for Loan Losses***

The following table sets forth its provision for loan losses for the periods ended June 30, 2011 and 2010.

|                           | <b>Periods ended June 30,</b>                  |             | <b>% Change</b>  |
|---------------------------|--|-------------|------------------|
|                           | <b>2011</b>                                    | <b>2010</b> | <b>2011/2010</b> |
|                           | (in millions of pesos, except for percentages) |             |                  |
| Provision for loan losses | 110.1  | 100.2       | 10.0%            |
| Charge-offs               | 74.1   | 164.6       | (55.0)%          |

Banco Hipotecario's provision for loan losses for the period ended June 30, 2011 increased to Ps. 110.1 million from Ps. 100.2 million in the period ended on June 30, 2010. the figure for the period ended on June 30, 2011 includes Ps. 37.7 million of the provision for loan losses of Tarshop S.A. Excluding such provision, the allowance for loan losses decreases to Ps 72.4 for the period ended on June 2011. This represents a decrease of 27.7% which is connected with an improvement of performing loans portfolio.

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, 2011 and 2010.

|   | <b>Periods ended June 30</b>                   |             | <b>% Change</b>  |
|---|--|-------------|------------------|
|   | <b>2011</b>                                    | <b>2010</b> | <b>2011/2010</b> |
|   | (in millions of pesos, except for percentages) |             |                  |
| Insurance premiums earned                       |  |             |                  |
| Life  | 53.2   | 55.9        | (4.9)%           |
| Property damage                                 | 17.5   | 17.0        | 3.3%             |
| Unemployment                                    | 0.7  | 0.8         | (11.9)%          |
| Others  | 183.6  | 33.1        | NA               |
| Total Premiums earned                           | 255.0  | 106.7       | 138.8%           |
| Insurance claims                                |  |             |                  |
| Life  | 4.6  | 7.0         | (34.4)%          |
| Property damage                                 | 0.5  | 0.5         | 1.1%             |
| Unemployment                                    | 0.0  | 0.1         | (45.6)%          |
| Others  | 38.2   | 6.9         | NA               |
| Total claims                                    | 43.3   | 14.5        | 198.0%           |
| <b>Net contribution from insurance activity</b> | <b>211.7</b>                                   | <b>92.2</b> | <b>129.5%</b>    |

Banco Hipotecario's net contribution from insurance activities of Ps. 211.7 million during the period ended June 30, 2011 increased 129.5% from Ps. 92.2 million, compared to the period ended June 30, 2010. This increase was primarily a consequence of higher activity level of our subsidiary BHN Sociedad de Inversión S.A.

***Other Income from Services***

The following table includes the principal components of its other income from services for the periods ended June 30, 2011 and 2010.

|  | <b>Periods ended June 30,</b>                  |             | <b>% Change</b>  |
|--|--|-------------|------------------|
|  | <b>2011</b>                                    | <b>2010</b> | <b>2011/2010</b> |
|  | (in millions of pesos, except for percentages) |             |                  |
| Loan servicing fees from third parties | 14.9   | 13.1        | 13.2%            |
| FONAVI commissions                     | 12.8   | 9.9         | 29.2%            |
| Credit Card Commissions                | 323.0  | 185.1       | 74.5%            |
| Other Commissions                      | 47.7   | 36.2        | 31.9%            |
| Total Commissions                      | 398.4  | 244.3       | 63.0%            |
| Commissions earned by subsidiaries     | 121.1  | 95.7        | 27%              |
| Recovery of loan expenses              | 47.7   | 28.7        | 66.5%            |
| Others                                 | 1.0  | 0.7         | 43%              |

|                                   |              |              |              |
|-----------------------------------|--------------|--------------|--------------|
| Total Others                      | 169.8        | 125.0        | 35.8%        |
| <b>Total Income from Services</b> | <b>568.2</b> | <b>369.4</b> | <b>53.8%</b> |

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Banco Hipotecario's income from services increased to Ps. 568.2 million (Ps. 177.7 million of which corresponded to Tarshop S.A.) for the period ended June 30, 2010 from Ps. 369.4 million in the same period of 2010, as a result of higher commissions derived from credit cards and the increase on commissions derived from the insurance's activity developed since July 2007 by BHSA subsidiary BHN Sociedad de Inversión S.A.

**Other Expenses for Services**

The following table includes the principal components of its other expenses for services for the periods ended June 30, 2011 and 2010:

|   | <b>Periods ended June 30,</b>                  |              | <b>% Change</b>  |
|---|--|--------------|------------------|
|   | <b>2011</b>                                    | <b>2010</b>  | <b>2011/2010</b> |
|   | (in millions of pesos, except for percentages) |              |                  |
| Structuring and underwriting fees               | 5.6  | 6.7          | (16.6)%          |
| Retail Bank originations                        | 3.6  | 0.1          | NA               |
| Collections                                     | 12.9   | 0.5          | NA               |
| Banking services                                | 81.4   | 103.4        | (21.3)%          |
| Commissions paid to real estate agents          | 18.0   | 11.7         | 17.9%            |
| <b>Total</b>                                    | <b>121.5</b>                                   | <b>122.4</b> | <b>(0.7)%</b>    |
| Contributions and taxes on income from services | 17.9   | 11.9         | 49.7%            |
| <b>Total Other expenses for services</b>        | <b>139.4</b>                                   | <b>134.3</b> | <b>3.7%</b>      |

Banco Hipotecario's other expenses for services increased 3.7% to Ps. 139.4 million (Ps. 12.8 million of which corresponded to Tarshop S.A.) for the period ended June 30, 2011 from Ps. 134.3 million in the period ended June 30, 2010. This increase was mainly due to lower banking services, an increase on the commissions paid to real state agents and collections.

**Administrative Expenses**

The following table sets forth the principal components of its administrative expenses for the periods ended June 30, 2011 and 2010.

|   | <b>Periods ended June 30,</b>                  |             | <b>% Change</b>  |
|---|--|-------------|------------------|
|   | <b>2011</b>                                    | <b>2010</b> | <b>2011/2010</b> |
|   | (in millions of pesos, except for percentages) |             |                  |
| Salaries and social security contributions  | 485.5  | 277.0       | 75.3%            |
| Fees and external administrative services   | 128.4  | 86.6        | 48.3%            |
| Advertising and publicity                   | 63.0   | 37.3        | 69.2%            |
| Value added tax and other taxes             | 42.0   | 26.6        | 58.2%            |
| Electricity and communications              | 26.9   | 27.3        | (1.4)%           |
| Maintenance and repair                      | 18.6   | 16.2        | 14.7%            |
| Depreciation of bank premises and equipment | 14.1   | 13.6        | 3.3%             |
| Amortization of organizational expenses     | 20.5   | 14.3        | 43.3%            |

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|                              |              |              |              |
|------------------------------|--------------|--------------|--------------|
| Corporate personnel benefits | 27.5         | 24.2         | 13.6%        |
| Rent                         | 17.7         | 15.4         | 14.8%        |
| Others                       | 75.0         | 25.0         | 199.7%       |
| <b>Total</b>                 | <b>919.2</b> | <b>563.4</b> | <b>63.2%</b> |

Administrative expenses for the period ended June 30, 2011 increased 63.2% to Ps. 919.2 million (Ps. 185.9 million of which corresponded to Tarshop S.A.) from Ps. 563.4 million for the period ended June 30, 2010. The main reasons for this increase were higher salaries and social security contributions required under applicable regulations in Argentina and higher expenses on advertising and publicity.

Table of Contents***Miscellaneous Income***

The following table sets forth its miscellaneous income for the periods ended June 30, 2011 and 2010.

|   | <b>Periods ended June 30,</b>                     |              | <b>% Change</b>  |
|---|---|--------------|------------------|
|   | <b>2011</b>                                       | <b>2010</b>  | <b>2011/2010</b> |
|   | (in millions of pesos as, except for percentages) |              |                  |
| Penalty interest                        | 31.0  | 9.8          | NA               |
| Reversal of provision for contingencies | 0.8   | 0.3          | 133.3%           |
| Loan loss recoveries                    | 141.2   | 87.1         | 62.2%            |
| Others                                  | 21.5  | 15.7         | 37.1%            |
| <b>Total Miscellaneous Income</b>       | <b>194.4</b>                                      | <b>112.9</b> | <b>72.2%</b>     |

Banco Hipotecario's miscellaneous income increased 72.2% to Ps. 194.4 million for the period ended June 30, 2011 from Ps. 112.9 million for the year ended June 30, 2010 primarily as a result of higher loan loss recoveries and penalty interest.

***Miscellaneous Expenses***

The following table sets forth the principal components of its miscellaneous expenses for the periods ended June 30, 2011 and 2010:

|   | <b>Periods ended June 30,</b>                  |              | <b>% Change</b>  |
|---|--|--------------|------------------|
|   | <b>2011</b>                                    | <b>2010</b>  | <b>2011/2010</b> |
|   | (in millions of pesos, except for percentages) |              |                  |
| Provision for lawsuits contingencies                            | 27.5   | 5.9          | NA               |
| Provision for other contingencies and miscellaneous receivables | 6.6  | 17.0         | (61.5)%          |
| Provision for administrative organization                       | 32.8   | 26.8         | 22.3%            |
| Other taxes   | 14.6   | 11.5         | 26.3%            |
| Benefits prepayments  | 66.9   | 28.8         | 132.2%           |
| Others  | 69.8   | 22.5         | NA               |
| <b>Total Miscellaneous Expenses</b>                             | <b>218.1</b>                                   | <b>112.6</b> | <b>93.8%</b>     |

Banco Hipotecario's miscellaneous expenses increased 93.8% to Ps. 218.1 million for the period ended June 30, 2011 from Ps. 112.6 million for 2010 primarily as a result of higher provisions for contingencies, administrative organization and for higher benefits prepayments.

**Funding**

Historically, Banco Hipotecario financed its lending operations mainly through:

- Deposits, principally Time Deposits

- the issuance of fixed and floating rate securities in the international capital markets,
- securitizations of mortgage loans,
- cash flow from existing loans,

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At June 30, 2011 and 2010, Banco Hipotecario had three principal funding sources: bonds, securitizations programs and time deposits. The table below sets forth its liabilities outstanding with respect to each of its sources of funding as of the dates indicated.

|  | <b>At June 30,</b>         |                | <b>% Change</b>  |
|--|----------------------------|----------------|------------------|
|  | <b>2011</b>                | <b>2010</b>    | <b>2011/2010</b> |
|  | <b>(millions of pesos)</b> |                |                  |
| Bonds (1)  | 1,847.2                    | 2,336.5        | (20.9)%          |
| Borrowings from Central Bank                     | 12.5                       | 17.1           | (26.9)%          |
| Borrowings from banks and international entities | 200.0                      | 20.2           | NA               |
| Deposits (1)                                     | 5,109.4                    | 4,390.7        | 17.2%            |
| <b>Total</b>                                     | <b>7,169.1</b>             | <b>6,764.5</b> | <b>6.0%</b>      |

(1) Excludes accrued interest.

***Bonds***

The principal amount values of the different series of notes Banco Hipotecario has issued and outstanding is as follows:

|                                       | <b>Outstanding<br/>principal<br/>amount at</b>   |                      |                      | <b>Annual</b>                |
|---------------------------------------|--|----------------------|----------------------|------------------------------|
|                                       | <b>June 30, 2011<br/>(millions of<br/>pesos)</b> | <b>Date of issue</b> | <b>Maturity Date</b> | <b>Interest rate<br/>(%)</b> |
| <b>GMTN (US\$1,200,000,000)</b>       |  |                      |                      |                              |
| <b>Notes Issued in Restructuring:</b> |  |                      |                      |                              |
| Long term bonds (US\$449,880,000)     | 263.9  | Sep. 15, 2003        | Dec. 1, 2013         | 3.0 – 6.0                    |
| Long term bonds (Eur 278,367,000)     | 517.8  | Sep. 15, 2003        | Dec. 1, 2013         | 3.0 – 6.0                    |
| Series 5 (US\$250,000,000)            | 906.2  | Apr. 27, 2006        | Apr. 27, 2016        | 9.75                         |
| Commercial Paper serie III            | 47.4   | Dec 3, 2010          | Aug 30, 2011         | Badlar + 359 bp              |
| Commercial Paper serie IV             | 12.0   | Dec 3, 2010          | Aug 30, 2011         | 5.09                         |
| Long term bond serie I                | 75.0   | May 24, 2010         | Nov 30, 2012         | Badlar + 375 bp              |
| Long term bond serie II               | 24.9   | May 24, 2010         | Nov 30, 2012         | 5.25                         |
| <b>Total</b>                          | <b>1,847.2</b>                                   |                      |                      |                              |

***Loan Securitization Program***

Banco Hipotecario, BACS Banco de Crédito y Securitización S.A. and Tarshop S.A. have executed various financial trust agreements under which, as trustor, it has transferred the fiduciary ownership of mortgage and consumer loans to the loan portfolio of 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 assigned 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.

*Deposits*

Banco Hipotecario did not historically rely upon deposits as a principal source of funding, as it was engaged in limited deposit taking activities. Its other deposits consisted 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.

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, 2011 and 2010 its total deposits consisted of the following:

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|                          | <b>At June 30,</b> |             | <b>% Change</b>  |
|--------------------------|--------------------|-------------|------------------|
|                          | <b>2011</b>        | <b>2010</b> | <b>2011/2010</b> |
| Checking accounts        | 116.1              | 106.6       | 8.9%             |
| Saving accounts          | 433.4              | 313.6       | 38.3%            |
| Time deposits            | 4,479.5            | 3,910.5     | 14.6%            |
| Other deposits accounts  | 80.3               | 60.0        | 33.9%            |
| Accrued interest payable | 113.4              | 54.5        | 108.0%           |
| Total                    | 5,222.8            | 4,445.2     | 53.1%            |

Its current strategy is to increase deposits significantly over time in order to achieve significant liquidity to maintain and further develop its financing activities.

**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> |

(in millions of pesos, except for percentages)

|   |         |         |         |
|---|---------|---------|---------|
| Financial income                                | 1,222.3 | 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 (1)             | 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)   | NA      |
| Miscellaneous income, net (2)                   | 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                                      | 198.9   | 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 of consumer products.
- Higher income from services as a result of the activity developed by BHN Inversión and higher commissions derived from credit cards.
- Lower charge of provision for loan losses as a result of an improvement of performing loans portfolio.

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 the Bank in developing its retail banking business.
- Higher expenses on services mainly to commissions related to Visa Credit Cards.

Table of Contents**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,<br/>2010</b> | <b>2009</b> | <b>% Change<br/>2010/2009</b> |
|--|--|-------------|-------------------------------|
|--|--|-------------|-------------------------------|

(in millions of pesos, except for percentages)

|   |                |                |              |
|---|----------------|----------------|--------------|
| Mortgage loans and other financial transactions | 230.2          | 246.2          | (6.5)%       |
| Buyback of restructured debt                    | -              | 30.9           | (100.0)%     |
| Government and Private Securities               | 479.3          | 266.7          | 79.7%        |
| Adjustment from application of CER clause       | 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  | 34.6           | (24.5)         | (241.4)%     |
| Others  | 9.8            | 9.4            | 4.3%         |
| <b>Total Financial Income</b>                   | <b>1,222.3</b> | <b>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 primarily as a result of:

- Higher income from some government and private securities as a result of better market prices.
- Higher income from derivate operations resulting from hedging transactions.

These factors were partially offset by:

- Lower income from Personal Loans as a result of a decrease in a volume of origination.

**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,<br/>2010</b> | <b>2009</b> | <b>% Change<br/>2010/2009</b> |
|--|--|-------------|-------------------------------|
|--|--|-------------|-------------------------------|

(in millions of pesos, except for percentages)

|                               |       |       |        |
|-------------------------------|-------|-------|--------|
| Bonds and similar obligations | 200.2 | 218.8 | (8.5)% |
|-------------------------------|-------|-------|--------|

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|   |              |              |             |
|---|--------------|--------------|-------------|
| Borrowings from banks                       | 0.6          | (0.3)        | NA          |
| Borrowings from Central Bank                | 1.9          | 18.9         | (89.7)%     |
| Other(1)                                    | 1.4          | 1.4          | (1.9)%      |
| Time deposits                               | 339.9        | 334.7        | 1.6%        |
| Forward transactions                        | 70.1         | -            | NA          |
| Contributions and taxes on financial income | 47.4         | 41.7         | 14.4%       |
| <b>Total Financial expenses</b>             | <b>661.6</b> | <b>615.3</b> | <b>7.5%</b> |

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(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.
- Higher expenses from forward transactions to be settled in pesos.
- 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.
- Lower interest liabilities resulting from the buyback of bonds.

#### ***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> |
|                           | (in millions of pesos, except for percentages) |             |                  |
| Provision for loan losses | 100.2  | 209.8       | (52.3)%          |
| Charge-offs               | 164.6  | 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

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 the Bank 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> |
|   | (in millions of pesos, except for percentages) |             |                  |
| Insurance premiums earned                       |  |             |                  |
| Life  | 55.9   | 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%            |
| Total Premiums earned                           | 106.7  | 107.9       | (1.1)%           |
| Insurance claims                                |  |             |                  |
| 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%           |
| Total claims                                    | 14.5   | 10.5        | 38.1%            |
| <b>Net contribution from insurance activity</b> | <b>92.2</b>                                    | <b>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 decreased was primarily a consequence of higher insurance claims.

***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.

|  | <b>Periods ended June 30,</b>                  |             | <b>% Change</b>  |
|--|--|-------------|------------------|
|  | <b>2010</b>                                    | <b>2009</b> | <b>2010/2009</b> |
|  | (in millions of pesos, except for percentages) |             |                  |
| Loan servicing fees from third parties | 13.1   | 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         | NA               |
| Total Commissions                      | 244.3  | 168.6       | 44.9%            |
| 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)%          |

|                                   |              |              |              |
|-----------------------------------|--------------|--------------|--------------|
| Total Others                      | 125.0        | 112.3        | 11.3%        |
| <b>Total Income from Services</b> | <b>369.4</b> | <b>280.9</b> | <b>31.5%</b> |

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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 and the increase in commissions derived from the insurance's activity developed since July 2007 by BHSA's subsidiary BHN Sociedad de Inversión S.A.

***Other Expenses for Services***

The following table includes the principal components of its other expenses for 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> |

(in millions of pesos, except for percentages)

|   |              |              |              |
|---|--------------|--------------|--------------|
| Structuring and underwriting fees               | 6.7          | 6.4          | 5.7%         |
| Collections                                     | 0.5          | 0.3          | 74.6%        |
| Banking services                                | 29.4         | 14.9         | 97.3%        |
| 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          | NA           |
| <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>134.3</b> | <b>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.

***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> |

(in millions of pesos, except for percentages)

|  |       |       |        |
|--|-------|-------|--------|
| Salaries and social security contributions | 277.0 | 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%  |

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|   |              |              |              |
|---|--------------|--------------|--------------|
| 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>563.4</b> | <b>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 higher salaries and social security contributions required under applicable regulations in Argentina and higher expenses on advertising and publicity.

Table of Contents***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> |
|   | (in millions of pesos as, except for percentages) |              |                  |
| Penalty interest                        | 9.8   | 11.3         | (12.9)%          |
| Reversal of provision for contingencies | 0.3   | 10.9         | (97.0)%          |
| Reversal of provision for STAR          | -   | 6.8          | NA               |
| Reversal of provision for Lawsuits      | -   | 18.5         | NA               |
| Reversal of Insurance Reserve           | -   | 10.7         | NA               |
| Loan loss recoveries                    | 87.1  | 78.7         | 10.5             |
| Others                                  | 15.7  | 33.2         | (52.8)%          |
| <b>Total Miscellaneous Income</b>       | <b>112.9</b>                                      | <b>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 primarily as a result of lower earnings resulting from reversal of provisions.

***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> |
|   | (in millions of pesos, except for percentages) |              |                  |
| Provision for lawsuits contingencies                            | 5.9  | 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>112.6</b>                                   | <b>101.0</b> | <b>11.5%</b>     |

Banco Hipotecario'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.

**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.

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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.

|  | <b>At June 30,</b>         |                | <b>% Change</b>  |
|--|----------------------------|----------------|------------------|
|  | <b>2010</b>                | <b>2009</b>    | <b>2010/2009</b> |
|  | <b>(millions of pesos)</b> |                |                  |
|  | 2,336.5                    | 2,989.2        | (21.8)%          |
| Bonds (1)  |                            |                |                  |
| Borrowings from Central Bank                     | 17.1                       | 20.7           | (17.4)%          |
| Borrowings from banks and international entities | 20.2                       | 96.5           | (79.1)%          |
| Deposits (1)                                     | 4,390.7                    | 3,387.0        | 30.4%            |
| <b>Total</b>                                     | <b>6,764.5</b>             | <b>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 has issued and outstanding is as follows:

|  | <b>Outstanding<br/>principal<br/>amount at</b> |                      |                      | <b>Annual</b>        |
|--|--|----------------------|----------------------|----------------------|
|  | <b>June 30, 2010</b>                           | <b>Date of issue</b> | <b>Maturity Date</b> | <b>Interest rate</b> |
|  | <b>(millions of<br/>pesos)</b>                 |                      |                      | <b>(%)</b>           |
| Bonds issued prior to restructuring(1)               | 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<br>(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                 |
| <b>Total</b>   | <b>2,380.9</b>                                 |                      |                      |                      |

(1) Banco Hipotecario 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.

***Borrowings from the Central Bank***

On November 11 and December 1, 2004, Banco Hipotecario 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 participated 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 fully prepaid all outstanding balances due on this indebtedness of approximately Ps. 233.5 million. As of June 30, 2008, Banco Hipotecario recorded in its financial statements borrowings from the Central Bank totaling Ps. Ps. 239.1 million.

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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 trust beneficiary rights 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 the Bank.

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, the bank created a Global Trust Program “Cedulas 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.

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:

|                          | <b>At June 30,</b> |             | <b>% Change</b>  |
|--------------------------|--------------------|-------------|------------------|
|                          | <b>2010</b>        | <b>2009</b> | <b>2010/2009</b> |
| Checking accounts        | 106.6              | 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                    | 4,445.2            | 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 our operating activities, we enter into certain contractual obligations. The following table shows the principal amounts of our contractual obligations and their contractual interest rates as of June 30, 2010:

|   | 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\$ (1)  |           |                      | 26.6              | 26,6             |              |              |
| Defaulted bonds Eur (1)   |           |                      | 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
- 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, 2011, we had negative working capital of Ps.260.6 million. At the same date, we had cash and cash equivalents totaling Ps.312.3 million, an increase of 106.3% from the Ps.151.4 million of cash and cash equivalents we held as of June 30, 2010.

As of June 30, 2010, we had 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 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, 2009.

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 would seek to finance such working capital needs through the issuance of long term debt under the new global note program approved by the shareholders meeting held on October 31, 2011 or through the issuance of equity or through selective asset sales. For more information about liquidity please see “*Risk Factors*” and “*Recent Developments*”.

**Cash Flow Information*****Operating Activities******2011 Fiscal Year***

Our operating activities resulted in net cash inflows of Ps.571.8 million for fiscal year 2011 primarily as a result of operating gains of Ps.752.0 million, a decrease in inventories of Ps.57.1 million, an increase in account payable of

Ps.112.8 million, and an increase in other receivables and prepaid expenses of Ps.24.2 million, an increase in intangible assets of Ps.3.1 million, decrease in customer advances, salaries and social security payable and taxes payable of Ps.76.6 million, a decrease in trade accounts payable of Ps.7.1 million and an increase in other liabilities of Ps.13.5 million.

*2010 Fiscal Year*

Our operating activities resulted in net cash inflows of Ps.376.5 million for fiscal year 2010, primarily as a result of operating gains of Ps.668.7 million, an increase in account payable of Ps.24.7 million and an increase in trade accounts payable of Ps.112.8 million. These were partially offset by an increase in accounts receivable, net of Ps.112.8 million, an increase in other receivables and prepaid expenses, net of Ps.3.1million, a decrease in customer advances, salaries and social security payable and taxes payable of Ps.120.2 million and a decrease in other liabilities of Ps.15.9 million.

*2009 Fiscal Year*

Our operating activities resulted in net cash inflows of Ps. 442.6 million for fiscal year 2009, primarily as a result of operating gains of Ps.619.4 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 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.

***Investment Activities****2011 Fiscal Year*

Our investing activities resulted in net cash outflows of Ps.746.0 million for fiscal year 2011, primarily as a result of investments in shares, net, mainly Ps. 474.0 million in the 29.55% additional capital stock of APSA; Ps. 12.9 million for the remaining 50% share of Liveck and Ps. 10.0 million for the acquisition of 100% stake in Unicity, partly offset by the selling of an 80% stake in Tarshop for Ps. 67.5 million.; (ii) Ps. 320.9 million were related to additional share increases in other companies, mainly Ps. 96.6 million in the acquisition of 49% stake in Rigby 183 LLC, Ps. 76.5 million in the acquisition of an additional 19% in the Lipstick building, Ps. 56.3 in the acquisition of 8.86% of TGLT, Ps. 31.7 million in the acquisition stake in Banco Hipotecario and Ps. 17.8 million in Hersha additional shares; (iii) Ps. 87.6 were related in the acquisition of fixed assets (see “Capital Expenditures”); (iv) Ps. 27.1 million, were related to intercompany loans.

*2010 Fiscal Year*

Our investing activities resulted in net cash outflows of Ps. 456.0 million for fiscal year 2010, of which (i) Ps. 253.2 million were related to the acquisition of an additional 6.7% capital stock in Banco Hipotecario and the acquisition of our share in Hersha (ii) Ps. 156.5 million were related to capital expenditures, (iii) Ps. 30.1 were related to capital loans to subsidiaries, (iv) Ps. 23.7 million were involved as an advance payment in Parque Arauco S.A. transaction, (v) Ps. 11.9 million were related to land reserve acquisition; partly offset by Ps. 19.9 million received as an advance payment for selling Tarshop S.A.

*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, 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 of Dique IV.

**Financing Activities***2011 Fiscal Year*

Our financing activities resulted in net cash inflows of Ps.335.1 million. Our net cash provided by financing activities for fiscal year 2011 was primarily related to (i) an increase in financial loans of Ps.225.8, (ii) our issuance of notes for

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Ps.757.4 million, net of issuance expenses; partially offset by (i) the payment of short-term and long-term debt for Ps.248.1 million, (ii) the payment of Ps. 10.9 of financed purchases, (iii) the payment of Ps. 142.0 million in interests and (iv) the payment of dividends to shareholders for Ps.247.9 million.

2010 Fiscal Year

Our financing activities resulted in net cash inflows of Ps.44.9 million. Our net cash provided by financing activities for fiscal year 20140 was primarily related to (i) an increase in short-term and long-term debt of Ps.371.3 million, (ii) Ps. 46.2 million in capital contribution by minority owners in related parties, (iii) Bond issuance for Ps. 79.8 million and (iv) Ps.22.7 million in short term securities issuance; partly offset by (i) Ps. 221.2 million payment of short-term and long-term debt, (ii) Ps.50.0 million in payment of financed purchases, (iii) Ps. 136.5 million in interest payments, (iv) Ps. 55.4 in dividends payment, and (vi) Ps. 12.0 million in notes repurchase.

2009 Fiscal Year

Our financing activities resulted in net cash outflows of Ps. 190.6 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.156.3 million, (ii) Ps.105.4 related to the repurchase of Alto Palermo Notes Series I and II, (iii) the payment of dividends to minority shareholders of Ps.23.5 million, partially offset by (i) a capital contribution made by minority owners in related parties of Ps.48 million, and (ii) the increase of financial loans and bank overdraft of Ps.180.8 million.

Indebtedness

The following table sets forth the scheduled maturities of our outstanding debt as of June 30, 2011:

| Schedule of Maturities or Amortization                                    | Currency | Less        | More                          | More                           | More                           | Total <sup>(1)</sup> | Annual Average Interest Rate |                     |
|---|----------|-------------|-------------------------------|--------------------------------|--------------------------------|----------------------|------------------------------|---------------------|
|   |          | than 1 year | than 1 year and up to 2 years | than 2 years and up to 3 years | than 3 years and up to 4 years |                      |                              | than 4 years        |
| (In million Pesos, constant currency, as of June 30, 2011) <sup>(2)</sup> |          |             |                               |                                |                                |                      |                              |                     |
| Banking debt and other  |          |             |                               |                                |                                |                      |                              |                     |
| Bank loans <sup>(3)</sup>   | Ps./US\$ | 529,496     | 27,585                        | —                              | —                              | —                    | 557,081                      | Float<br>Ps. 16,75% |
| Hoteles Argentinos' secured loans   | Ps.      | 18,984      | —                             | —                              | —                              | —                    | 18,984                       | /<br>US\$ 3,80%     |
| APSA's 2011 Notes for US\$ 6 M (Series IV)                                | US\$     | —           | —                             | —                              | —                              | —                    | —                            | 7%                  |
| APSA's 2011 Notes for Ps. 55 M (Series III)                               | Ps.      | —           | —                             | —                              | —                              | —                    | —                            | Badlar+3%           |
| APSA's 2012 Notes for Ps. 154 M (Series II)                               | Ps.      | 28,889      | —                             | —                              | —                              | —                    | 28,889                       | 11%                 |
| APSA's 2014 Convertible Notes for US\$ 50 M <sup>(4)</sup>                | US\$     | 3           | —                             | 4,640                          | —                              | —                    | 4,643                        | 10%                 |
| APSA's 2017 Notes for US\$ 120 M (Series I)                               | US\$     | 4,490       | —                             | —                              | —                              | 432,591              | 437,081                      | 8%                  |

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|  |          |                |               |               |                |                  |                  |     |
|--|----------|----------------|---------------|---------------|----------------|------------------|------------------|-----|
| IRSA's 2017 Notes                          | US\$     | 20,960         | (710)         | (710)         | (710)          | 614,549          | 633,379          | 9%  |
| IRSA's 2020 Notes                          | US\$     | 30,800         | (875)         | (875)         | (875)          | 600,741          | 628,916          | 12% |
| Equity investees and other related parties | US\$     | 2,345          |               |               |                |                  | 2,345            |     |
| Debt financed by the seller <sup>(2)</sup> | Ps./US\$ | 47,846         | 19,523        | 19,523        | —              | 42,522           | 129,415          |     |
| <b>Total banking debt and other</b>        |          | <b>683,813</b> | <b>45,523</b> | <b>22,578</b> | <b>(1,585)</b> | <b>1,690,403</b> | <b>2,440,733</b> |     |
| <b>Total debt</b>                          |          | <b>683,813</b> | <b>45,523</b> | <b>22,578</b> | <b>(1,585)</b> | <b>1,690,403</b> | <b>2,440,733</b> |     |

(1) Figures may not sum due to rounding.

- (2) Exchange rate as of June 30, 2011 US\$1.00 = Ps. 4.1100.
- (3) Includes bank overdrafts.
- (4) Disclosed net of the notes held by us

### ***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. was repayable in a single payment that fell 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. On March 15, 2011, such loan was replaced and three loans with Standard Bank Argentina S.A. were agreed upon: one loan for Ps. 15.8 million, due on March 14, 2012 accruing interest at a rate of 16.75%, and two loans in dollars, each for US\$ 0.4 million, the first one due on September 12, 2011 and accruing interest at a rate of 3.70% and the second one due on March 14, 2011 accruing interest at a rate of 3.90%. Upon the first expiration on September 12, 2011, interests were paid and capital was renewed for another year accruing interest at a rate of 3.90%.

### ***Alto Palermo 10% convertible notes due 2014***

On July 19, 2002 APSA issued US\$50.0 million unsecured convertible notes in exchange for cash and settlement of certain liabilities owned to its shareholders. Raymond James Argentina, Sociedad de Bolsa S.A. acted as underwriting and placement agent. The proceeds from the Convertible Notes were used to settle short-term bank loans in the sum of Ps.27.3 million, and to redeem secured corporate notes issued by APSA in the principal amount of Ps.52.8 million. The Convertible 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 exchange rate per U.S. Dollar is Ps.3.08642 or the result obtained from dividing the exchange rate effective at the exchange date by the par value of APSA's common shares, whichever is lower. The maturity date of the Convertible Notes was July 19, 2006, but at a special noteholders' meeting held on May 2, 2006, the noteholders approved the extension of the maturity date to July 19, 2014. The other terms and conditions of the Convertible Notes remained unchanged. During the fiscal years 2003, 2004, 2005, 2006, 2007 and 2011 the holders of approximately US\$18.24 million of APSA's Convertible Notes exercised their conversion rights; therefore, APSA issued 4,829,745; 22,852,514; 52,741,373; 1,539,000, 101,582 and 477,544,197 common shares, respectively. As of June 30, 2011 the outstanding balance of our Convertible Notes was US\$31.8 million. APSA offered an aggregate repurchase price of US\$36.1 million to the holders of our Convertible Notes. On September 22, 2011, APSA reported that one holder of its Convertible Notes exercised its conversion rights. As a result, there were issued 277,777 common shares, of nominal value pesos 0.1 (V\$N 0.1) each, and canceled Convertible Notes for an amount of US\$ 9,000 (See "Recent Developments" and "Significant changes").

On May 26, 2011 we approved the sale of all convertible notes held by us to APSA, subject to the consummation of a concurrent underwritten international offering of ADSs and offering of common shares in Argentina. The Convertible Notes to be sold to APSA by us represent 99.9% of the aggregate outstanding principal amount of the Convertible Notes. The price APSA offered to repurchase their Convertible Notes was approved in APSA's shareholders' meeting held on May 26, 2011. Our Audit Committees determined that the terms of the proposed repurchase of Convertible Notes held by us were reasonable, and both companies obtained third party fairness opinions with respect to the

repurchase price offered. As of the date of this annual report, APSA has not received confirmation from other holders about their acceptance of the proposed repurchase. If APSA does not receive such confirmation, Convertibles Notes in the amount of US\$ 8,240 will remain outstanding.

***Alto Palermo series I and series II notes***

On May 11, 2007, Alto Palermo issued two new series of notes under its global program. Series I consists of notes for a principal amount of US\$120 million, which accrue interest at a fixed rate of 7.875% per annum, payable semi-annually, and with maturity on May 11, 2017.

Series II consists of notes for a principal amount of Ps. 154 million (equivalent to US\$50 million), which accrue interest at 11% per annum, payable semi-annually, and are repayable in seven semi-annual installments commencing on June 11, 2009.

***Acquisition of Alto Palermo's Series I Notes.***

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

In turn, in the course of fiscal year 2009, our subsidiary Alto Palermo repurchased some of its Series I notes for US\$ 5.0 million in nominal value. As a weighted average, the price paid was US\$ 0.3978 for a total of US\$ 2.0 million.

In fiscal year 2011, we sold these notes for a principal amount of US\$ 39.6 million at an average price of US\$ 0.9605 totaling US\$ 38.1 million. In addition, during this fiscal period, APSA repurchased its Series I notes for a principal amount of US\$ 5.0 million. The weighted average price was US\$ 1.0201 for a total of US\$ 5.1 million.

Therefore, as of June 30, 2011, our consolidated holdings of Alto Palermo's Series I notes amounted to US\$ 10.0 million (The entire amount is held by APSA) in nominal value.

***Acquisition of Alto Palermo's Series II Notes***

During fiscal year 2009, we bought US\$ 15.1 million in principal amount of Alto Palermo's Series II Notes, for a total of US\$ 8.2 million, representing as a weighted average, a price of US\$ 0.5513.

In turn, in the course of fiscal year 2009, our subsidiary Alto Palermo purchased some of its Series II notes for US\$ 3.0 million in nominal value, for a total of US\$ 2.3 million, representing, as a weighted average, a price of US\$ 0.75. During fiscal year 2011, no purchases were made with respect to these Series II notes.

Therefore, as of June 30, 2011, our consolidated holdings of Alto Palermo Series II notes amounted to US\$ 19.9 million in nominal value including previous holdings.

***Alto Palermo's Series III and Series IV Notes***

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

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

As of June 30, 2011, these two series of notes were due and fully paid.

***8.5% Series I notes due 2017***

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

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

- 50% of the cumulative consolidated net income; or
- 75% of the cumulative consolidated net income if the consolidated interest coverage ratio for the most recent four consecutive fiscal quarters is at least 3.0 to 1; or
- 100% of the cumulative consolidated net income if the consolidated interest coverage ratio for the most recent four consecutive fiscal quarters is at least 4.0 to 1; plus 100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by 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, or (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 qualified capital stock of us, (c) any kind of reduction in our indebtedness or the indebtedness of any of our restricted subsidiaries; or (d) any kind of reduction in investments in debt certificates (other than permitted investments) and in the return on assets; or (e) any distribution received from unrestricted subsidiary.

***11.5% Series II notes due 2020***

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.

***Debt structuring for the acquisition of Edificio República***

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

***Capital Expenditures***

*Fiscal Year 2011.* During the fiscal year ended June 30, 2011, we invested Ps. 967.3 million of which (i) Ps.900.1 million are related to acquisition and improvements of fixed assets, mainly due to (a) Ps. 713.1 million related to the APSA shares purchase, (b) the acquisition of Soleil Factory for Ps. 43.9 million, (c) the acquisition of San Martín property for Ps. 70.2 million, (d) properties to receive (parking lots) related to Beruti barter agreement for Ps. 9.3 million, (e) Ps. 11.2 million in the construction of Dot Baires Shopping and its office building, (f) improvements in our shopping centers for Ps. 9.5 million, (g) improvements in our hotels Sheraton, Llao Llao and Intercontinental for Ps. 4.6 million, Ps. 2.2 million and Ps.1.7 million, respectively, and (ii) Ps. 67.1 million in the acquisition of plots of land, of which Ps. 29.2 million are related to the acquisition on the 50% stake in Liveck S.A. (Zetol and Vista al Muelle), Ps. 17.9 million are related to the acquisition of Unicity S.A. (additional 10% stake in Santa Maria del Plata), Ps. 12.7 million are related in the APSA stake purchase, and Ps. 6.7 million are related to Soleil Factory acquisition and its construction permits.

*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.

***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***

After the economic crisis suffered during fiscal year 2009, the global economy is moving forward to an expansion track together with better financial conditions. During 2010 world output returned to its growth track, pulled mainly by emerging and developing economies, reaching a 5.1% growth during that year. According to IMF "World Economic Outlook" released in September 2011, world total output will increase 4.0% in 2011, while it is projected that it will grow around 4.0% in 2012; which represent (0.4%) and (0.5%) variations from the expenses expectations released by IMF on April 2011.

It must be highlighted that, during fiscal year ended June 30, 2011, economic activity in developing countries was higher than in the developed world. In this sense, performance at the local market levels also picked up the trend (in local currency). During this fiscal year, whereas the Eurostoxx 50, by 10.74% and the Nikkei by 6.79%, the Santiago stock exchange rose by 19.13% and Argentina's Merval rose by 52.11%.

Given this international context, the Argentine GDP has resumed the strong growth path that was interrupted in 2009, showing an increase of 9.2% in 2010, according to the Argentine Institute of Statistics and Censuses ("INDEC"). In the year to date, the same positive trend in the level of activity is noted. For the first 6 months of 2011, the Monthly Economic Activity Estimator" EMAE", usually used to predict the GDP, rose 8.9% compared to the same month in the previous fiscal year, with an upward trend. As concerns to inflation, the INDEC's measurements show that accumulated inflation for the first 6 months is in the whereabouts of 5.5%.

During the first six months of 2011, Total Consumption has been the most significant component in the Aggregate Demand, with a 68.6% 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 nine months of 2011 rose by 22.0% compared to the same period a year earlier.

When it comes to retailer activity, according to CAME, the Confederation of Argentine Medium-Sized Enterprises, retail sales volumes grew by 6.4% in June 2011 compared to June 2010, 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. Considering June 2011 figures, there was an increase of 7.0% in sales volumes for the first six months of this year, compared to the same period of last year.

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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 2011 grew by 16,000 square meters. Furthermore, during fiscal year 2011, the market had an expansion in occupied surface area of 40,780 square meters. Thus, the difference between the occupied surface area and the space demand determined a decrease in the vacancy rate, which was 7.5% 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 2011, the number of deeds filed with the Registry of Real Property of the Autonomous City of Buenos Aires for title conveyance totaled 28,507, representative of a 4.56% increase compared to the deeds filed during the first half of 2010. This totaled deeds for Ps. 11,619.4 million, a 19.6% increase compared to the same period of last year.

When it comes to the hotel sector, the foreign exchange rate, favorable to foreign tourists, continues to give Argentina a competitive edge as a tourist destination. For the first six months of 2011, the tourist inflow increased 7.3% compared to the same period of the previous year. 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, 2011, 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, 2011:

**Payments due by period (2)**

(in thousands of Pesos)

|                                | <b>Total</b> | <b>Less than<br/>1<br/>year</b> | <b>1-3 years</b> | <b>3-5 years</b> | <b>More than<br/>5<br/>years</b> |
|--------------------------------|--------------|---------------------------------|------------------|------------------|----------------------------------|
| <b>Contractual Obligations</b> |              |                                 |                  |                  |                                  |
| Debt                           | 3,313,142    | 316,140                         | 385,944          | 422,566          | 2,188,492                        |
| Purchase obligations           | -            | -                               | -                | -                | -                                |
| Other long-term obligations    | 41,071       | 8,857                           | 12,811           | 19,367           | 36                               |
| Total (1)                      | 3,354,213    | 324,997                         | 398,755          | 441,933          | 2,188,528                        |

(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 eight to fourteen 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.

Currently our board of directors is composed of thirteen directors and three alternate directors. Alternate directors will be summoned to exercise their functions in case of absence, vacancy or death of a full director or until a new director is designated.

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

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| <b>Name</b>             | <b>Date of Birth</b> | <b>Position in IRSA</b> | <b>Date of current appointment</b> | <b>Term expiration</b> | <b>Current position held since</b> |
|-------------------------|----------------------|-------------------------|------------------------------------|------------------------|------------------------------------|
| Eduardo S. Elsztain     | 01/26/1960           | Chairman                | 2009                               | 2012                   | 1991                               |
| Saúl Zang               | 12/30/1945           | Vice-Chairman I         | 2009                               | 2012                   | 1994                               |
| Alejandro G. Elsztain   | 03/31/1966           | Vice-Chairman II        | 2010                               | 2013                   | 2001                               |
| Fernando A. Elsztain    | 01/04/1961           | Regular Director        | 2011                               | 2014                   | 1999                               |
| Carlos Ricardo Esteves  | 05/25/1949           | Regular Director        | 2011                               | 2014                   | 2005                               |
| Cedric D. Bridger       | 11/09/1935           | Regular Director        | 2009                               | 2012                   | 2003                               |
| Marcos Fischman         | 04/09/1960           | Regular Director        | 2009                               | 2012                   | 2003                               |
| Fernando Rubín          | 06/20/1966           | Regular Director        | 2010                               | 2013                   | 2004                               |
| Gary S. Gladstein       | 07/07/1944           | Regular Director        | 2010                               | 2013                   | 2004                               |
| Mario Blejer            | 06/11/1948           | Regular Director        | 2011                               | 2014                   | 2005                               |
| Mauricio Wior           | 10/23/1956           | Regular Director        | 2009                               | 2012                   | 2006                               |
| Gabriel A. G. Reznik    | 11/18/1958           | Regular Director        | 2011                               | 2014                   | 2008                               |
| Ricardo H. Liberman     | 12/18/1959           | Regular Director        | 2011                               | 2014                   | 2008                               |
| Daniel Ricardo Elsztain | 12/22/1972           | Regular Director        | 2011                               | 2014                   | 2011                               |
| Emilio Cárdenas         | 08/13/1942           | Alternate Director      | 2008                               | 2014                   | 2003                               |
| Salvador D. Bergel      | 04/17/1932           | Alternate Director      | 2008                               | 2014                   | 1996                               |
| Enrique Antonini        | 03/16/1950           | Alternate Director      | 2010                               | 2013                   | 2007                               |

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 Universidad de 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, Consultores Assets Management S.A., Cresud, BrasilAgro Companhia Brasileira de Propiedades Agrícolas, BACS Banco de Crédito & Securitización ("BACS") and Banco Hipotecario, among others. He is also Vice-chairman of the Board of Directors of E-Commerce Latina S.A.. He is Fernando A. Elsztain's cousin and Alejandro G. Elsztain and Daniel Ricardo Elsztain's brother.

**Saúl Zang.** Mr. Zang obtained a law degree from 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 vice-chairman of Alto Palermo and Cresud; Puerto Retiro and Fibesa, and a director of Banco Hipotecario, Nuevas Fronteras S.A., Tarshop, Palermo Invest S.A. and BrasilAgro.

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

Daniel Ricardo Elsztain and a cousin of Director Fernando A. Elsztain.

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

**Carlos Ricardo Esteves.** He has a degree in Political Sciences from 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 is a pioneer in corporate coaching in Argentina. He studied at the Hebrew University of Jerusalem. He provides consulting services to businessmen, scholars and artists. In 1993 he joined our company and provides us with consulting services in communication and development.

**Fernando Rubín.** Mr. Rubin has a degree in psychology from the Universidad de Buenos Aires and attended a post-graduate course in human resources and organizational analysis at E.P.S.O. Since July 2001, he has been the manager of organizational development at Banco Hipotecario. He served as corporate manager of human resources for 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.

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

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

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

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

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

**Daniel Ricardo Elsztain.** obtained a degree in Economic Sciences from the Torcuato Di Tella University and has a Master in Business Administration from the Austral IAE University. At present, he is our Director for Real Estate Business, since 2004. He is also member of the board of trustees of Hersha Hospitality Trust. Mr. Elsztain is the brother of both the Chairman of the Board of Directors, Mr. Eduardo S. Elsztain, and of the Executive Vice-Chairman, Mr. Alejandro G. Elsztain and cousin of Director Fernando A. Elsztain.

**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 and is currently a member of the board of directors of HSBC Banco Roberts.

**Salvador D. Bergel.** Mr. Bergel obtained a law degree and a PhD from the Universidad Nacional 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 and APSA.

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

***Employment contracts with our directors***

We do not have written contracts with our directors. However, 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.

**Executive Committee**

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

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

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

**Senior Management***Appointment of Senior Management*

Our board of directors appoints and removes senior management.

*Senior Management Information*

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

| <b>Name</b>                  | <b>Date of birth</b> | <b>Position</b>                    | <b>Current position held since</b> |
|------------------------------|----------------------|------------------------------------|------------------------------------|
| Eduardo S. Elsztain          | 01/26/1960           | Chief Executive Officer            | 1991                               |
| Gabriel Blasi <sup>(1)</sup> | 11/22/1960           | Chief Financial Officer            | 2004                               |
| Jorge Cruces                 | 11/07/1966           | Chief Real Estate Officer          | 2007                               |
| Daniel Ricardo Elsztain      |                      | Chief Real Estate Business Officer | 2007                               |
| David A. Perednik            | 11/15/1957           | Chief Administrative Officer       | 2002                               |

(1) Effective December 7, 2011, Mr. Matias Gaivironsky became our new Chief Financial Officer replacing Mr. Gabriel Blasi. Mr. Gaivironsky was formerly our Head of Capital Markets and Investor Relations. Mr. Blasi has been appointed as CFO of Banco Hipotecario S.A.

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

**Gabriel Blasi.** Mr. Blasi obtained a business administration degree and carried out post graduate studies in finance at CEMA University (*Universidad del CEMA, Centro de Estudios Macroeconómicos Argentinos*) and at IAE, Austral University (*IAE, Universidad Austral*). He developed his career in the investment banking and capital markets areas at banks such as Citibank and Banco Río (BSCH). Prior to joining the group, he was Finance Director at Carrefour Argentina Group and Goyaique SACIFIA (Perez Companc Group). Currently, he serves as chief financial officer of Cresud and Alto Palermo. Also, he is member of the Board of Directors of BrasilAgro-Companhia Brasileira de Propiedades Agrícolas, is an alternate Director of Banco Hipotecario, and is a Regular Director of BACS Banco de Crédito y Securitización S.A.

**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 chief financial officer from 1986 to 1997. He also worked as a senior consultant in the Administration and Systems Department of Deloitte & Touche since 1983 to 1986. He also serves as chief administrative officer of Cresud and Alto Palermo.

**Jorge Cruces.** Mr. Cruces obtained the degree of architect and a Master in Business Administration, Finance Mention and Strategic Management Mention, at the Universidad de 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 to us and to Alto Palermo. He is also Academic coordinator and Professor of the Cluster Portfolio and Asset Management of the Executive program of Real Estate Management at Universidad Torcuato Di Tella University.

#### *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 annual ordinary shareholders' meeting, held on October 31, 2011:

| <b>Name</b>        | <b>Date of Birth</b> | <b>Position</b>     | <b>Expiration Date</b> | <b>Current position held since</b> |
|--------------------|----------------------|---------------------|------------------------|------------------------------------|
| José D. Abelovich  | 07/20/1956           | Member              | 2012                   | 1992                               |
| Marcelo H. Fuxman  | 11/30/1955           | Member              | 2012                   | 1992                               |
| Noemí Cohn         | 05/20/1959           | Member              | 2012                   | 2010                               |
| Sergio L. Kolaczyk | 11/28/1964           | Alternate<br>Member | 2012                   | 2011                               |
| Roberto Murmis     | 04/07/1959           | Alternate<br>Member | 2012                   | 2005                               |
| Alicia Rigueira    | 12/02/1951           | Alternate<br>Member | 2012                   | 2006                               |

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

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

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

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

**Sergio L. Kolaczyk.** Mr. Kolaczyk obtained a degree in accounting from the Universidad de Buenos Aires. He is a professional of Abelovich, Polano & Asociados S.R.L. / Nexia International. He is also an alternate member of the Supervisory Committee of Alto Palermo and us.

**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., a law firm member of Nexia International. Mr. Murmis worked as an advisor to the *Secretaría de Ingresos Públicos del Ministerio de Economía* of Argentina. Furthermore, he is a member of the supervisory committee of Cresud, Alto Palermo Shopping, Futuros y Opciones S.A. and Llao Llao Resorts S.A.

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

## ***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 31, 2011, the shareholders approved an aggregate compensation of Ps. 23.4 million for all of our directors for the fiscal year ended June 30, 2011.

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, 2011 was Ps.9.3 million.

### *Supervisory Committee*

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

### *Capitalization Plan*

We have a defined contribution plan covering its key managers in Argentina. The Plan was effective on 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. 0.03 million, Ps.1.0 million, and Ps.0.6 million for the years ended June 30, 2011, June 30, 2010, and June 30, 2009, 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 unjustified termination, the manager may redeem the amounts contributed by us only if he or she has participated in the Plan for at least 5 years.

### *Incentive Plan for Managers*

On October, 31, 2011, the Shareholders' Meeting ratified the duly approved Shareholder' resolutions in connection with the implementation of the allocation of an amount equal to 1% of our outstanding shareholder equity, that shall be equal to Ps. 24,818,150, through an incentive plan addressed to certain of our employees, and the delegation of powers into our Board of Directors for the formation of an special purpose vehicle and to implement such plan, and the power to establish timing, pricing, allocation, amounts, and other, subject to applicable law.

### **C. Board Practices**

For information about the date of expiration of the current term of office and the period during which each director has served in such office see Item 6. "Directors, Senior Management and employees – A. Directors and Senior Management."

### *Benefits upon Termination of Employment*

There are no contracts providing for benefits to Directors upon termination of employment., other tan those described under the following sections: (i) ITEM 6: Directors, Senior Management and Employees – B. Compensation – Capitalization Plan and (ii) ITEM 6: Directors, Senior Management and Employees – B. Compensation – Incentive Plan for Managers.

### *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).

#### ***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, 2011, we had 1,571 employees on a consolidated basis. Our Development and Sale of Properties and Offices and Other Non-Shopping Center Rental Properties segments had 88 employees, of which 27 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 811 employees, of which 472 were under commerce collective labor agreements. Our Hotels segment had 678 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*).

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The following table sets forth the number of employees by business segment as of the dates indicated:

|                     | <b>Development<br/>and sale of<br/>properties<br/>and Offices<br/>and other<br/>non-shopping<br/>center retail<br/>properties<sup>(1)</sup></b> | <b>Shopping<br/>Centers</b> | <b>Hotels<sup>(2)</sup></b> | <b>Financial<br/>Operations<br/>and others</b> | <b>Consumer<br/>Financing<sup>(3)</sup></b> | <b>Total</b> |
|---------------------|---|-----------------------------|-----------------------------|--|---|--------------|
| As of June 30, 2009 | 179   | 939                         | 670                         | -  | 694   | 2,482        |
| As of June 30, 2010 | 88  | 774                         | 682                         | -  | 719   | 2,263        |
| As of June 30, 2011 | 82  | 811                         | 678                         | -  | -   | 1,571        |

(1) Includes us, Inversora Bolívar, Baldovinos, Madero, Libertador 498.

(2) Hotels include Intercontinental, Sheraton Libertador and Llao Llao.

(3) Consumer Financing includes Tarshop.

***E. Share Ownership***

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 September 30, 2011:

| <u>Name</u>                        | <u>Position</u>     | <u>Number of<br/>Shares</u> | <u>Percentage</u> |
|------------------------------------|---------------------|-----------------------------|-------------------|
| <b>Directors</b>                   |                     |                             |                   |
| Eduardo S. Elsztain <sup>(1)</sup> | Chairman            | 382,255,065                 | 66.06%            |
| Saúl Zang                          | Vice-Chairman I     | 1,863,673                   | 0.32%             |
| Alejandro G. Elsztain              | Vice-Chairman<br>II | 4,142,720                   | 0.72%             |
| Fernando A. Elsztain               | Regular Director    | -                           | -                 |
| Carlos Ricardo Esteves             | Regular Director    | -                           | -                 |
| Cedric D. Bridger                  | Regular Director    | -                           | -                 |

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|                                |                    |         |        |
|--------------------------------|--------------------|---------|--------|
| Marcos Fischman                | Regular Director   | -       | -      |
| Fernando Rubín                 | Regular Director   | 368,050 | 0.06%  |
| Gary S. Gladstein              | Regular Director   | 210,030 | 0.04%  |
| Mario Blejer                   | Regular Director   | 60,220  | 0.01%  |
| Mauricio Wior                  | Regular Director   | -       | -      |
| Gabriel Adolfo Gregorio Reznik | Regular Director   | -       | -      |
| Ricardo Liberman               | Regular Director   | 26,521  | <0.01% |
| Daniel Ricardo Elsztain        | Regular director   | 143,850 | 0.02%  |
| Emilio Cárdenas                | Alternate director | -       | -      |
| Salvador D. Bergel             | Alternate director | -       | -      |
| Enrique Antonini               | Alternate director | -       | -      |

**Senior Management**

|                              |                              |         |       |
|------------------------------|------------------------------|---------|-------|
| Gabriel Blasi <sup>(2)</sup> | Chief Financial Officer      | 422,360 | 0.07% |
| Jorge Cruces                 | Chief Real Estate Officer    | 77,379  | 0.01% |
| David A. Perednik            | Chief Administrative Officer | 115,040 | 0.02% |

**Supervisory Committee**

|                    |                  |   |   |
|--------------------|------------------|---|---|
| José D. Abelovich  | Member           | - | - |
| Marcelo H. Fuxmn   | Member           | - | - |
| Noemí Cohn         | Member           | - | - |
| Sergio L. Kolaczyk | Alternate member | - | - |
| Roberto Murmis     | Alternate member | - | - |
| Alicia Rigueira    | Alternate member | - | - |

(1) Includes (i) 322,414,033 common shares beneficially owned by Cresud S.A.C.I.F.y A., (ii) 43,401,932 common shares beneficially owned by Agrology S.A., (iii) 628,070 common shares beneficially owned by Consultores Asset Management S.A., (iv) 14,698,030 common shares beneficially owned by IFISA and (v) 1,113,000 common shares owned directly by Eduardo S. Elsztain.

(2) Effective December 7, 2011, Mr. Matias Gaivironsky became our new Chief Financial Officer replacing Mr. Gabriel Blasi. Mr. Gaivironsky was formerly our Head of Capital Markets and Investor Relations. Mr. Blasi has been appointed as CFO of Banco Hipotecario S.A.

*Option Ownership*

No options to purchase shares have been granted to our Directors, Senior Managers, members of the Supervisory Committee, or Audit Committee.

*Employees' Participation in our Capital Stock*

There are no arrangements for involving our employees in our capital stock or related to the issuance of options, shares or securities, other than those described under the following sections: (i) ITEM 6: Directors, Senior Management and Employees – B. Compensation – Capitalization Plan and (ii) ITEM 6: Directors, Senior Management and Employees – B. Compensation – Incentive Plan for Managers.

**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, ANSES and all our directors and officers as a group. Percentages are expressed on a fully diluted basis.

| <b>Shareholder</b>   | <b>Share Ownership as of<br/>September 30, 2011</b> |                                  |
|--|---|----------------------------------|
|  | <b>Number of<br/>Shares</b>                         | <b>Percentage <sup>(3)</sup></b> |
| Cresud <sup>(1)</sup>  | 365,815,965   | 63.2%                            |
| Directors and officers including Eduardo Elsztain <sup>(3)</sup> | 23,868,943  | 4.1%                             |
| National Social Security Agency (“ANSES”)                        | 25,914,834  | 4.5%                             |
| Total  | 415,599,742   | 71.8%                            |

(1) Eduardo S. Elsztain is the beneficial owner of 186,052,367 shares of Cresud, representing 38.3% (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 66.1% of our shares by virtue of his investment in Cresud.

(2) As described in notes (1) and (2) above, Mr. Elsztain may be deemed to be the beneficial owner of 66.1% of our outstanding shares consisting of (i) 322,414,033 common shares beneficially owned by Cresud S.A.C.I.F.y A., (ii) 43,401,932 common shares beneficially owned by Agrology S.A., (iii) 628,070 common shares beneficially owned by Consultores Asset Management S.A., (iv) 14,698,030 common shares beneficially owned by IFISA and (v) 1,113,000 common shares owned directly by Eduardo S. Elsztain. As a result, Mr. Elsztain’s aggregate beneficial ownership of

our outstanding shares may be as high as 382,255,065 common shares, representing 66.1% of our outstanding shares.

(3) As of September 30, 2011, the number of outstanding shares was 578,676,460.

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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, increasing its equity interest in us from 25.0% at June 30, 2007 to 34.4%.

On September 22, 2011 Cresud acquired 2,960,302 of our American Depositary Receipts which represents 5.1% of our outstanding capital stock, in the framework of a private transaction, for a total purchase price of US\$ 30.1 million. Consequently, Cresud's interest in us increased to 63.2%.

***Changes in Share Ownership***

| Shareholder                               | June 30, | June 30, | June 30, | June 30 | June 30, | September    |
|---|----------|----------|----------|---------|----------|--------------|
|   | 2007 (%) | 2008 (%) | 2009 (%) | 2010(%) | 2011 (%) | 30, 2011 (%) |
| Cresud <sup>(1)</sup>                     | 25.0     | 38.4     | 50.2     | 57.6    | 57.7     | 63.2         |
| IFISA <sup>(2) (3)</sup>                  | 1.2      | 1.6      | 0.4      | -       | -        | 2.5          |
| D.E. Shaw & Co. Inc.                      | 0.2      | 6.7      | 7.7      | 7.7     | 7.7      | -            |
| Directors and officers <sup>(4)</sup>     | 0.3      | 0.5      | 0.9      | 1.7     | 1.4      | 1.6          |
| National Social Security Agency ("ANSES") | 4.8      | 4.1      | 4.3      | 4.5     | 4.5      | 4.5          |
| Total                                     | 31.3     | 51.3     | 63.5     | 71.5    | 71.3     | 71.8         |

(1) As of September 30, 2011, Eduardo S. Elsztain is the beneficial owner of 185,518,647 shares of Cresud, representing 38.3% (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 66.1% of our shares by virtue of his investment in Cresud.

(2) Eduardo S. Elsztain is the Chairman of the board of directors of 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 30.90% of IFIS capital stock, which owns 100% of IFISA. As a result, Mr. Elsztain may be deemed to be the beneficial owner of an additional 2.54% of our shares due to IFISA's 2.54% interest in us, without taking into account his indirect interest in us through Cresud.

(3) As described in notes (1) and (2) above, Mr. Elsztain may be deemed to be the beneficial owner of 66.1% of our outstanding shares consisting of (i) 322,414,033 common shares beneficially owned by Cresud S.A.C.I.F.y A., (ii) 43,401,932 common shares beneficially owned by Agrology S.A., (iii) 628,070 common shares beneficially owned by Consultores Asset Management S.A., (iv) 14,698,030 common shares beneficially owned by IFISA and (v) 1,113,000 common shares owned directly by Eduardo S. Elsztain. As a result, Mr. Elsztain's aggregate beneficial ownership of our outstanding shares may be as high as 382,255,065 common shares, representing 66.1% of our outstanding shares.

(4) Includes only direct ownership of our Directors and Senior Management.

(5) As of September 30, 2011, the number of outstanding shares was 578,676,460.

### ***Differences in Voting Rights***

Our major shareholders do not have different voting rights.

### ***Arrangements for change in control***

We are not aware of any arrangements that may, when in force, result in a change in control.

### ***Securities held in the host country***

As of June 30, 2011, our total issued capital stock outstanding consisted of 578,676,460 common shares. As of June 30, 2011, there were approximately 35,516,144 Global Depositary Shares (representing 355,161,440 of our common shares, or 61.4% of all or our outstanding shares) held in the United States by approximately 45 registered holders.

***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 2008 and 2009, we acquired additional shares of Banco Hipotecario S.A. for an aggregate purchase price of US\$132.5 million, bringing our ownership interest to 26.9%. In 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%. In 2011, we acquired additional shares of Banco Hipotecario for an aggregate purchase price of Ps. 36.4 million increasing our ownership interest in Banco Hipotecario to 29.77%.

*Sale of Tarshop to Banco Hipotecario*

On December 29, 2009, our subsidiary Alto Palermo entered into a stock purchase agreement with our affiliate Banco Hipotecario pursuant to which APSA agreed to sell 80% of Tarshop's capital stock to Banco Hipotecario. On September 13, 2010, the transaction closed. Immediately after the sale APSA's equity interest in Tarshop was 20% of its capital stock.

*Purchase of Metroshop from Tarshop*

On May 21, 2010, APSA and Tarshop entered into a share purchase agreement pursuant to which APSA purchased 18,400,000 registered, non-endorsable common shares, par value Ps.1.00 and with one vote per Class B share, issued by Metroshop, representing 50% of Metroshop's capital stock. APSA acquired the remaining 50% of Metroshop's capital stock from Metronec S.A. on January 13, 2011.

*Negotiation between Metroshop and Tarshop*

On January 13, 2011, Metroshop made two offers to Tarshop, which Tarshop accepted, to transfer the following assets to Tarshop:

- (i) receivables from consumption transactions carried out through December 31, 2010 that are performing or in default for not more than 60 days (both those in Metroshop's own portfolio and those assigned to *Fideicomiso Financiero Metroshop Serie XV*);
- ii)

credit card issuance agreements whose customers did not have, as of December 31, 2010, a default for over 60 days in complying with their obligations;

- iii) all credit card customers or accounts and consumer loans;
- iv) lease agreements for certain branches and the related property; and
- v) labor agreements for payroll personnel.

On July 20, 2011, the Extraordinary General Shareholders Meeting of Metroshop S.A. unanimously approved the change of its corporate name to APSAMEDIA S.A. and the amendment of its corporate purpose to capitalize on market opportunities. Metroshop S.A. will continue providing its services, which have been broadened in scope to the following areas:

- Consumer credit marketing and financing
  
- Issuance and marketing of credit cards.
  
- Performance of any type of agency and representation.
  
- Management of administrative, advertising and commercial activities.

Such amendments were registered with the Public Registry of Commerce on August 29, 2011 under number 17,795.

*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.

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 Fundacion Museo de los Niños*

During the fiscal years ended June 30, 2009, 2010 and 2011, we made donations to Fundación IRSA and Fundación Museo de los Niños for a total amount of Ps.4.0 million, Ps.2.6 million and Ps.3.1 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.

During fiscal years ended on June 30, 2009, 2010 and 2011, Cresud continued to increase its stake in our company, reaching 55.6%, 57.5% and 57.7% respectively by the end of such periods.

#### *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. We pay a monthly rent of US\$7,745. In November 2009 the 24<sup>th</sup> floor was transferred to us as a result of the final subscription contract.

#### *Legal Services*

During the fiscal years ended June 30, 2011, 2010 and 2009 we paid the law firm Zang, Bergel & Viñes an aggregate amount of approximately Ps.6.0 million, Ps.5.0 million and Ps.3.2 million, respectively, as payments for legal services. Our director, Saúl Zang, and our alternate director, Salvador D. Bergel, are partners of this law firm. Juan C. Quintana Terán, our alternate director, is of-counsel 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 and principal shareholder 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 the years ended June 30, 2009, 2010 and 2011 were Ps.(12.1) million, Ps. 3.2 million and Ps. 4.2 million, respectively.

*Loan agreements with Banco Hipotecario*

*Related Companies*

As of June 30, 2011 some of our related companies had loans from Banco Hipotecario for a total amount of approximately Ps. 59.5 million with an average interest rate of 11.5%. 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.

*Members of the Senior Management*

As of June 30, 2011 several members of the senior management of Banco Hipotecario had loans from Banco Hipotecario for a total amount of approximately Ps. 1.4 million with an average interest rate of 16%. 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 Services 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.

In this regard, on June 30, 2004, we, Alto Palermo and Cresud 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, as amended.

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 Alto Palermo and Cresud.

On July 11<sup>th</sup>, 2011 we entered into the Fourth Agreement for Implementation of Amendments to the Master Agreement of Corporate Services with APSA and Cresud. The purpose of the new amendments is to generate a more efficient allocation of the corporate resources between the parties, to ensure the most equitable allocation of costs while maintaining the efficiency of the group, and also to continue with the reduction of certain fixed costs of the parties activities, in order to decrease its impact on the operating results.

In spite of the above, we, 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. 12. Mr. Alejandro Gustavo Elsztain is acting as General Coordinator while Mr. Cedric Bridger has been appointed as individual responsible person on our behalf, a member of the Audit Committee.

#### *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.

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On December 31, 2009, the outstanding principal amount of such convertible notes was US\$47.2 million, and we owned US\$31.7 million principal amount of such convertible notes on such date. If all the holders of Alto Palermo's convertible notes were to exercise their conversion rights, the amount of Alto Palermo's shares outstanding would be increased from 1,259.6 million to 2,239.7 million.

As of June 30, 2011 we held US\$31.8 million convertible notes of Alto Palermo.

APSA offered an aggregate repurchase price of US\$36.1 million to the holders of their convertible notes. On May 26, 2011 we approved the sale of all Convertible Notes held by us to APSA, subject to the consummation of an international offering of ADSs and offering of common shares in Argentina. The Convertible Notes to be sold to APSA by us represent 99.9% of the aggregate outstanding principal amount of the Convertible Notes. The price APSA offered to repurchase their Convertible Notes was approved in APSA's shareholders' meeting held on May 26, 2011. APSA's Audit Committee determined that the terms of their proposed repurchase of Convertible Notes are reasonable, and obtained third party fairness opinions with respect to the repurchase price APSA offered.

*Purchase of Alto Palermo's Series I Notes*

During the fiscal year ended June 30, 2009, we purchased US\$39.6 million nominal value of Alto Palermo's Series I Notes for an aggregate amount of US\$19.3 million.

Additionally, our subsidiary Alto Palermo, during the fiscal year ended June 30, 2009, repurchased US\$5.0 million nominal value of its Series I Notes. The average price was US\$0.3978 for an aggregate amount of US\$2.0 million.

During the fiscal year ended June 30, 2011, we sold US\$39.6 million nominal value of these notes at an average price of US\$0.9605 totalling US\$38.1 million. Furthermore, during this fiscal year, APSA repurchased US\$5.0 million nominal value of its Series I Notes. The average price was US\$1.0201 for an aggregate amount of US\$5.1 million.

Consequently, as of June 30, 2011, our consolidated holding of Alto Palermo's Series I Notes was US\$10.0 million nominal value (all of which are held by APSA).

*Purchase of Alto Palermo's Series II Notes*

During the fiscal year ended June 30, 2009, we purchased US\$15.1 million in nominal value of Alto Palermo's Series II Notes for an aggregate amount of US\$8.2 million, representing a weighted average price of US\$0.5513. In turn, during the 2009 fiscal year, our subsidiary Alto Palermo purchased US\$3.0 million in nominal value of its Series II Notes, for an aggregate amount of US\$2.3 million, representing a average price of US\$0.75.

During the 2011 fiscal year, no purchases of these notes were consummated.

Consequently, as of June 30, 2011, our consolidated holding of Alto Palermo's Series II Notes was USD 19.9 million nominal value, including previous shareholdings.

*Purchase of Shares in Alto Palermo*

During fiscal year ended June 30, 2010, we purchased 38,400 shares issued by Alto Palermo at an average price per share of US\$0.1350 and for an aggregate amount of US\$0.005 million.

On October 15, 2010, we exercised such option and paid the remaining US\$120 million, in order to acquire Parque Arauco's direct and indirect equity interest in Alto Palermo. The purchase price was US\$126 million; of which US\$6 million were paid at the time the option was granted. Pursuant to the terms and conditions of the option granted on January 13, 2010, the dividends pertaining to the fiscal year ended June 30, 2010 were deducted from the purchase price. As a consequence of the transaction, we increased our equity interest from 63.35% to 94.9% of the capital stock of Alto Palermo.

*Cresud Credit Line*

On September 24, 2011, we granted a line of credit to Cresud, for an amount of up to US\$25 million with a stated maturity of 90 days, at a 7.5% annual fixed rate. Our Audit Committee has stated that the aforementioned transaction may be reasonably considered appropriate and customary in the market without any objections.

*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.

*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. It should be noticed, regarding the abovementioned criminal procedure, that on February 23, 2011 it was resolved to declare its expiration, and to dismiss certain defendants. However, this resolution is not final because it was appealed. 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.54.4 million, as of June 30, 2011, would be lost. As of June 30, 2011, 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 Holding paid Ps.9.2 million.

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 specified 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 judgment 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 was fully paid as of the date of this annual report. There is enough amount deposited in the files to meet the auctioneer's fees involve in the proceedings already provided and firms, which amount up to Ps. 1.0 million plus VAT, amount that has already been given in payment to the auctioneer, pending the determination of the attorney's fees that represented the auctioneer in this case and the eventual interest that may be settled for an alleged late payment of such stipends (an issue which is debated in the file).For these two concepts could be estimated a provision of Ps. 0.08 million. On the other hand, the fees of the lawyers who acted on behalf of the Parks Administration (administración de parques) at the stage of execution of the sentence are pending of payment. These fees were not regulated yet, but we estimated that for this concept it should be provisioned an amount around Ps. 1.4 million.

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. LLR filed for an appeal against the award for considering the amount excessively high. The auctioneer, in turn, filed for an appeal against the award for considering the amount excessively low. After various judicial instances, the courts rendered a decision favorable to LLR and considered LLR's debt was settled as it related to the liquidation approved in the record of proceedings. Furthermore, the appeal remedy regarding fees awarded to the auctioneer, which were reduced from Ps.1.8 million to Ps.1.1 million, plus VAT.

***Legal issues with the City Hall of Neuquén***

In June 2001, Shopping Neuquén requested that the City Hall of Neuquén allow it to transfer certain parcels of land to third parties so that each participant in the commercial development to be constructed would be able to build on its own land. The City Hall Executive Branch previously rejected this request under Decree No. 1437/2002 which also established the expiration of the rights arising from Ordinance 5178, including the loss of any improvement and expenses incurred. As a result, Shopping Neuquén had no right to claim indemnity charges and annulled its buy-sell land contracts.

Shopping Neuquén submitted a written appeal to this decision on January 21, 2003. It also sought permission to submit a revised schedule of time terms, taking account of the current situation and including reasonable short and medium term projections. The City Hall Executive Branch rejected this request in Decree 585/2003. Consequently, on June 25, 2003, Shopping Neuquén filed an “Administrative Procedural Action” with the High Court of Neuquén requesting, among other things, the annulment of Decrees 1,437/2002 and 585/2003 issued by the City Hall Executive Branch. On December 21, 2004, the High Court of Neuquén communicated its decision that the administrative procedural action that Shopping Neuquén had filed against the City Hall of Neuquén had expired. Shopping Neuquén filed an extraordinary appeal for the case to be sent to the Argentine Supreme Court.

On December 13, 2006, Shopping Neuquén signed an agreement with both the City Hall and the Province of Neuquén stipulating a new timetable for construction of the commercial and housing enterprises (the “Agreement”). Also, Shopping Neuquén was permitted to transfer certain parcels to third parties so that each participant in the commercial development to be constructed would be able to build on its own land, with the exception of the land in which the shopping center will be constructed. The Legislative Council of the City Hall of Neuquén duly ratified the Agreement. The City Hall Executive Branch promulgated the ordinance issued on February 12, 2007.

The Agreement also provides that Shopping Neuquén will submit, within 120 days after the Agreement is signed, a new urban project draft with an adjustment of the environmental impact survey, together with a map of the property subdivision, which the City Hall of Neuquén will approve or disapprove within 30 days after its presentation. If the project is approved, Shopping Neuquén will submit the final maps of the works to the City Hall within 150 days of this decision.

The Agreement put an end to the lawsuit of Shopping Neuquén against the City Hall of Neuquén before the High Court of Neuquén, in which the only pending issue is the determination of fees of the attorneys of the City Hall that are in charge of Shopping Neuquén.

On March 28, 2007, Shopping Neuquén submitted the new project draft and revised environmental impact survey to the City Hall of Neuquén. On May 10, 2007, the City Hall of Neuquén, requested certain explanations and made recommendations for our consideration before issuing an opinion on the feasibility of the draft project. On July 17, 2007, Shopping Neuquén answered the City Hall’s requests and on September 20, 2007, the City Hall approved the feasibility of the project. Shopping Neuquén submitted the final maps of the project to the City Hall.

On June 12, 2009 a new agreement with the City Hall of Neuquén was signed which requires Shopping Neuquén to submit the plans of the new road project (with the agreed inclusions to the project) and the amendments to the general project.

On October 19, 2009, Shopping Neuquén submitted the new road project and the amendments to the general project. The City Hall of Neuquén made certain comments that were answered on November 17, 2009.

The first stage of construction (including minimum construction of the shopping center and the hypermarket) is expected to be completed within a maximum period of 22 months since the beginning of the construction.

On January 18, 2010, the City Hall of Neuquén requested changes to the plans filed, granting a 30-day term to file the necessary amendments. Shopping Neuquén submitted the working plans related to the first stage of the work (contemplating the construction of the shopping mall and the hypermarket), it obtained the authorizations to start such works and on July 5, 2010, construction began.

The first work stage should be completed at a maximum of 22 month from beginning construction. In the case of failing to comply with the conditions established in the agreement, the City Hall of Neuquén is entitled to terminate the agreement and may request the return of Shopping Neuquén's acquired to the City Hall of Neuquén, among other actions.

On November 8, 2010, Shopping Neuquén was served notice of a resolution issued by the High Court of Neuquén, by which certain pending fees to be borne by Shopping Neuquén were established. Such decision is not final and Shopping Neuquén has filed an appeal on November 12, 2010 an appeal for annulment on November 17, 2010, and an extraordinary appeal on November 24, 2010. For more information please see "Recent Developments"

#### **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, provisionally estimated, of 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 parcel of land located in Caballito neighborhood, City of Buenos Aires, where Alto Palermo is planning to develop a shopping center. As of June 30, 2011 under court proceedings the property was subject to legal attachment for Ps. 36.8 million.

After we sold the Edificio Costeros, dique II, on November 20, 2009 we requested an opinion to the Antitrust Authority as to whether it was necessary to report this transaction. The Antitrust Authority advised us that we were required to notify the transaction, decision that was appealed and confirmed in court. Consequently, on December 5, 2011, we notified the transaction and of the date of this annual report the Antitrust Authority is analyzing the operation

After sold 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. The Antitrust Authority advised that we were in fact required to notify it, and we challenged this opinion in the local courts.

After the 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. 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 the 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.

We filed a new request for the Antitrust Authority's opinion regarding our acquisition of Bank Boston Tower on August 30, 2007. The Antitrust Authority advised us that we were in fact required to report the transaction and the competent court ratified such decision. On November 15, 2011, the transaction was filed with the Antitrust Authority. . On November 10, 2011 by Resolution SCI No. 356 it was authorized the purchase of the property.

On May 6, 2008, we filed with the Antitrust Authority a request for its opinion as to the need to notify the Antitrust Authority the acquisition of Edificio República. The Antitrust Authority advised us that we were in fact required to report the transaction and the competent court ratified such decision. 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 the 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 filing the result of this proceeding has not been determined.

On January 22, 2008, Alto Palermo requested the Antitrust Authority's clearance for the transfer of the Soleil Factory shopping center. On April 12, 2011, the Antitrust Authority authorized the transaction.

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, 2010 the transaction was filed with the Antitrust Authority. As of the date of this annual report, the Antitrust Authority has not yet issued a decision.

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. As of the date of this annual report, the Antitrust Authority has not yet issued a decision.

On November 19, 2010 we were notified of the claim "Cuatro Pampeanos S.A. c/ Exportaciones Agroindustriales Argentinas S.A. s/ daños y perjuicios" handled before the "*Juzgado de 1º instancia en lo Civil, Comercial, laboral y de Minería N° 1, Secret. Única*", located in Santa Rosa, La Pampa. The plaintiff claims damages resulting from alleged fraud caused by a partner of the plaintiff acting in collusion with and employee of EAASA. The claim is for up to Ps. 1.3 million. We answered the claim in a timely manner.

On April 11, 2011 Quality Invest SA request the Antitrust Authority to issued an advisory opinion regarding the obligation to notify or not the transaction of the sale of a property in the district of San Martín, Buenos Aires Province. The Antitrust authority established the obligation to notify it, however Quality Invest appealed this decision. At the date of issuance of these financial statements the resolution is pending.

On August 23, 2011, APSA, IRSA's subsidiary, notified the Antitrust Authority the purchase of Nuevo Puerto Santa Fe stocks. As the date hereof, the Antitrust Authority has not yet issued a decision.

We are involved in other litigation which derives from 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, we estimate 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 results of operations and financial condition or liquidity.

For more information see "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 our shareholders. The approval, amount and payment of dividends are subject to the approval by our shareholders at our annual ordinary shareholders meeting. The approval of dividends requires the affirmative vote of a majority of the shares entitled to vote at the meeting.

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

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- 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;
- additional amounts may be allocated for the payment of optional reserve funds, or to establish contingency 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.

On February 2, 2007 we issued our 2017 fixed rate notes for a total amount of US\$150.0 million at an annual interest rate of 8.5% payable semi-annually and maturing 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 the 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, or (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 qualified capital stock of us, (c) any kind of reduction in our indebtedness or the indebtedness of any of our restricted subsidiaries; or (d) any kind of reduction in investments in debt certificates (other than permitted investments) and in the return on assets; or (e) any distribution received from unrestricted subsidiary.

Our dividend policy consists in the distribution of an amount up to the highest of a) twenty per cent (20%) of the Sales, leases and services of "Offices and other Non-Shopping Center Rental Properties" segment, defined in Segment information, as of June 30 of each year, or b) twenty per cent (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. Figures in Pesos are stated in historical Pesos of their respective payment date.

| <b>Year declared</b> | <b>Cash dividends<br/>(in million of Ps.)</b> | <b>Cash<br/>dividends<sup>(1)</sup><br/>(Ps.)</b> | <b>Stock<br/>dividends<sup>(1)</sup><br/>(Ps.)</b> | <b>Total per<br/>common<br/>share<br/>(Ps.)</b> |
|----------------------|---|---|--|---|
| 1997                 | 15.0  | 0.110   | —  | 0.110   |
| 1998                 | 13.0  | 0.060   | 0.05   | 0.110   |
| 1999                 | 18.0  | 0.076   | 0.04   | 0.116   |
| 2000                 | —   | —   | 0.20   | 0.204   |
| 2001                 | —   | —   | —  | —   |
| 2002                 | —   | —   | —  | —   |

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|                     |       |       |   |       |
|---------------------|-------|-------|---|-------|
| 2003                | —     | —     | — | —     |
| 2004                | —     | —     | — | —     |
| 2005                | —     | —     | — | —     |
| 2006                | —     | —     | — | —     |
| 2007                | —     | —     | — | —     |
| 2008                | —     | —     | — | —     |
| 2009                | 31.7  | 0.055 | — | 0.055 |
| 2010                | 120.0 | 0.207 | — | 0.207 |
| 2011 <sup>(2)</sup> | 100.0 | 0.173 | — | 0.173 |
| 2011 <sup>(3)</sup> | 211.6 | 0.366 | — | 0.366 |

- (1) Corresponds to payments per common share.
- (2) Corresponds to the dividend paid on April 11, 2011.
- (3) Corresponds to the dividend paid on November 21, 2011.

***B. Significant Changes.***

***Hotel Esplendor Savoy - City of Rosario***

On December 13, 2011, we reported that we have indirectly acquired 49% of the share capital stock of Bitania 26 S.A., a corporation which owns the hotel “Esplendor Savoy” in the city of Rosario. The purchase price was set up at Ps. 21.4 million.

***La Ribera Shopping – Santa Fe***

On August 18, 2011, APSA informed that it fulfilled the conditions of the transaction reported by Form 6-K, dated as of June 27, 2011. By means of which, APSA reported that it had conditionally acquired from Boldt S.A. and Iverama S.L. fifty percent of the shares of Nuevo Puerto Santa Fe S.A., a corporation that leases a building in which was built and operates a shopping center of approximately 8,000 leasable square meters, located at the Santa Fe City’s Port, Santa Fe Province and a sub-licensee as from the date hereof.

The transaction has been approved by the Administrative Entity of Puerto Santa Fe, regarding the modification of the capital stock of Nuevo Puerto Santa Fe S.A., and has not been opposed by Santa Fe Lottery Social Welfare Found “Caja de Previsión Social Lotería Santa Fe”.

Consequently, the Company NPSF is constituted 50% by APSA and the remaining 50% by GRAINCO SA.

***Sale of a lot to GENSAR S.A.***

On September 22, 2011, APSA through its subsidiary Shopping Neuquén Sociedad Anónima agreed to assign, sell and transfer to GENSAR S.A. a lot designated as Lot H with all the fixtures, buildings, and improvements bound to the soil. This lot is part of the property facing Doctor Ramon St. and the National Road N° 7, located in the City of Neuquén, Province of Neuquén, Argentina, Department of Confluencia, First section, with a total area of 14,792 meters and 68 square decimeters. The purchase price was US\$ 0.4 million, which was paid in cash. The property would be transferred on the condition that the buyer utilized it to construct and operate a supermarket at its own cost and expense, in accordance with the terms and conditions agreed upon with Neuquén Municipality.

***New Global Program for the issuance of non-convertible notes.***

Our annual ordinary shareholders' meeting approved a new global program for the issuance of non-convertible notes, either secured or unsecured, for a maximum outstanding amount at any time of up to US\$ 300 million, all in accordance with the provisions of the Negotiable Obligations Law, and delegated to the Board of Directors broad powers to decide the terms, conditions and implementation of such global program.

***IRSA Dividend***

By letter dated October 31, 2011, we reported the following Summary of the resolutions adopted at the captioned Shareholder’s Meeting: To pay a cash dividend of Ps. 211,575,000, and allocate the remaining balance to the “Free Availability Reserve” account, on November 10, 2011, the Board of Directors approved the payment and the settlement

was on November 21, 2011.

***Sale of a plot of land***

On October 26, 2011, we reported the sale of a plot of land of approximately 8 hectares, located in Thames St. N° 1868, (between Alberto Lartigau St. and Ramón Falcón St.), in the city of San Justo, Province of Buenos Aires, Argentina.

The purchase price was US\$ 4.7 million, which was paid on October, 25, 2011. The book value of the plot of land as of June 30, 2011 was US\$ 0.9 million.

***Supertel Hospitality Inc.***

On November 16, 2011, we reported that Real Estate Strategies L.P., an investment vehicle managed and indirectly wholly owned by us, had entered into a purchase agreement with Supertel Hospitality Inc. (“Supertel”), subject to Supertel’s shareholders’ approval and our approval to Supertel’s debt restructuring.

Supertel is a Real Estate Investment Trust (“REIT”) and its shares are listed and traded in NASDAQ under the symbol “SPPR”. Supertel began its operations in the late 1970s and in 1994 completed its Initial Public Offering.

Currently Supertel focuses on midscale, economy and extended-stay segments of the hospitality Industry, owning 101 hotels across 23 states of the US. Its properties are operated by various third party management companies and their franchise agreements, including brands such as Comfort Inn, Days Inn, Hampton Inn, Holiday Inn Express, Sleep Inn and Super 8.

In case the conditions described above are met, Real Estate Strategies L.P. will invest US\$20 million in exchange of two million newly issued preferred shares of Supertel, which will also include an option to purchase, up to an additional one million preferred shares for a price of US\$10 per share.

The preferred shares will bear an annual 6.25% preferred dividend; vote with the common stock, subject to certain voting limitations, and subject to ownership limitations, will be convertible into common stock of Supertel at the rate of ten shares for each share of preferred stock for a period of 5 years.

As part of the Agreement, Real Estate Strategies L.P. will also receive warrants to purchase 20 million shares of common stock, which may be increased up to 30 million shares pro rata with Real Estate Strategies L.P.’s exercise of the option for additional preferred shares. Subject to ownership limitations, these warrants are exercisable at any time with an exercise price of US\$ 1.20 per share for a period of 5 years (with forced exercise under certain conditions after 3 years).

The transaction is anticipated to close within 90 days, subject to the fulfillment of the aforementioned precedent conditions in connection to the approval of Supertel shareholders', and to the investor company satisfaction with certain Supertel's debt restructuring.

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

On September 22, 2011, APSA reported that one holder of their convertible notes exercised its conversion rights. Therefore, APSA issued 277,777 common shares, of nominal value pesos 0.1 (V\$N 0.1) each, and canceled convertible notes for an amount of US\$ 9,000.

As a result of the conversion, APSA capital stock increased from Ps. 125,960,841.1 to Ps. 125,988,618.8 and the amount of APSA outstanding shares increased from 1,259,608,411 to 1,259,886,188. On the other hand, the amount of convertible notes outstanding as a consequence of this conversion decreased to US\$ 31,746,502. APSA also reported that the conversions were performed in accordance with the terms and conditions established in the prospectus of issuance of the convertible notes and at the conversion rate of 30.864 shares, nominal value pesos 0.10, per Convertible Note of nominal value US\$ 1.

## **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.

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 depositary 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 2007 through December 14, 2011. 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 2007 through December 14, 2011. Each GDS represents ten common shares.

**Buenos Aires Stock Exchange**

**NYSE**

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|                                  | Share<br>Volume | Ps. per Share<br>High | Low  | GDS<br>Volume | US\$ per GDS<br>High | Low   |
|----------------------------------|-----------------|-----------------------|------|---------------|----------------------|-------|
| <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  |
| <b>2011</b>                      |                 |                       |      |               |                      |       |
| 1st Quarter                      | 3,216,854       | 5.80                  | 4.12 | 5,280,873     | 14.79                | 10.41 |
| 2nd Quarter                      | 6,564,773       | 6.97                  | 5.52 | 6,160,767     | 17.56                | 13.92 |
| 3rd Quarter                      | 2,538,953       | 6.85                  | 5.72 | 4,155,521     | 16.77                | 13.80 |
| 4th Quarter                      | 3,134,678       | 5.90                  | 5.29 | 2,138,722     | 13.78                | 12.46 |
| Annual                           | 15,455,258      | 6.97                  | 4.12 | 17,735,883    | 17.56                | 10.41 |
| August 2011                      | 895,212         | 5.47                  | 4.75 | 675,863       | 12.78                | 11.01 |
| September 2011                   | 835,529         | 5.00                  | 4.00 | 447,065       | 11.21                | 8.52  |
| October 2011                     | 518,391         | 5.14                  | 3.95 | 446,268       | 10.69                | 8.60  |
| November 2011                    | 247,995         | 4.95                  | 4.35 | 379,808       | 10.66                | 9.54  |
| December 14 <sup>th</sup> , 2011 | 119,315         | 5.20                  | 4.40 | 214,311       | 11.17                | 9.92  |

Source: Bloomberg

***B. Plan of Distribution***

This item is not applicable.

***C. Markets******Argentine Securities Markets***

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

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

***Securities Exchanges in Argentina***

There are 12 securities exchanges in Argentina. 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 such 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 *Comisión Nacional de Valores* in surveillance activities. Also under a special agreement, registration and listing applications are directly filed with the Buenos Aires Stock Exchange for simultaneous processing.

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

*Over the Counter Market*

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 platform 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).

*Information regarding the Buenos Aires Stock Exchange*

|                                    | <b>As of June 30,</b> |             |
|------------------------------------|-----------------------|-------------|
|                                    | <b>2010</b>           | <b>2011</b> |
| Market capitalization (Ps.billion) | 1,607.88              | 1,593.19    |

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|   |       |       |
|---|-------|-------|
| Average daily trading volume (Ps.million) | 45.59 | 52.83 |
| Number of listed companies                | 105   | 106   |

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, 2011, approximately 106 companies had equity securities listed on the Buenos Aires Stock Exchange. As of June 30, 2011, approximately 8.44% 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 34% increase in 2006, a 2.93% increase in 2007, a 0.59% increase in 2008, a 102.98 % increase in 2009, a 47.77 % increase in 2010 and a 4.62% decrease in the first six months of 2011. 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.

***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;
- 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;

- 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*.

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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.

At our shareholders meeting held on October 31, 2011, the shareholders approved an aggregate compensation of Ps. 23.4 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, 2011 was Ps. 9.3 million.

The shareholders meeting held on October 31, 2011, 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.

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, our realized and net earnings 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
- 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.

*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.

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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.

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’ meeting (*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.

*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.

**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***

##### ***Foreign Currency Regulation***

All transactions involving the purchase of foreign currency must be settled through the single free exchange market (Mercado Único Libre de Cambios, or "MULC") where the Central Bank supervises the purchase and sale of foreign currency. Under Decree No. 260/2002, the Argentine government set up an exchange market through which all foreign currency exchange transactions are made. Such transactions are subject to the regulations and requirements imposed by the Central Bank. Under Communication "A" 3471, as amended, the Central Bank established certain restrictions and requirements applicable to foreign currency exchange transactions. If such restrictions and requirements are not met, criminal penalties shall be applied.

##### ***Outflow and Inflow of Capital***

###### *Inflow of capital*

Under Argentine Foreign Investment Law No. 21,382, as amended, and the wording restated under Decree No. 1853/1993, the purchase of stock of an Argentine company by an individual or legal entity domiciled abroad or by an Argentine "foreign capital" company (as defined under the Foreign Investment Law) represents a foreign investment.

Under Decree No. 616/2005, as amended, the Argentine government imposed certain restrictions on the inflow and outflow of foreign currency into and from the Argentine exchange market, including that inflowing new indebtedness and debt renewals by persons domiciled abroad must be agreed and cancelled within periods not shorter than 365 calendar days, irrespective of the method of payment. Additionally, such debt may not be prepaid before the lapse of such period. Such restrictions do not apply to (i) foreign trade financing, or (ii) primary public offering of equity or debt instruments issued under the public offering procedure and listed on self-regulated markets.

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A registered, non-transferable and non-interest bearing deposit must be kept in Argentina for a period of 365 calendar days, in an amount equal to 30% of any inflow of funds into the domestic exchange market arising from (i) foreign debt (excluding foreign trade); and (ii) purchase of interests in Argentine companies that are not listed on self-regulated markets, except for direct investments and other transactions that may result in the inflow of foreign currency, or in indebtedness of a resident towards a nonresident. However, primary debt offerings by means of public offerings which are listed on a self-regulated market are exempted from such requirements.

Communication “A” 4901, dated February 5, 2009, exempts from the obligation to keep such mandatory deposit in the case of inflows into the exchange market made by nonresidents, when the Pesos resulting from the settlement of the foreign currency are applied within the following ten business days to any of the purposes set forth by the classification of current transactions in international accounts, namely: a) discharge of advance payments or liabilities for income and personal asset taxes payable by individuals who are regarded as residents from a tax standpoint; b) payment by nonresidents of contributions to the social security system or payments to employee-owned or prepaid healthcare systems; c) payment of other taxes which, given their nature, are borne by nonresidents in their capacity as taxpayers, and always provided that such payment does not entitle the nonresident to claims vis-à-vis the tax authorities or third parties; and d) other rates and services supplied by residents. In addition, such exemption on mandatory deposits, subject to certain additional requirements, is also applicable to funds remitted from abroad by nonresident companies on behalf of employees from international corporate groups who are temporarily abroad, to local companies responsible for the settlement of taxes and for making the relevant payments.

*Outflow of capital, including the availability of cash or cash equivalents*

Below are the most relevant regulations regarding outflow of capital.

*Exchange Transactions Inquiry Program*

On October 28, 2011, the Federal Administration of Public Revenues (Administración Federal de Ingresos Públicos, “AFIP”) established an Exchange Transactions Inquiry Program (“Inquiry Program”) through which the entities authorized by the Central Bank to deal in foreign exchange must inquire and register through an IT system the total peso amount of each exchange transaction at the moment it is closed.

All foreign exchange sale transactions, whether involving foreign currency or banknotes, irrespective of their purpose or allocation, are subject to this inquiry and registration system, which determines whether transactions are “Validated” or “Inconsistent”.

In the case of sales of foreign exchange (foreign currency or banknotes) for the formation of off-shore assets by residents without the obligation of subsequently allocating it to specific purpose, entities authorized to deal in foreign exchange may only allow transactions through the MULC by those clients who have obtained the validation and who comply with the rest of the requirements set forth in the applicable foreign exchange regulations. The following are exempted from the Inquiry Program, among others: a) international agencies and institutions that act as official export credit agencies, diplomatic and consular offices, bilateral agencies established under International Treaties; and b) local governments.

Sales of foreign exchange other than for the formation of off-shore assets by residents without a specific purpose are also exempted from the Inquiry Program.

*Other regulations applicable to outflow of capital*

Purchase of foreign currency for the formation of off-shore assets for their subsequent allocation to specific purposes

1. Individuals and legal entities domiciled in Argentina are authorized to purchase foreign currency without any limitation for the purpose of making direct investments abroad involving the production of non-financial goods and services, always provided that certain conditions are met (Communication "A" 5236, item 4.1).
2. Individuals who are Argentine residents, legal entities organized in Argentina and trusts set up with contributions from the national public sector are authorized to purchase up to US\$ 2,000,000 per month and to transfer those funds abroad (for the following purposes: real estate investments abroad, loans to nonresidents, contributions by residents of direct investments abroad, off-shore portfolio investments by individuals, other off-shore investments by residents, off-shore portfolio investments by legal entities, purchase of foreign banknotes to be held in Argentina and purchases of traveler checks, and donations) always provided that the following requirements (Communication 2A" 5236, item 4.1) are met:
  - A. The entities authorized to deal in foreign exchange previously inquire and register the transaction through the Inquiry program and the transaction is "Validated".

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B. The foreign currency purchased is not allocated to the purchase in the over-the-counter market of securities issued by residents or representing them, or issued by nonresidents and traded in Argentina. The previous consent is required when such allocation is effected by settling the purchase within twenty (20) business days following the date of access to the MULC.

C. Annual purchases in excess of US\$ 250,000:

a. Individuals: the broker entity must verify that the funds applied to the amounts purchased do not exceed the sum of:

- i. the assets reported as investments in local financial assets and cash holdings in local currency as reflected in the most recent personal asset return that has become due;
- ii. the proceeds from the realization in Argentina, in local currency, of the actual recordable assets and foreign banknotes consistent with the tax return and income for the period;
- iii. income accrued during the calendar year that has been subject to income tax withholdings,
- iv. gains accrued during the year from financial assets not subject to income tax; and
- v. inheritance amounts received during the year.

b. Legal Entities: the broker entity must verify that the sum of the funds allocated to foreign currency purchases for these purposes does not exceed:

- i. The amount of the accounting shareholders' equity as of the closing of the last fiscal year previously ended,
- ii. less investments made as of such date in off-shore assets, local deposits in foreign currency, interests in other local companies, distributions of profits and dividends approved before the balance sheet's closing date,
- iii. plus income accrued after the fiscal year's closing date and sales in the local market of foreign banknotes.

*Purchase of foreign currency for the formation of off-shore assets for subsequent allocation to specific purposes*

1. The US\$ 2,000,000 monthly limit for making transfers abroad may also be exceeded to the extent that:

A. The proceeds and income derived therefrom are allocated within thirty (30) calendar days as from the date of access to the MULC to the payment of:

- a. principal and interest payments of foreign financial indebtedness;
- b. debts for Argentine imports of goods;

- c. profits and dividends;
  - d. Argentine direct investments abroad.
- B. The maximum amount of off-shore assets that may be held is as follows:
- a. imports of goods: no limit;
  - b. repayment of financial indebtedness: principal and interest payments to be made abroad that fall due over the next 365 days;
  - c. profits and dividends: the higher of
    - i. the amount paid under this item to nonresidents and ADRs during the previous year, or
    - ii. the cumulative outstanding amount of income recorded in fiscal years for which audited closed annual or quarterly financial statements are available, that should be allocated to payments to nonresidents and ADRs.
  - d. Argentine direct investments abroad: the U.S. dollar equivalent to 30% of the Shareholders' Equity after deducting the book value of equity interests in Argentine and foreign companies and other off-shore portfolio investments, as reflected in the most recent annual financial statements.
- C. The funds used for accessing the exchange market for forming off-shore assets to be allocated to the payment of profits and dividends and direct investments abroad must not have as funding sources foreign financial indebtedness.
2. Sales of foreign exchange to nonresidents (tourism and travel) are subject to the Central Bank's previous consent, unless the following conditions are met:
- A. evidence is given that a smaller amount of foreign currency than the one intended to be purchased previously entered through the MULC during the nonresident's period of stay in Argentina;

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- B. the original foreign exchange certificate through which the foreign currency entered is produced;
- C. an equivalent to US\$ 5,000 per client and per period of stay in Argentina is not exceeded.

*Payment of principal for foreign financial indebtedness*

Access to the exchange market is allowed for payments of principal amounts due, with the exception of the financial institutions subject to rediscounts granted by the Central Bank and which have restructured their debt with foreign creditors (Decree No. 739/2003 and Communication "A" 3940 of the Central Bank).

*Payment of profits and dividends abroad*

As of January 8, 2003, Argentine companies may transfer abroad profits and dividends related to closed financial statements certified by independent accountants without being required to obtain the prior authorization of the Central Bank (Communication "A" 3859, item 3).

*Direct Investment Reporting System*

*Direct Investments made in Argentina by nonresidents*

Under Communication "A" 4237, the Central Bank established a reporting system in connection with direct investments and real estate investments made by nonresidents in Argentina and by residents abroad.

Nonresidents must comply with the above mentioned reporting system if the amount of the investment in Argentina reaches or exceeds US\$ 500,000 million. If no such amount is reached, the reporting system is optional.

*Direct investments made outside Argentina by Argentine residents*

Argentine residents are required to meet the reporting system set forth in Communication "A" 4237 every year if the value of their investments abroad reaches or exceeds US\$1.0 million, and every semester if it reaches or exceeds US\$ 5.0 million. If the value of such investments abroad does not reach US\$1.0 million, compliance with the reporting system is optional.

*Foreign indebtedness and portfolio investments*

The following sets out some of the current regulations imposed by the Central Bank with respect to registration, disbursement, payment of principal and interest and prepayments, among other measures:

- A. *Reporting system.* The Central Bank must be informed by a debtor of any foreign indebtedness it incurs and must validate it in accordance with Communication "A" 3602 in order to enable such debtor to purchase foreign currency in the local foreign exchange market for the purpose of making the principal and interest payments under such foreign indebtedness.
- B. *Disbursements.* Proceeds received from foreign indebtedness must be settled in the Argentine foreign exchange market within 365 days of the date of disbursement of the funds. The free disposition of these funds is currently subject to certain restrictions pursuant to Decree No. 616/2005.

- C. *Interest Payments.* Foreign currency necessary to pay interest on foreign indebtedness can be purchased:
  - a. up to 15 days in advance of the relevant payment date;
  - b. to pay interest accrued within the current interest period; or
  - c. to pay interest accrued during the period between the date of disbursement of the funds and the date of settlement of the foreign currency in the MULC; provided that the amount of foreign currency so purchased through the MULC is equal to the amount resulting from the difference between the interest accrued on the relevant foreign indebtedness and the earnings derived from the placement of the funds abroad, proof of which must be presented to the Central Bank by the debtor.
  
- D. *Principal Repayments.* Foreign currency necessary to pay principal on foreign indebtedness owed by the private non-financial sector may be acquired:
  - a. within 30 calendar days prior to the stated maturity of the applicable obligation; provided that the funds disbursed under such obligation have remained in Argentina for at least 365 days; or
  - b. with the anticipation required from an operating standpoint in order to pay to the creditor at maturity, in case of principal installments the payment of which depends on the satisfaction of specific conditions expressly contemplated in foreign refinancing agreements executed and implemented with foreign creditors as from February 11, 2002, the date the MULC became effective.

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- E. Principal Prepayments. The foreign currency required to prepay principal on foreign indebtedness may be acquired to make partial or full payments more than 30 days prior to the stated maturity of the relevant obligation, provided that (x) the funds disbursed under the debt facility have remained in Argentina for at least 365 days; (y) the amount in foreign currency to be prepaid does not exceed the current value of the portion of the debt being prepaid or the prepayment shall be fully offset with new external financing, the present value of which shall not exceed the value of the debt being prepaid and (z) if the prepayment is made as part of a restructuring process with foreign creditors, the terms and conditions of the new financing and the corresponding prepayment must not result in an increase in the present value of the debt being refinanced.

For further details regarding the exchange regulations applicable in Argentina, investors should consult their professional advisers and read the full text of Decree 616/2005, Resolution No. 365/2005 of the Ministry of Economy and Production and Criminal Exchange Law No. 19,359, as well as the relevant regulations and supplementary provisions. Interested parties may consult such regulations through the website of the Ministry of Economy and Public Finance (<http://www.infoleg.gob.ar>) or the Central Bank (<http://www.bcra.gob.ar>).

*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 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 investment 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.

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 depositary 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.**

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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 GDS depository, in the case of our GDSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations.

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 GDS 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).

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, 2011, 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.

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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.

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.

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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.

***Argentine Personal Assets Taxes***

Amounts paid on account of the Argentine Personal Assets Taxes, if any, will not be eligible as a credit against your United States federal income tax liability, but may be deductible subject to applicable limitations in the Code.

***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 .**

*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*

If the Article 36 Conditions are fully complied with, resident and non-resident individuals and foreign entities without a permanent establishment in Argentina are not subject to taxation on capital gains derived from the sale or other disposition of the notes.

However, if the Article 36 Conditions were not met, Decree No. 2284/1991 establishes that foreign holders without a permanent establishment in Argentina are not subject to taxation on capital gains derived from the sale or other form of disposition of the notes.

As a result of the Decree No. 1076/1992, amended by Decree No. 1157/1992, ratified by Law No. 24,307, Argentine Entities are subject to the payment of income tax at a rate of 35% on capital gains derived from the sale or other disposition of the notes as prescribed by Argentine tax regulations.

***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%.

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 us for the years 2002 to 2010. There can be no assurance that in the future this tax will be absorbed by us.

***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.

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*

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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 GDS's 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.

***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 annual report. 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.

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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, 2011 we had current investments of Ps.210.2 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.

|  | As of June 30, 2011                |           |           |           |                   |       | Market Value (10) |
|--|------------------------------------|-----------|-----------|-----------|-------------------|-------|-------------------|
|  | Expected contractual maturity date |           |           |           |                   |       |                   |
|  | Less than a year                   | 1-2 years | 2-3 years | 3-4 years | More than 4 years | Total |                   |
|  | (US\$ million equivalent) (1) (9)  |           |           |           |                   |       |                   |
| <i>Fixed rate debt (US\$):</i>             |                                    |           |           |           |                   |       |                   |
| Principal payment and accrued interest (2) | 5.24                               | —         | —         | —         | —                 | — 150 | 155.62            |
| Average interest rate                      | 8.5%                               | 8.5%      | 8.5%      | 8.5%      | 8.5%              | 8.5%  | 8.5%              |
| Principal payment and accrued interest (3) | 7.71                               | —         | —         | —         | —                 | — 150 | 176.84            |
| Average interest rate                      | 11.5%                              | 11.5%     | 11.5%     | 11.5%     | 11.5%             | 11.5% | 11.5%             |
| Principal payment and accrued interest (4) | 14.12                              | —         | —         | —         | —                 | — —   | 14.12             |
| Average interest rate                      | 12%                                | 12%       | 12%       | 12%       | 12%               | 12%   | 12%               |
| Principal payment and accrued interest (5) | 1.43                               | —         | —         | —         | —                 | 31.76 | —                 |
| Average interest rate                      | 10%                                | 10%       | 10%       | 10%       | 10%               | 10%   | —                 |
|  | 1.3                                | —         | —         | —         | —                 | — 120 | 117.75            |

## Principal payment and accrued interest (6)

|                                    |        |       |       |       |       |          |
|------------------------------------|--------|-------|-------|-------|-------|----------|
| Average interest rate              | 7.88%  | 7.88% | 7.88% | 7.88% | 7.88% | 7.88%    |
| <i>Floating rate debt (Pesos):</i> |        |       |       |       |       |          |
| Principal payment (7)              | 108.38 | —     | —     | —     | —     | — 108.38 |
| Average interest rate              | —      | —     | —     | —     | —     | —        |
| Principal payment (7)              | 13.46  | —     | —     | —     | —     | — 13.46  |
| Average interest rate              | —      | —     | —     | —     | —     | —        |
| Principal payment (8)              | 10.08  | —     | —     | —     | —     | — 10.08  |
| Average interest rate              | 11.00% | —     | —     | —     | —     | —        |

- (1) Peso-denominated loans were converted to Dollars at an exchange rate of Ps.4.11 per U.S. Dollar.
- (2) Corresponds to our note due 2017.
- (3) Corresponds to our note due 2020.
- (4) Dollar-denominated bank loan.
- (5) Corresponds to APSA convertible notes.
- (6) Corresponds to the series I note due 2017. Debt issuance cost not included.
- (7) Corresponds to short term bank loans.
- (8) Corresponds to the series II note due 2012.
- (9) Seller financing not included.
- (10) Includes accrued interest.

***Sensitivity to Exchange Rates and Interest rates***

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.

As of the date of this annual report, we have short term floating rate debt and an upward shift of 100 Bps in the general interest rate level would imply an increase of US\$1.1 in our interest expense. In addition, an upward shift of 100 Bps in the general interest rate level would imply an increase of US\$0.1 in Alto Palermo's interest expense from short term floating debt and an increase of US\$0.15 in Alto Palermo's interest expense from its floating rate note.

On the other hand, our outstanding fixed rate indebtedness is represented mainly by our notes due 2017 and 2020 which accrues interest at a fixed rate of 8.5% per year and 11.5% per year, respectively. As of June 30, 2011, the fair market value in Pesos equivalent of the 2017 notes was Ps.639.6 million and fair market value in Pesos equivalent of the 2020 notes was Ps. 726.8 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 3.9% in 2017 notes fair market value and a decrease of 5.1% in 2020 notes fair market value.

In addition, Alto Palermo's Series I fair market value tends to drop 4.2% and Series II 0.5% per 100 Bps of increase in interest rate levels.

A change of 1% in Peso U.S. Dollar exchange rate would imply a Ps.12.3 million change in the Peso equivalent of our debt face value and increases our interest expenses in Ps.1.2 million annually. In addition, a change of 1% in Ps. / US\$ exchange rate would imply a ps.4.9 million change in the Peso equivalent of Alto Palermo's debt face value and increases their interest expenses in ps.0.4 million annually.year. As of June 30, 2011, the fair market value in Pesos equivalent of these notes was Ps.483.95 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 4.2% 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.

**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 our behalf, 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 2011 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.

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We agree 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 our share register 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 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
- 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.

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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;
- 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.

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*C. This section is not applicable.*

*D. This section is not applicable.*

*E. This section is not applicable.*

## **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, 2011. 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 2011.

### ***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 our internal control over financial reporting as of June 30, 2011. 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 2011, our internal control over the financial reporting was effective.

### ***C. Attestation Report of the Registered Public Accounting Firm***

Our 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 our 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***

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, 2011 and June 30, 2010, we were billed a total amount of Ps. 4.2 million and Ps. 3.4 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, 2011 and June 30, 2010, we were billed a total amount of Ps.nil and Ps.0.03 million respectively, for professional services rendered by our principal accountants mainly related to the issuance of covenants certificates and other certifications.

*Tax Fees*

During the fiscal years ended June 30, 2011 and June 30, 2010, we were billed a total amount of Ps.0.02 million and Ps. nil 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, 2011 and June 30, 2010 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.0.90 million and Ps. 0.3 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 it opinion in relation to the appointment of the external auditors, proposed by the Board of Directors to the General Shareholder's 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 of 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; and
- Evaluate the performance of external auditors and their opinion regarding the Financial Statements.

***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*

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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.

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

#### **IRSA’s Corporate Practices**

We follow 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

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).

**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.

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 our by-laws require that any such meetings be held.

Our 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 a company. Also, it is mandatory for public companies to form a supervisory committee (composed of syndics) which is responsible for monitoring legal compliance by a company under Argentine law and compliance with its by-laws.

Neither Argentine law nor our 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 our by-laws require the formation of a "Compensation Committee."

**IRSA's Corporate Practices**

Pursuant to Decree No. 677/01 and *Comisión Nacional de Valores* Standards, as from May 27, 2004 we have 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.

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.

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.

**PART III**

**ITEM 17. Financial Statements**

We have responded to Item 18 in lieu of responding to this Item.

**ITEM 18. Financial Statements**

Reference is made to pages F-1 through F-212

Index to Financial Statements (see page F-1).

**INDEX OF EXHIBITS**

**ITEM 19. Exhibits**

**INDEX OF EXHIBITS**

**Exhibit**

| <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.
- 4.6 English translation of the Amendment to the Exchange of Operating Services Agreement between the Company, Cresud and Alto Palermo dated July 11, 2011.
- 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.

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- \* 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.
- \*\* 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.
  
- \*\*\*\*\* Incorporated herein by reference to the annual report on Form 20-F (File No. 001-13542) filed with the SEC on December 30, 2010.

**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

IRSA

Date: December 28, 2011

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## **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, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2011 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, 2011, 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 25 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.

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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 FABÍAN MONTERO (Partner)

Norberto Fabían Montero

Buenos Aires, Argentina

December 28, 2011.

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**IRSA Inversiones y Representaciones Sociedad Anónima****Consolidated Balance Sheets****as of June 30, 2011 and 2010**

(Amounts in thousands, except share data and as otherwise indicated)

|  | <b>2011</b>          | <b>2010</b>          |
|--|----------------------|----------------------|
| <b>ASSETS</b>                                      |                      |                      |
| <b>Current Assets</b>                              |                      |                      |
| Cash and banks (Note 4.a.)                         | Ps. 168,170          | Ps. 71,175           |
| Investments (Note 4.b.)                            | 210,183              | 259,168              |
| Accounts receivable, net (Note 4.c.)               | 248,998              | 359,529              |
| Other receivables and prepaid expenses (Note 4.d.) | 155,169              | 240,891              |
| Inventories (Note 4.e.)                            | 262,660              | 259,569              |
| <b>Total current assets</b>                        | <b>1,045,180</b>     | <b>1,190,332</b>     |
| <b>Non-Current Assets</b>                          |                      |                      |
| Accounts receivable, net (Note 4.c.)               | 14,300               | 42,123               |
| Other receivables and prepaid expenses (Note 4.d.) | 161,331              | 187,182              |
| Inventories (Note 4.e.)                            | 89,441               | 55,088               |
| Investments (Note 4.b.)                            | 1,946,145            | 1,480,805            |
| Fixed assets, net (Note 26.a.)                     | 3,405,851            | 2,692,637            |
| Intangible assets, net (Note 26.b.)                | 42,362               | 54,397               |
| <b>Subtotal non-current assets</b>                 | <b>5,659,430</b>     | <b>4,512,232</b>     |
| Negative goodwill, net (Note 4.f.)                 | (389,300)            | (69,123)             |
| <b>Total non-current assets</b>                    | <b>5,270,130</b>     | <b>4,443,109</b>     |
| <b>Total assets</b>                                | <b>Ps. 6,315,310</b> | <b>Ps. 5,633,441</b> |
| <b>LIABILITIES</b>                                 |                      |                      |
| <b>Current Liabilities</b>                         |                      |                      |
| Trade accounts payable (Note 4.g.)                 | Ps. 153,149          | Ps. 315,614          |
| Advances from customers (Note 4.h.)                | 232,863              | 210,102              |
| Short-term debt (Note 4.j.)                        | 683,813              | 609,190              |
| Salaries and social security payable (Note 4.i.)   | 35,792               | 37,375               |
| Taxes payable (Note 4.k.)                          | 119,053              | 101,111              |
| Other liabilities (Note 4.l.)                      | 79,068               | 65,338               |
| Provisions   | 2,019                | 2,890                |
| <b>Total current liabilities</b>                   | <b>1,305,757</b>     | <b>1,341,620</b>     |
| <b>Non-Current Liabilities</b>                     |                      |                      |
| Trade accounts payable (Note 4.g.)                 | 47                   | 23,368               |
| Advances from customers (Note 4.h.)                | 94,244               | 90,370               |
| Long-term debt (Note 4.j.)                         | 1,756,919            | 1,031,528            |
| Taxes payable (Note 4.k.)                          | 328,692              | 110,441              |

|   |               |               |
|---|---------------|---------------|
| Other liabilities (Note 4.1.)                     | 18,129        | 62,021        |
| Provisions  | 12,881        | 7,940         |
| <b>Total non-current liabilities</b>              | 2,210,912     | 1,325,668     |
| <b>Total liabilities</b>                          | 3,516,669     | 2,667,288     |
| Minority interest                                 | 316,826       | 563,107       |
| <b>SHAREHOLDERS' EQUITY</b>                       | 2,481,815     | 2,403,046     |
| <b>Total liabilities and shareholders' equity</b> | Ps. 6,315,310 | Ps. 5,633,441 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

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**IRSA Inversiones y Representaciones Sociedad Anónima****Consolidated Statements of Income****for the years ended June 30, 2011, 2010 and 2009**

(Amounts in thousands, except share data and as otherwise indicated)

|   | <b>2011</b>   | <b>2010</b>   | <b>2009</b>   |
|---|---------------|---------------|---------------|
| Revenues  | Ps. 1,441,930 | Ps. 1,323,326 | Ps. 1,220,584 |
| Costs (Note 26.d.)  | (600,755)     | (475,295)     | (508,506)     |
| <b>Gross profit</b>   | 841,175       | 848,031       | 712,078       |
| Selling expenses (Note 26.f)  | (106,704)     | (185,401)     | (236,201)     |
| Administrative expenses (Note 26.f)                                   | (200,359)     | (195,291)     | (147,329)     |
| <b>Subtotal</b>   | (307,063)     | (380,692)     | (383,530)     |
| Gain from recognition of inventories at net realizable value          | 45,442        | 33,831        | 12,056        |
| Net income (loss) from retained interest in securitized receivables   | 4,707         | 37,470        | (46,012)      |
| Gain from operations and holdings of real estate assets, net (Note 7) | 1,140         | 1,091         | 1,124         |
| <b>Operating income (Note 6)</b>                                      | 585,401       | 539,731       | 295,716       |
| Amortization of negative goodwill, net                                | 17,427        | 1,641         | 1,602         |
| Financial results, net (Note 8)                                       | (282,246)     | (165,096)     | (136,381)     |
| Gain on equity investees  | 138,420       | 160,416       | 61,542        |
| Other expenses, net (Note 9)  | (14,609)      | (10,311)      | (8,855)       |
| <b>Income before taxes and minority interest</b>                      | 444,393       | 526,381       | 213,624       |
| Income tax and MPIT   | (104,524)     | (148,427)     | (80,334)      |
| Minority interest   | (57,765)      | (43,453)      | 25,345        |
| <b>Net income (Note 6)</b>  | Ps. 282,104   | Ps. 334,501   | Ps. 158,635   |
| <b>Earnings per share (Note 16):</b>                                  |               |               |               |
| Basic net income per share  | Ps. 0.49      | Ps. 0.58      | Ps. 0.27      |
| Diluted net income per share  | Ps. 0.49      | Ps. 0.58      | Ps. 0.27      |

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, 2011, 2010 and 2009**

(Amounts in thousands, except share data and as otherwise indicated)

|   | Shareholders' contributions    |  |  |               | Retained earnings                  |  |   |                      |   |        |
|---|--------------------------------|--|--|---------------|------------------------------------|--|---|----------------------|---|--------|
|   | Common<br>stock<br>(Note 5.a.) | Inflation<br>adjustment<br>of common<br>stock<br>(Note 5.b.) | Additional<br>paid-in-capital<br>(Note 5.a.) | Total         | Legal<br>reserve<br>(Note<br>5.c.) | Voluntary<br>reserve<br>for<br>general<br>purposes | Reserve<br>for new<br>developments<br>(Note 5.d.) | Retained<br>earnings | Cumulative<br>translation<br>adjustment<br>(Note<br>2.f.) | Share  |
| <b>Balances as<br/>of June 30,<br/>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. -- |
| Appropriation<br>of retained<br>earnings<br>approved by<br>Shareholders'<br>meeting held<br>October 31,<br>2008 | --                             | --   | --   | --            | 2,743                              | 52,132   | --  | (54,875)             | --  | --     |
| Cumulative<br>translation<br>adjustment   | --                             | --   | --   | --            | --                                 | --   | --  | --                   | 12,849  | --     |
| Net income<br>for the year  | --                             | --   | --   | --            | --                                 | --   | --  | 158,635              | --  | --     |
| <b>Balances as<br/>of June 30,<br/>2009</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. -- |
|   | --                             | --   | --   | --            | --                                 | --   | --  | (31,727)             | --  | --     |

|  |             |             |             |               |            |            |             |             |            |       |
|--|-------------|-------------|-------------|---------------|------------|------------|-------------|-------------|------------|-------|
| Cash dividends approved by Shareholders' meeting held October 29, 2009                     |             |             |             |               |            |            |             |             |            |       |
| Cumulative translation adjustment  | --          | --          | --          | --            | --         | --         | --          | --          | --         | 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     |            | --    |
| <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 | Ps.   |

|  |    |    |    |    |        |    |         |           |    |        |
|--|----|----|----|----|--------|----|---------|-----------|----|--------|
| Appropriation of retained earnings approved by Shareholders' meeting held October 29, 2010 | -- | -- | -- | -- | 16,725 | -- | 197,776 | (214,501) |    | --     |
| Cash dividends approved by Shareholders' meeting held October 29, 2010. (Note 5.e)         | -- | -- | -- | -- | --     | -- | --      | (120,000) |    | --     |
| Cash dividends approved by Shareholders' meeting held May 26, 2011. (Note 5.e)             | -- | -- | -- | -- | --     | -- | --      | (100,000) |    | --     |
| Cumulative translation adjustment  | -- | -- | -- | -- | --     | -- | --      | --        | -- | 16,665 |

|                                     |             |         |         |           |        |            |             |         |           |
|-------------------------------------|-------------|---------|---------|-----------|--------|------------|-------------|---------|-----------|
| Net income for the year             | --          | --      | --      | --        | --     | --         | --          | 282,104 | --        |
| <b>Balances as of June 30, 2011</b> | Ps. 578,676 | 274,387 | 793,123 | 1,646,186 | 57,031 | Ps. 52,132 | Ps. 391,262 | 301,080 | 34,124 Ps |

The accompanying notes are an integral part of these Consolidated Financial Statements.

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**IRSA Inversiones y Representaciones Sociedad Anónima****Consolidated Statements of Cash Flows****for the years ended June 30, 2011, 2010 and 2009**

(Amounts in thousands, except share data and as otherwise indicated)

|  | <b>2011</b>    | <b>2010</b>    | <b>2009</b>    |
|--|----------------|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                |                |                |
| Net income for the year  | Ps. 282,104    | Ps. 334,501    | Ps. 158,635    |
| Adjustments to reconcile net income to net cash flows from operating activities:                         |                |                |                |
| Income tax and MPIT  | 104,524        | 148,427        | 80,334         |
| Depreciation and amortization  | 171,553        | 160,746        | 136,392        |
| Accrued interest   | 194,063        | 134,251        | 128,301        |
| Minority interest  | 57,765         | 43,453         | (25,345)       |
| Allowances and other provisions  | 49,644         | 69,358         | 113,754        |
| Gain on equity investees   | (138,420)      | (160,416)      | (61,542)       |
| Gain from operations and holdings of real estate assets, net   | (1,140)        | (1,091)        | (1,124)        |
| Financial results, net   | 79,688         | (3,909)        | 100,838        |
| Gain from recognition of inventories at net realizable value   | (45,442)       | (33,831)       | (12,056)       |
| Amortization of negative goodwill, net   | (17,427)       | (1,641)        | (1,602)        |
| Gain (loss) from the sales of fixed assets   | 15,117         | (21,121)       | (630)          |
| Changes in certain assets and liabilities, net of non-cash transactions and the effects of acquisitions: |                |                |                |
| Increase in accounts receivable, net   | (112,828)      | (108,890)      | (122,571)      |
| Increase in other receivables and prepaid expenses   | (24,208)       | (40,810)       | (133,674)      |
| Decrease (increase) in inventories   | 57,094         | (28,807)       | 74,872         |
| Increase in intangible assets, net   | (3,051)        | (2,316)        | (11,999)       |
| (Decrease) increase in trade accounts payable  | (7,115)        | 24,684         | (38,571)       |
| (Decrease) increase in advances from customers, salaries and social security payable and taxes payable   | (76,601)       | (120,202)      | 86,148         |
| Decrease in other liabilities  | (13,488)       | (15,928)       | (27,541)       |
| <b>Net cash provided by operating activities</b>   | <b>571,832</b> | <b>376,458</b> | <b>442,619</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                |                |                |
| Decrease (increase) in investments   | 58,772         | (8,270)        | (11,584)       |
| Acquisition/sale of businesses and assets net of cash acquired   | (428,315)      | (8,316)        | --             |
| Payment for acquisition of Tarshop S.A.'s minority interest  | --             | (1,574)        | --             |
| Acquisition of undeveloped parcels of land   | (261)          | (11,930)       | (9,836)        |
| Acquisitions and improvements of fixed assets  | (87,694)       | (156,530)      | (272,297)      |

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|   |                  |                  |                  |
|---|------------------|------------------|------------------|
| Increase in equity investees and other investments                                | (320,879)        | (244,740)        | (157,613)        |
| Advance payments for the acquisition of shares                                    | (1,798)          | (23,735)         | --               |
| Loans collected from/granted to related parties, net                              | 23,014           | (30,147)         | (3,711)          |
| Advance received from sale of interest in Tarshop S.A                             | --               | 19,951           | --               |
| Collection of dividends   | 11,119           | 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>(746,042)</b> | <b>(455,979)</b> | <b>(455,041)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                      |                  |                  |                  |
| Increase in short-term and long-term debt   | 225,760          | 371,305          | 180,834          |
| Payment of Seller Financing   | (10,873)         | (50,024)         | (31,384)         |
| Payments of short-term and long term debt   | (248,075)        | (221,170)        | (127,420)        |
| Payment of dividends  | (247,934)        | (55,385)         | (23,541)         |
| Interest paid   | (142,000)        | (136,515)        | (131,742)        |
| Re purchase of debt   | --               | (12,000)         | (105,425)        |
| Cash from minority shareholders' capital contributions to subsidiaries            | 808              | 46,220           | 48,038           |
| Proceeds from issuance of Negotiable Obligations, net of expenses                 | 757,444          | 102,502          | --               |
| <b>Net cash provided by (used in) financing activities</b>                        | <b>335,130</b>   | <b>44,933</b>    | <b>(190,640)</b> |
| Net increase (decrease) in cash and cash equivalents                              | 160,920          | (34,588)         | (203,062)        |
| Cash and cash equivalents as of the beginning of the year                         | 151,354          | 185,942          | 389,004          |
| Cash and cash equivalents as of the end of the year (i)                           | Ps. 312,274      | Ps. 151,354      | Ps. 185,942      |
| (i) See Notes 2.i, 3.b and 17   |                  |                  |                  |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**IRSA Inversiones y Representaciones Sociedad Anónima****Consolidated Statements of Cash Flows****for the years ended June 30, 2011, 2010 and 2009**

(Amounts in thousands, except share data and as otherwise indicated)

|   | <b>2011</b> |  | <b>2010</b> |  | <b>2009</b> |
|---|-------------|--|-------------|--|-------------|
| <b>Supplemental cash flow information:</b>  |             |  |             |  |             |
| <b>Cash paid during the year for:</b>   |             |  |             |  |             |
| Income tax paid   | 72,844      |  | 34,310      |  | 55,566      |
| <b>Non-cash investing and financing activities:</b>   |             |  |             |  |             |
| Capitalization of financial costs in fixed assets   | Ps. --      |  | Ps. 5,331   |  | Ps. 86,452  |
| Increase in inventories through a decrease in fixed assets, net                               | 2,947       |  | 43,984      |  | 78,870      |
| Increase in non-current investments through an increase in other liabilities                  | 16,004      |  | 13,209      |  | 78,788      |
| Increase in fixed assets, net through an increase in trade accounts payable                   | --          |  | 4,996       |  | 42,116      |
| Liquidation of interest in credit card receivables  | --          |  | 8,646       |  | 30,849      |
| Increase (decrease) in advances from customers through an increase (decrease) in inventories  | --          |  | 3,310       |  | --          |
| Decrease in current investments through an increase in other receivables and prepaid expenses | --          |  | 8,402       |  | 24,541      |
| Cumulative translation adjustments  | 16,665      |  | 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 in trade accounts payable through a decrease in undeveloped parcels of land          | --          |  | --          |  | 5,445       |
| Decrease in undeveloped parcels of land through an increase in inventories                    | 67,180      |  | 15,989      |  | 5,406       |
| 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       |
| Increase in long-term investment through a decrease in other receivables                      | 70,620      |  | --          |  | --          |
| Report of Independent Registered Public Accounting Firm                                       |             |  |             |  | 344         |

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|   |        |        |        |
|---|--------|--------|--------|
| 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                   | 20,557 | 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  | --     |
| Decrease in undeveloped parcels of land through an increase in accounts receivable, net | --     | 26,342 | --     |
| Decrease in inventories through an increase in non-current investments                  | 14,451 | --     | --     |
| Increase in fixed assets through a decrease in inventories                              | 9,264  | --     | --     |
| Decrease in short and long-term debt through an increase in shareholders' equity        | 61,240 | --     | --     |
| Increase in fixed assets through a increase in short and long-term debt                 | 47,471 | --     | --     |
| Decrease in fixed assets, net through an increase in trade accounts payable             | 1,375  | --     | --     |
| Decrease in inventories through a decrease in customer advances                         | 1,920  | --     | 26,883 |

|  | 2011        | 2010      | 2009   |
|--|-------------|-----------|--------|
| <b>Acquisitions and disposals of businesses and net assets</b> |             |           |        |
| <b>(i):</b>  |             |           |        |
| Fair market value of non-cash assets acquired                  | 394,390     | 33,856    | --     |
| Fair market value of liabilities assumed                       | 13,457      | (8,126)   | --     |
| Net assets acquired  | 407,847     | 25,730    | --     |
| Minority interest  | 378,790     | (897)     | --     |
| Goodwill (negative goodwill)                                   | (337,378)   | 506       | --     |
| Impairment and sale of Tarshop S.A.                            | 15,327      | --        | --     |
| Remaining investment in Tarshop S.A.                           | 28,967      | --        | --     |
| Purchase price   | 493,553     | 25,339    | --     |
| Cash and cash equivalents acquired                             | (1,292)     | 13        | --     |
| Seller financing   | (33,403)    | (14,782)  | --     |
| Advance payments   | (30,543)    | (2,254)   | --     |
| Net cash paid for the acquisition                              | Ps. 428,315 | Ps. 8,316 | Ps. -- |

(i) As of June 30, 2011 mainly includes the acquisition of additional shares of Alto Palermo (Note 2.g.A.12) and the disposal of 80% equity interest in Tarshop (Note 2.g.B.7. (iii))

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The accompanying notes are an integral part of these Consolidated Financial Statements.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009**

(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 parcels of land 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") and as implemented, adapted, amended, revised and/or supplemented by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* ("CPCECABA") (collectively "Argentine GAAP"). In addition, 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 25 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.

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.

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**2. Preparation of financial statements (continued)****b. Basis of consolidation (continued)**

|  | <b>Percentage of capital stock</b> |             |             |
|--|------------------------------------|-------------|-------------|
|  | <b>owned as of June 30,</b>        |             |             |
|  | <b>2011</b>                        | <b>2010</b> | <b>2009</b> |
| <b><u>Controlled and jointly controlled companies</u></b>      |                                    |             |             |
| Alto Palermo S.A. ("APSA") (vii)                               | 94.89%                             | 63.35%      | 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 %    |
| 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. (iii)                                    | 76.34%                             | 76.34%      | - -         |
| Palermo Invest S.A. ("Palermo Invest")                         | 100.00%                            | 100.00%     | 100.00 %    |
| Patagonian Investment S.A. ("Patagonian Investment")<br>(viii) | - -                                | - -         | 100.00%     |
| Pereiraola S.A.I.C.I.F. y A. ("Pereiraola") (iv)               | - -                                | - -         | 100.00 %    |
| Quality Invest S.A.(x)   | 50.00%                             | 100.00%     | 100.00 %    |
| Ritelco S.A. ("Ritelco")                                       | 100.00%                            | 100.00%     | 100.00 %    |
| Rummaala S.A. ("Rummaala") (v)                                 | - -                                | - -         | 50.00 %     |
| Solares de Santa María S.A. ("Solares de Santa María")<br>(ix) | 100.00%                            | 90.00%      | 90.00 %     |
| Torodur S.A. (vi)  | - -                                | 98.00%      | - -         |
| Tyrus S.A.   | 100.00%                            | 100.00%     | 100.00%     |
| Unicity S.A. (ix)  | 100.00%                            | - -         | - -         |

- (i) Jointly controlled with Euromayor S.A.
- (ii) Jointly controlled with Cyrela Brazil Realty S.A. Empreendimentos y Participações (“Cyrela”)
- (iii) As of June 30, 2009 it was controlled through Inversora Bolivar S.A.
- (iv) See Note 2. g. B. 4.
- (v) Merged with CYRSA
- (vi) Shell company acquired for “de minimis” consideration in May 2010. In June 2011, the Company sold and transferred all shares to APSA
- (vii) See Note 2. g. A. 12.
- (viii) Merged with the Company.
- (ix) See Note 2. g. A. 5.
- (x) Jointly controlled with EFESUL S.A. since March, 2011. Quality Invest was a wholly-owned subsidiary without significant activities prior March, 2011.

### **Proportionate consolidation**

As of June 30, 2011, the Company exercises joint control directly or indirectly over several entities namely, Canteras Natal Crespo S.A., Puerto Retiro S.A., CYRSA S.A., Quality Invest 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. As of June 30, 2010, APSA exercised joint control over Metroshop. APSA acquired the remaining 50% of Metroshop in January 2011 and obtained control of the investment. Accordingly, APSA consolidates Metroshop as of the date it acquired control through June 30, 2011 (See Note 2.g.A.4).

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (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. Actual results could differ from the estimates and assumptions made at the date of preparation of these consolidated financial statements.

*e. Convenience translation*

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. According to RT No18, a non-integrated entity is that they conduct their operations abroad with some financial autonomy of the investor.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (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, 2011

**1. Acquisition of a building located at 183 Madison Avenue, New York, NY**

On August 26, 2010, the Company together with some U.S. partners executed an acquisition of a real estate property located at 183 Madison Avenue, New York, NY, through Rigby 183 LLC (“Rigby 183”). The building is located in a Manhattan area known as “Midtown South”, at the intersection of Madison Avenue and 34th Street.

The transaction was closed on December 15, 2010 and the price paid by Rigby 183 was US\$ 85.1 million, such payment has been structured through a financing of US\$ 40.0 million obtained by Rigby 183 and the sum of US\$ 45.1 million paid in cash. Moreover, Rigby 183 has obtained an additional financing of US\$ 10.0 million, in order to perform refurbishments and improvements on the building, which is being disbursed as works progress.

As of the date of the acquisition, IRSA had a 57% of indirect interest in Rigby 183 through two wholly-owned subsidiaries and made capital contributions for a total of US\$ 27.3 million. Also, IRSA exercised joint control over Rigby 183 due to a mayor decision agreement between partners.

On March 31, 2011, the Company sold 8% of its interest in Rigby 183, owned by Real Estate Strategies LLC (“RES”), one of the mentioned wholly-owned subsidiary indirectly controlled through Tyrus, in the amount of US\$ 3.8 million. As a result, the Company has a 49% interest in Rigby 183 through IMadison LLC (“IMadison”) as of June 30, 2011.

There are several landmark buildings in the area, such as the Empire State Building, Macy’s Herald Square and Madison Square Garden. This commercial property will be used for rentals of office space and retail stores in the lowest of its 18 stories. Its net leasable area is approximately 22,000 square meters.

## **2. Acquisition of land located in San Martín**

On March 31, 2011, IRSA, through its 50% interest in a jointly controlled entity, Quality Invest S.A. ("Quality"), purchased the industrial plant owned by Nobleza Piccardo SAIC ("Nobleza"), a major tobacco company in Argentina. The industrial plant is located in San Martín, Province of Buenos Aires, and is suitable for redevelopment into multiple uses. The Company executed the deeds of title on May 31, 2011.

The purchase price was US\$ 33.0 million, of which US\$ 9.9 million was already paid and the balance will be paid as from May 31, 2012 in three equal and consecutive annual installments plus interest at 7.5% per annum. The assets have been mortgaged securing the debt.

Nobleza sold the plant as part of its plan of relocating its operations. As part of the agreement, Nobleza requested the plant to be leased back to it for a maximum period of three years thus allowing it enough time to gradually moving its operations to the new site.

On April 11, 2011, Quality requested the *Comisión Nacional de defensa de la Competencia* (“CNDC”), the National Commission of Competition in Argentina, to issue an advisory opinion on the obligation to notify the operation or not. The CNDC stated that there was an obligation to notify the situation, but the Company filed an appeal against this decision. As of the date these financial statements are issued, the resolution of the appeal is pending.

## **3. Acquisition of Nuevo Puerto Santa Fe S.A.’s shares**

On June 15, 2011, APSA acquired from Boldt S.A. and Inverama S.L., two unrelated companies, 50% interest in the capital stock of Nuevo Puerto Santa Fe S.A. (“NPSF”), a company who acts as a lessee of a property built and operated as a shopping center in the port of the city of Santa Fe, Province of Santa Fe.

APSA made a down payment of US\$ 0.377 million and will settle the remaining balance in 24 monthly non-interest bearing installments with the last installment due on February 2013.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (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 (continued)*

A. Year ended June 30, 2011 (continued)

The acquisition was contingent upon the approvals by the *Ente Regulador del Puerto de Santa Fe* (Regulatory Entity of the Port of Santa Fe) and the *Caja de Asistencia Social Lotería de Santa Fe* which were obtained subsequent to year-end, on August 18, 2011. See Note 24.3. As of June 30, 2011, the payments were recognized under Non-current Investments included in the line item "Advance payments for the acquisition of shares".

**4. Negotiation between Metroshop and Tarshop**

On January 13, 2011, APSA purchased 18,400,000 registered, non-endorsable shares of common stock with a face value of Ps. 1 each and entitled to one vote per Class B share, representing 50% of Metroshop's common capital stock. As of June 30, 2011 APSA has 100% of Metroshop's common capital stock. (See Note 24.2.).

On January 13, 2011, and as an action subsequent to the purchase of the remaining 50% of Metroshop's shares by the Company, Metroshop transferred the following assets to Tarshop:

- i. Receivables from consumption transactions carried out through December 31, 2010 and that are performing or in default for not more than 60 days (both those in Metroshop S.A.'s own portfolio and those assigned to Fideicomiso Financiero Metroshop S.A. Serie XV).

- ii. The contractual position in the credit card issuance agreements whose customers did not have as of December 31, 2010 a default for over 60 days in complying with their obligations.
- iii. All credit card customers or accounts and consumer loans.
- iv. Lease agreements on certain branches and their personal property.
- v. Labor agreements for payroll personnel.

## **5. Acquisition of Unicity S.A.**

On September 1, 2010, the Company acquired 100% of Unicity for US\$ 2.5 million in cash and the forgiveness of the debt Unicity had with the Company for US\$ 9.1 million. Unicity is a holding company whose only asset is a 10% interest in Solares de Santa Maria SA ("Solares"), which in turn has only one asset being an undeveloped parcel of land. The Company was the owner of the remaining interest in Solares. As a result, the Company has the 100% interest in the land as of June 30, 2011.

## **6. Purchase of Banco de Crédito y Securitización's ("BACS") shares**

On March 10, 2011, the Company signed a stock purchase agreement with International Finance Corporation (IFC) for a total of 796,875 common shares, which represents a 1.28% of BACS capital stock in an aggregate amount of US\$ 0.32 million, US\$ 0.06 million of which were paid upon execution of the agreement, and the balance of US\$ 0.26 million (supported by respective promissory notes) are to be repaid at the time of closing of the transaction, that is within 12 business days as from approval of the transaction by the BCRA, which is still pending.

## **7. Barter agreement with TGLT**

**i. Beruti plot of land**

On October 13, 2010, APSA and TGLT, a real estate developer in Argentina, entered into an agreement to barter a plot of land located in Beruti street Nos. 3351/59 in the city of Buenos Aires for monetary consideration and future units to be constructed by TGLT on the land. The transaction was subject to certain precedent conditions including the completion by TGLT of its initial public offering. The transaction was agreed upon at US\$ 18.8 million. TGLT plans to construct an apartment building with residential and commercial parking space. In consideration, TGLT may transfer APSA (i) a number of apartments to be determined representing 17.33% of the saleable square meters occupied by apartment units of the future building; (ii) a number of parking spaces to be determined representing 15.82% of the saleable square meters occupied by parking space of the future building; (iii) all spaces

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (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 (continued)*

A. Year ended June 30, 2011 (continued)

reserved for commercial parking in the future building and (iv) the amount of US\$ 10.7 million payable upon delivering the deeds of title on the land. TGLT completed its initial public offering in the Buenos Aires Stock Exchange on October 29, 2010 therefore; the precedent condition for the transaction was fulfilled on that date. TGLT paid the US\$10.7 million on November 5, 2010. On December 16, 2010, the title deed to the Beruti plot of land was executed.

To secure performance of obligations assumed by TGLT under the deed of sale, a mortgage was granted in favor of the Company.

On June 9, 2011, the Administrative and Tax Contentious Law Court No. 9 of the City of Buenos Aires issued a precautionary measure in the lawsuit “Asociación Amigos Alto Palermo vs. the Government of the City of Buenos Aires for Amparo”, which ruled the suspension of the works. (See Note 24.1.).

ii. Caballito plot of land

On June 29, 2011, the Company and TGLT entered into an agreement to barter a plot of land located in the neighborhood of Caballito in the city of Buenos Aires for future units to be constructed by TGLT on the land. The

i. Beruti plot of land

transaction was agreed upon at US\$ 12.8 million. TGLT plans to construct an apartment building with residential, offices and parking space. In consideration, TGLT paid US\$ 0.2 million in cash and may transfer IRSA: (i) a number of apartments to be determined, which represents in all 23.10% of the square meters of the saleable houses; (ii) a number to be determined of complementary units (garages), which represents in all 21.10% of the square meters of the garages; and (iii) in case TGLT builds complementary storage rooms, a number to be determined, which represents 21.10% of the square meters of the storage rooms; of the future real estate that shall form part of the project.

TGLT is committed to build, finish and obtain authorization for the three buildings that shall make up the building project, within 36 to 48 months. To secure performance of obligations assumed by TGLT under the deed of sale, a mortgage was granted in favor of the Company.

## **8. Acquisition of shares of TGLT**

On November 4, 2010, APSA acquired 5,214,662 shares of common stock of TGLT S.A. ("TGLT") following its initial public offering for Ps. 47.1 million in cash.

APSA acquired additional shares of TGLT amounting to 42,810, 98,000 and 876,474 common shares between December 2010 and April 2011. APSA invested a total of Ps. 56.3 million to acquire the shares. Additionally, in December 2010, the Company acquired 9,598 non endorsable, registered, common shares, with right to one vote each and representative of 0.01% of TGLT S.A.'s capital stock. The total price paid was Ps. 0.1 million. As of June 30, 2011, the Company has an 8.87% interest in TGLT.

## **9. Acquisition of Cresud S.A.C.I.F. y A.'s Notes**

On March 10, 2011, Emprendimiento Recoleta S.A. (controlled by APSA) acquired Cresud S.A.C.I.F. y A. Notes for a total amount of US\$ 2.5 million due on March 10, 2013. Principal is amortized in four quarterly installments payable as from June 11, 2012 and accruing interest at a fixed rate of 7.5% per annum, payable in eight quarterly installments as from June 8, 2011.

## **10. Acquisition of shares in Banco Hipotecario S.A. (BHSA)**

During the last fiscal years and in the current fiscal year, the Company has been conducting various purchase and sale transactions of BHSA shares, as a result of which, as of June 30, 2011, the Company's ownership interest in BHSA is

29.77% of BHSA's capital stock (without considering treasury shares). (See Note 20).

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (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 (continued)*

A. Year ended June 30, 2011 (continued)

**11. Acquisition of Soleil Factory shopping center business**

On July 1, 2010, APSA and INCSA executed the definitive agreement pursuant to which the business comprising of a building and other fixed assets was transferred to APSA. The transaction excluded any receivable or payable arising out of INCSA business prior to the transaction and also excluded a building, which currently is being operated as a hypermarket within the same premises. INCSA transferred the deed of title to APSA on August 3, 2011. The transaction was filed with the CNDC, which authorized it on April 12, 2011. This acquisition was accounted for using the purchase method of accounting.

Furthermore, on December 28, 2007, APSA 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. This transaction was dependent on the acquisition of the Soleil Factory business. Upon completion of the acquisition of the Soleil Factory on July 1, 2010, APSA was obligated to commence the works 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 APSA. As of the date of these Financial Statements, these obligations have not been fulfilled and works have not commenced.

On August 3, 2011, INCSA granted APSA the conveyance for the property, and APSA paid the US\$ 1 million which was agreed to be paid on that date. At the same time, APSA granted a first-grade mortgage on the property to secure payment of the balance (US\$ 12.6 million) plus interest.

## **12. Acquisition of additional shares of 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, for a nominal value of US\$ 15.5 million.

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's Board of Directors resolved to exercise 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.

## **13. Acquisition of Lipstick building, New York**

In July 2008, the Company (through its subsidiaries) acquired a 30% interest in "Metropolitan 885 Third Avenue LLC" ("Metropolitan"), a Delaware-based limited liability company and ultimate parent company of Metropolitan 885 Third Avenue Leasehold LLC ("Metropolitan Leasehold"). The main asset of Metropolitan Leasehold is a rental office building in New York City known as the "Lipstick Building" and the debt related to that asset. The framework included the following: (i) a put right exercisable until July 2011 to sell a 50% of the interest acquired at the same value paid plus interest at 4.5% per annum and (ii) a right of first offer to acquire a 60% portion of the 5% interest of the certain shareholders. The total price paid was US\$ 22.6 million.

During 2009 in the context of the financial crisis Metropolitan incurred in significant losses due to impairment recognized in connection with the building. Since the Company's share in Metropolitan's losses exceeded its equity interest; the Company recognized a zero value on its investment although a liability of US\$ 1.5 million which represented the Company's maximum commitment to fund Metropolitan's operations.

On November 16, 2010, Metropolitan 885 Third Avenue Leasehold LLC presented a plan of reorganization. The plan provides among other things the liquidation of Metropolitan and the issuance of new membership interest of

Metropolitan Leasehold, the reorganized debtor, in favor of New Lipstick LLC, (the “New Metropolitan Leasehold Holding Company”).

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (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 (continued)***

**A. Year ended June 30, 2011 (continued)**

In December 2010, the negotiations geared towards restructuring the amounts of the mortgage granted by the Royal Bank of Canada came to a successful conclusion. The debt was reduced from US\$ 210.0 million to US\$ 130.0 million (excluding accrued interest) at a Libor plus 400 basic points rate, which may not exceed a maximum rate of 6.25% and with a maturity date fixed at seven years. The junior indebtedness to Goldman, Sachs & Co., which had amounted to US\$ 45.0 million (excluding accrued interest), was cancelled through a US\$ 2.25 million payment.

Metropolitan Leasehold will maintain the existing ground leases in the same terms and conditions in which they had been initially agreed upon, for a remaining 66 years' term. The final consent to this restructuring has already been tendered by all the parties concerned and the closing was consummated on December 30, 2010, as that is when the company New Lipstick LLC ("New Lipstick"), the New Metropolitan Leasehold Holding Company, made a US\$ 15.0 million principal payment as downpayment of the newly restructured mortgage debt, thus reducing it from US\$ 130.0 million to US\$ 115.0 million.

As a consequence of said reorganization, the Company has indirectly – through New Lipstick – increased its equity interest in the Lipstick Building to 49%. This increase originated in a US\$ 15.3 million capital contribution and in the fact that the put option for 50% of the shareholding initially acquired in Metropolitan, which had amounted to approximately US\$ 11.3 million plus accrued interest, has been rendered ineffectual. Besides, the above-mentioned commitment, for US\$ 1.5 million, ceased to be in effect.

**B. 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. Elsztain, has been appointed to Hersha’s Board of Trustees.

In January, March and October 2010, the Company through its subsidiaries purchased 11,606,542 additional shares of Hersha’s common stock, for an aggregate purchase price of US\$ 47.9 million (4,789,917 shares at US\$ 3.00 per share; 3,864,000 at US\$ 4.25 per share and 2,952,625 at US\$5.80 per share, respectively).

During quarters ended on December 2010, March and June 2011, the Company through its subsidiaries sold 1,500,000; 738,800 and 303,579 common shares in Hersha, respectively, for a total of US\$ 16.1 million, which resulted in approximately US\$ 11.5 million gain.

As of June 30, 2011 the Company’s direct and indirect interest in Hersha amounts to 9.18%. If the call option was exercised and the Company’s interest was not diluted due to newly issued shares, the Company’s interest in Hersha would be 12.13%. The Company accounts for its investment in Hersha at cost while the call option has been accounted for at its fair value.

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 78 hotels throughout the United States of America totaling approximately 10,443 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.



**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (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 (continued)*

B. Year ended June 30, 2010 (continued)

**2. 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.

**3. 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.

**4. 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, 2011, the Company collected the first and second installment.

## **5. Acquisition of Torodur S.A.**

In May 2010, the Company acquired a 100% stake in Torodur S.A.'s capital stock for US\$ 0.01 million. Later on, the Company transferred a 2% ownership interest to CAM Communications LP (Bermudas) and CAM Communications LP (Delaware), equally, at cost. In June 2011, the Company concluded the sale and transfer of shares of Torodur S.A., for US\$ 0.002 million to APSA. As a consequence, as of June 30, 2011 the Company does not have any direct holding in Torodur S.A.

On the same date, CAM Communications LP (Bermudas) and CAM Communications LP (Delaware) sold to APSA their holding in Torodur S.A.

On June 15, 2011, Torodur S.A. acquired 16.66% of Nuevo Puerto Santa Fe S.A.'s shares for US\$ 1.5 million.

## **6. Acquisition of Arcos del Gourmet S.A.'s (Arcos) shares**

On November 27, 2009, APSA acquired 80 % of the share capital of Arcos for a purchase price determined as follows: (i) a fixed price of US\$ 4.3 million for 40% of the stock and (ii) a fixed price of US\$ 0.84 million plus a determinable price equivalent to 20% of the investment required to develop the project up to maximum of US\$ 6.9 million for the other 40% of the stock. As of June 30, 2011, APSA paid US\$ 4.4 million. The remaining unpaid balance will be settled as follows: (i) US\$ 1 million due on November 27, 2011 and (ii) 10% of any increase in Arcos common stock.

On June 25, 2010, APSA 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 paid was US\$ 0.4 million. The option was subject to certain conditions including but not limited to that ONABE launches a bidding process for the sale of the concessioned assets over which APSA had a preemptive right. The option expired on April 30, 2011 upon the conditions not being fulfilled. APSA charged the cost of the option to income under "Other income (expenses), net" (See Note 24.4).

## **7. Several transactions related to Tarshop S.A. (Tarshop)**

- i) Non-compete agreement with the former minority shareholder of Tarshop

In January 2010, APSA 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

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (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 (continued)*

**B. Year ended June 30, 2010 (continued)**

20,000 square meters in the City of Buenos Aires. APSA 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 shares.

On October 30, 2009 Tarshop capitalized capital contributions made by APSA increasing the APSA interest in Tarshop from 93.4% to 98.6%

During January 2010, APSA 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 80% equity interest in Tarshop

APSA's Board of Directors approved the sale of a 80% interest in Tarshop to Banco Hipotecario S.A. ("BHSA") for a sale price of US\$ 26.8 million. The transaction was approved by the *Banco Central de la República Argentina*, and subsequently was closed on September 13, 2010. APSA committed not to compete in the credit card or consumer loan origination business market where Tarshop conducts business for a period of 5 years.

**7. Several transactions related to Tarshop S.A. (Tarshop)**

## **8. Purchase of Conil S.A.'s ("Conil") shares**

On October 21, 2009, APSA acquired a 50% interest in Conil for US\$ 0.3 million fully paid as of June 30, 2010. The main asset of Conil is a 2,471 square meter undeveloped parcel of land located in Avellaneda, Province of Buenos Aires.

## **9. Sale of properties in Guaymallén (Mendoza)**

On March 26, 2010, APSA sold a building located in the district of Guaymallén, Province of Mendoza for US\$ 0.3 million fully collected as of June 30, 2010.

## **10. Sale of Rosario plots of land**

On April 14, 2010, APSA 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, collected in full as of June 30, 2011.

On May 3, 2010, APSA sold the lot designated as "2E" for US\$ 1.4 million, of which US\$ 0.3 million was collected as of June 30, 2010. The outstanding balance was collected on May 30, 2011.

On November 10, 2010, APSA sold the lot designated as "2F" for US\$ 1.9 million, of which US\$ 1.3 million was collected as of June 30, 2011 with the remaining balance collected on July 6, 2011.

On December 3, 2010, APSA sold the lots designated as "2B", "2C" and "2D" for US\$ 1.5 million each, of which US\$ 3 million was collected in full as of June 30, 2011 and US\$ 1.3 million (lot "2D") will be collected upon execution of the deed of title.

## **11. 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 cinemas and parking space for 2,200 automobiles.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (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 (continued)***

**B. Year ended June 30, 2010 (continued)**

Total contributions to this project made by the shareholders amounted to Ps. 557.0 million and Ps. 532.4 million as of June 30, 2010 and 2009, respectively.

**12. 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)

**C. Year ended June 30, 2009**

**1. 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.

## **2. 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 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 price for the purchase of Vista al Muelle was US\$ 0.83 million and accrued an annual 8% compensatory interest rate on the outstanding amounts. As of September 10, 2010, it was completely paid.

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.

In December 2009, Vista al Muelle acquired other properties totaling US\$ 2.7 million in exchange for a US\$ 0.3 million down payment, with the balance to be cancelled through the delivery of home units and/or stores to be built and equivalent to 12% out of 65.54% of the sum of the prices of all of the units covered by the Launching Price List

for Sector B (the parties have already signed a plat of subdivision to this end).

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

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (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 (continued)*

C. Year ended June 30, 2009 (continued)

On December 17, 2010, the Company and Cyrela signed a stock purchase agreement whereby a 50% interest in Liveck's capital stock was reacquired from Cyrela for US\$ 2.7 million. This amount is equivalent to the contributions made in Liveck by Cyrela. Therefore, the Company's interest in Liveck amounted to 100% (through Tyrus).

As part of the agreement, the Company agreed to hold Cyrela harmless in the event of claims asserted by Zetol's sellers. Besides, if within a term of 24 months as from the date of the agreement Cyrela were not released from the guarantee tendered in favor of the above-mentioned sellers, the Company will be obliged to post a new guarantee in favor of Cyrela, equivalent to 45% of the price balance, interest thereon and the option rights to which Zetol's sellers are entitled.

**3. Sale of Buildings**

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.

**4. Barter transaction with Cyrsa - Air Space Coto**

On July 21, 2008, APSA entered into a barter agreement with Cyrsa S.A. ("Cyrsa") pursuant to which APSA, subject to certain closing conditions, would surrender to Cyrsa its right to construct a building over a preexisting structure

**2. Acquisition of companies in Uruguay**

(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, APSA and Cyrsa signed an agreement in order to finish the barter commitment.

5. Barter transaction with Condominios

On November 27, 2008, APSA granted an unrelated party, Condominios del Alto S.A. (“Condominios”), an acquisition option through a barter agreement pursuant to which APSA bartered a plot of land located in Rosario (plot “2H”), Province of Santa Fe for future 42 apartments and 47 parking spaces of the total units to be constructed on the land.

Under this agreement, APSA 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 paid APSA US\$ 0.03 million and assumed certain obligations. Condominios (i) guaranteed the transaction by the assumption of a first degree mortgage on the land in favor of APSA for US\$ 2.3 million; (ii) established a security insurance of which APSA will be assignor of the insured amount of US\$ 2.3 million; and (iii) the shareholders of Condominios assumed a personal guarantee of the obligations of Condominios up to the amount of US\$ 1.0 million.

6. Paraná plot of land

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 Rios, Argentina. APSA intends to construct a shopping center on the site. On August 12, 2010, the agreement was closed.

On August 12, 2010, APSA acquired a 10,022 square meter property in the City of Paraná, Province of Entre Ríos, Argentina for US\$ 0.5 million. APSA paid US\$ 0.15 million and the remaining balance of US\$ 0.35 million will be paid at the time the title is obtained.

According to the agreement, the deeds of title will be transferred within 60 days as from the date on which (i) APSA obtains the required municipal permits, or (ii) the seller obtains the lot subdivision, whichever occurs later. None of these conditions have occurred as of the date of these financial statements. On March 18, 2011, the Municipality of Parana granted a preclearance to construct a shopping mall on the premises, although definitive permits are still pending.



**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**2. Preparation of financial statements (continued)*****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 published by the IASB for fiscal periods beginning on or after January 1st, 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 which is currently under execution.

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

The Company classified cash flows from interest paid as operating activities for the year ended June 30, 2010 and 2009. As part of the Company's IFRS implementation efforts, for the fiscal year ended June 30, 2011, the Company changed this accounting policy to treat the cash flows from interest paid as financing activities as permitted also by Argentine GAAP (Technical Resolution No. 8). Therefore, the Company retroactively adjusted as of June 30, 2010 and 2009 year as follows:

|   | <b>As of June, 2010</b> |                      | <b>As of June, 2009</b> |                      |
|---|-------------------------|----------------------|-------------------------|----------------------|
|   | As adjusted             | As previously issued | As adjusted             | As previously issued |
| Net cash provided by operating activities | 376,458                 | 239,943              | 442,619                 | 310,877              |
| Net cash used in investing activities     | (455,979)               | (455,979)            | (455,041)               | (455,041)            |
|   | 44,933                  | 181,448              | (190,640)               | (58,898)             |

**2. Acquisition of companies in Uruguay****380**

Net cash provided by (used in) financing activities

### **3. Significant accounting policies**

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.

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.



**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**3. Significant accounting policies (continued)**

**a. Revenue recognition (continued)**

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.

The Company also charges its tenants a monthly administration fee relating to the administration and maintenance of the common area and the administration.

- 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, 2011, 2010 and 2009, 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 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 APSA bringing together APASA and potential lessees for the retail space available in certain of APSA'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 the lessee and APSA. 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.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**3. Significant accounting policies (continued)**

**a. Revenue recognition (continued)**

- Consumer Financing

During the fiscal year ended June 30, 2010 and 2009, APSA, through its subsidiary Tarshop and its jointly controlled entity Metroshop, was engaged in the origination of consumer loans and credit card transactions and securitization of corresponding receivables. As part of a plan, APSA sold 80% of Tarshop in September 2010, and acquired the remaining 50% in Metroshop in January 2011. After acquisition of control in Metroshop, APSA sold the receivables portfolio and other assets to Tarshop. Metroshop continues as an entity with only residual activities. APSA continues in the consumer financing business through its 20% interest in Tarshop where it retained significant influence.

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 APSA; (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 a 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.

- 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**

**2. Acquisition of companies in Uruguay**

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 and mutual funds with original maturities of three months or less at date of purchase.

**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.

Unrealized gains and losses on these investments are included within "Financial results, net" in the accompanying consolidated statements of income.

As of June 30, 2010 current investments also included retained interests in securitized receivables pursuant to the securitization programs of Tarshop S.A., Metroshop S.A. 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.

During the last fiscal years and in the current fiscal year, the Company has been conducting various purchase and sale transactions of BHSA shares, as a result of which, as of June 30, 2011, the Company's ownership interest in BHSA is 29.77% of BHSA's capital stock (without considering treasury shares).

2. Acquisition of companies in Uruguay

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.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**3. Significant accounting policies (continued)**

**c. Investments (continued)**

The financial statements of BHSA and BACSA are prepared in accordance with BCRA standards. For the purpose of valuation under the equity method of these investments the Company has made adjustments necessary to adequate these Consolidated Financial Statements to Argentine GAAP have been considered.

- The investments in New Lipstick LLC and Rigby 183 LLC are mentioned in Note 2.g.A.13 and Note 2.g.A.1, respectively and are accounted for under the equity method.

- Tarshop S.A.

Given the sale of 80% of Tarshop S.A.'s shares described in Note 2.g.B.7.(iii), as of the date of issuance of these financial statements, APSA maintains a 20% investment in Tarshop S.A. which has been recognized by application of the equity method on account of the economic group being able to exercise significant influence on its decisions and of the economic group's intention to maintain it as a long-term investment.

- TGLT S.A. and Hersha Hospitality Trust

The equity investments in TGLT S.A. and Hersha Hospitality Trust were valued at their acquisition cost.

b) Retained interests in securitization programs

As of June 30, 2010 Non-current investments also included 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.

c) Undeveloped parcels of land

The Company acquires undeveloped land in order to provide an adequate and well-located supply for its residential, shopping centers 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. 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 undeveloped parcels of land amounts to nil, Ps. 50 and Ps. 50 for the years ended June 30, 2011, 2010 and 2009, 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.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**3. Significant accounting policies (continued)**

**d. Inventories (continued)**

In addition, inventory includes receivables representing the rights to receive certain apartment units to be constructed on land bartered with unrelated parties. These units have been valued in accordance with the price established in the respective title deeds and is disclosed in "Inventories" as "Rights for residential units to be received".

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 is deemed to be assured. These inventories are valued at net realizable value with gains shown in the line item "Gain from recognition of inventories at net realizable value" of the 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. 29, Ps. 157 and Ps. 1,029 for the years ended June 30, 2011, 2010 and 2009, 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. 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. 1,691, Ps. 5,331 and Ps. 86,452 for the years ended June 30, 2011, 2010 and 2009, 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. 2,507, Ps. 3,532 and Ps. 3,891 for the years ended June 30, 2011, 2010 and 2009, 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.

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**3. Significant accounting policies (continued)****e. Fixed assets, net (continued)**

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) |
|---------------------------|-------------------------------|
| - <u>Properties:</u>      |                               |
| Office buildings          | Between 20 and 45             |
| Shopping centers          | Between 16 and 31             |
| Hotels                    | Between 14 and 24             |
| Other                     | Between 16 and 50             |
| - Leasehold improvements  | 3                             |
| - Facilities              | 10                            |
| - Furniture and fixtures  | Between 3 and 10              |
| - Vehicles                | 5                             |
| - Computer equipment      | 3                             |
| - Software                | 3                             |
| - Machinery and equipment | 10                            |

**f. Software obtained or developed for internal use**

The Company capitalizes certain costs associated with the development of computer software for internal use. These costs are being amortized on a straight-line basis over 3 years.

**g. Intangible assets, net**

Intangible assets are carried at cost (adjusted for inflation as described in Note 2.c.), less accumulated amortization and corresponding allowances for impairment, if applicable. Included in the Intangible Assets caption are the

following:

- 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.h. 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. B.6.).

- 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).

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**3. Significant accounting policies (continued)**

**h. 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 Technical Resolution No. 18. In making estimates of fair values, management utilizes a number of various sources.

When Company acquires properties, for fair value estimation purposes, the Company also considers information about each property obtained as a result of pre-acquisition due diligence, marketing and leasing activities. The Company allocates 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 the Company determines 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 non-cancelable 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 non-cancelable 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. The Company's estimates of value 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, 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.

The Company also estimates 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 the Company's overall relationship with the respective tenant. The Company has not identified any lessee with whom it has developed a type of

relationship allowing the recognition of an intangible asset.

**i. 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 difference between the purchase price paid and the fair market value of net assets acquired, adjusted for inflation as mention in Note 2.c 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.

**j. 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



**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**3. Significant accounting policies (continued)**

**j. Other receivables and liabilities (continued)**

and liabilities, respectively. The remaining other receivables and liabilities have been valued at their nominal value plus interest, if any.

**k. 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 ability of selling financial receivables after the year-end; those receivables are valued at their net realizable value.

**l. Accounts receivable and trade accounts payable**

Accounts receivable and trade accounts payable have been valued at face value plus accrued interest based on the internal rate of return.

**m. Liabilities in kind related to barter transactions**

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".

**2. Acquisition of companies in Uruguay**

**n. 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.

**o. 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 15 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.

**p. 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.



**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**3. Significant accounting policies (continued)**

**q. 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.

**r. Provisions for allowances and contingencies**

The Company provides for losses relating to accounts and mortgage receivables. The Company accrues losses when they are probable of occurring and estimable. When applicable the Company measures impairment on an individual basis, generally for larger balances of non-homogeneous receivables. When individually assessed, losses are accrued based on the differences between the value of collateral, present value of future cash flows or values that are observable in the secondary market and the loan balance. When applicable, an asset-specific allowance is established when the discounted cash flows, collateral value (less disposal costs), or observable market price of the impaired loan is lower than its carrying value. This allowance considers the borrower's overall financial condition, resources, and payment record, the prospects for support from any financially responsible guarantors and, if appropriate, the realizable value of any collateral.

The Company collectively evaluates for impairment of smaller-balance homogeneous loans, including residential mortgage loans. For purposes of a collective evaluation of impairment, mortgage receivables and consumer financing loans are grouped on the basis of similar risk characteristics, taking into account asset type, collateral type, past-due status and other relevant factors. The Company applies allowance factors, which in the judgment of management

**2. Acquisition of companies in Uruguay**

represent the expected losses over the life of the loans. In determining those factors, the Company considers the following: (i) delinquencies and overall risk ratings, (ii) loss history, (iii) trends in volume and terms of loans, (iv) effects of changes in lending policy, (v) the experience and depth of the borrowers' management, (vi) national and local economic trends, (vii) concentrations of credit by individual credit size and by class of loans, (viii) quality of loan review system, and (ix) the effect of external factors (e.g., competition and regulatory requirements).

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, the 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. 12,476, Ps. 27,769 and Ps. 23,531 for the years ended June 30, 2011, 2010 and 2009, 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 consolidated statement of income 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

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**3. Significant accounting policies (continued)**

**t. Impairment of long-lived assets (continued)**

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 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.

**2. Acquisition of companies in Uruguay**

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. 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

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**3. Significant accounting policies (continued)**

**y. Earnings per share (continued)**

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, 2011 and 2010 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.

**a.a. Foreign currency assets and liabilities**

Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounting records of the Company in Argentine Pesos at the exchange rate prevailing at the time of the transaction. Monetary assets and liabilities in foreign currencies at year-end are then translated into Argentine Pesos at closing exchange rates. Assets, liabilities, income and expenses in foreign currencies generate transaction gains and losses, which are recorded within "Financial results, net" in the Statement of Operations.

**4. Details of balance sheet accounts****a. Cash and banks:**

|                                     |             | <b>As of June 30,</b> |             |        |
|-------------------------------------|-------------|-----------------------|-------------|--------|
|                                     | <b>2011</b> |                       | <b>2010</b> |        |
| Bank accounts (Note 26.e.)          | Ps.         | 166,402               | Ps.         | 60,500 |
| Cash on hand (Note 26.e.)           |             | 1,768                 |             | 4,883  |
| Checks to be deposited (Note 26.e.) |             | --                    |             | 5,792  |
|                                     | Ps.         | 168,170               | Ps.         | 71,175 |

**b. Investments:**

|  |             | <b>As of June 30,</b> |             |         |
|--|-------------|-----------------------|-------------|---------|
|  | <b>2011</b> |                       | <b>2010</b> |         |
| <b>Current</b>   |             |                       |             |         |
| Mutual funds (Note 26.e.)  | Ps.         | 204,167               | Ps.         | 134,167 |
| Retained interests in securitized receivables (i)  |             | --                    |             | 124,671 |
| Shares of public companies (Note 26.e.)  |             | 2,912                 |             | 4,075   |
| TDFs (i)   |             | --                    |             | 2,846   |
| Mortgage bonds issued by BHSA. (Note 11)   |             | 477                   |             | 784     |
| Allowance for impairment of CPs (Note 26.c.) (i)   |             | --                    |             | (7,423) |
| Interest receivable Non-Convertible Notes Cresud S.A.C.I.F.<br>y A. (Notes 11 and 26.e.) |             | 2,615                 |             | --      |
| Other investments (Note 26.e.)   |             | 12                    |             | 48      |
|  | Ps.         | 210,183               | Ps.         | 259,168 |

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**4. Details of balance sheet accounts (continued)****b. Investments (continued):**

|   | <b>2011</b> | <b>As of June 30,</b> | <b>2010</b> |
|---|-------------|-----------------------|-------------|
| <b>Non-Current</b>  |             |                       |             |
| <b>Equity investments:</b>  |             |                       |             |
| Banco Hipotecario S.A (ii) (Notes 2.g.A.10, 2.g.B.12 and 2.g.C.1.)                                | Ps. 917,690 |                       | Ps. 809,072 |
| Hersha Hospitality Trust (Notes 2.g B.1. and 26.e.)   | 277,248     |                       | 204,553     |
| Manibil   | 27,681      |                       | 27,238      |
| Advance payments for the acquisition of shares (Note 2.g.A.3, 2.g.A.6, 2.g.B.4, 2.g.B.7 and 26.e) | 1,797       |                       | 23,735      |
| Banco de Crédito y Securitización S.A. (Note 2.g.A.6)   | 6,117       |                       | 5,996       |
| New Lipstick LLC (Note 2.g.A.13)  | 115,946     |                       | --          |
| Rigby 183 LLC (Note 2.g.A.1)  | 91,128      |                       | --          |
| Tarshop S.A. (Note 2.g.B.7)   | 49,459      |                       | --          |
| TGLT S.A. (Note 2.g.A.8)  | 56,381      |                       | --          |
| Non-convertible Notes Cresud S.A.C.I.F. y A. (Notes 11 and 26.e.)                                 | 7,706       |                       | --          |
| Other investments   | 501         |                       | 144         |
| <b>Retained interests in securitization programs:</b>   |             |                       |             |
| Retained interests in securitized receivables (i)   | --          |                       | 18,458      |
| Allowance for impairment of CPs (i)   | --          |                       | (1,165)     |
| <b>Undeveloped parcels of land (iii):</b>   |             |                       |             |
| Santa María del Plata   | 158,742     |                       | 140,584     |
| Puerto Retiro (Note 13 (i))   | 54,370      |                       | 54,600      |
| Beruti plot of land (Note 2.g.A.7(i))   | --          |                       | 52,934      |
| Caballito plot of land (iv) (Note 2.g.A.7(ii))  | 45,814      |                       | 36,745      |
| Patio Olmos   | 33,475      |                       | 32,949      |
| Rosario plot of land (Note 2.g.B.10)  | --          |                       | 11,166      |
| Zetol and Vista al Muelle plot of land (Note 2.g.C.2 and Note 13 (iii))                           | 53,861      |                       | 22,640      |
| Air space Coto (Note 2.g.C.4)   | 16,110      |                       | 13,188      |
| Air space Soleil Factory (Note 2.g.A.11)  | 6,676       |                       | --          |
| Canteras Natal Crespo (Note 23)   | 5,779       |                       | 5,705       |
| <b>2. Acquisition of companies in Uruguay</b>   |             |                       | <b>410</b>  |

|                  |               |               |
|------------------|---------------|---------------|
| Pilar            | 3,408         | 3,408         |
| Torres Jardín IV | --            | 3,030         |
| Others           | 16,256        | 15,825        |
|                  | Ps. 1,946,145 | Ps. 1,480,805 |

- (i) As of June 30, 2010, as part of its credit card and personal loans securitization programs, Tarshop transferred credit card and personal loans receivables to trusts in exchange for cash and certificates representing undivided interests in such receivables. Trusts debt securities represented debt certificates (TDFs) issued by trusts which were valued at amortized cost. Retained interests in transferred credit card and personal loans receivables represent equity certificates (CPs) issued by trusts which were accounted for under the equity method of accounting.
- (ii) As of June 30, 2011 and 2010, includes Ps. 21,863 and Ps. 25,884, respectively, as goodwill and high and less value. As of June 30, 2011 and 2010 represents 446,515,208 and 420,455,953 shares with a quoted value at closing equivalent to Ps. 2.36 and Ps. 1.44 per share, respectively.
- (iii) Shown net of allowances for impairment losses mentioned in Note 3.t.
- (iv) This asset is restricted in relation to certain tax claims (Note 13 (iii)).

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**4. Details of balance sheet accounts (continued)****c. Accounts receivable, net:**

|  |     | <b>2011</b> | <b>As of June 30,</b> | <b>2010</b> |
|--|-----|-------------|-----------------------|-------------|
| <b>Current</b>   |     |             |                       |             |
| Consumer financing receivables (Note 26.e.)                | Ps. | 70,248      | Ps.                   | 245,538     |
| Leases and services receivables (Note 26.e.)               |     | 78,762      |                       | 64,603      |
| Checks to be deposited (Note 26.e.)                        |     | 95,226      |                       | 60,695      |
| Debtors under legal proceedings (ii)                       |     | 48,954      |                       | 42,117      |
| Pass-through expenses receivables (i)                      |     | 18,953      |                       | 19,917      |
| Receivables from the sale of properties (iii) (Note 26 e.) |     | 28,781      |                       | 17,059      |
| Hotel receivables (Note 26. e.)                            |     | 9,954       |                       | 11,186      |
| Related parties (Notes 11 and 26.e.)                       |     | 8,767       |                       | 8,033       |
| Receivables with collection agents                         |     | 4,869       |                       | 4,532       |
| Less:  |     |             |                       |             |
| Allowance for doubtful accounts (Note 26.c.)               |     | (115,516)   |                       | (114,151)   |
|  | Ps. | 248,998     | Ps.                   | 359,529     |
| <b>Non-Current</b>   |     |             |                       |             |
| Consumer financing receivables (Note 26.e.)                | Ps. | -           | Ps.                   | 25,824      |
| Receivables from the sale of properties (iii) (Note 26 e.) |     | 13,851      |                       | 16,551      |
| Leases and services receivables (Note 26 e.)               |     | 449         |                       | 998         |
| Less:  |     |             |                       |             |
| Allowance for doubtful accounts (Note 26.c.)               |     | -           |                       | (1,250)     |
|  | Ps. | 14,300      | Ps.                   | 42,123      |

(i) Represents receivables for common area maintenance and other operating expenses charged to tenants of shopping centers.

(ii) Comprised of Ps. 0.9 million and Ps. 1.1 million related to mortgage receivables and Ps.48.1 million and Ps. 41.0 million related to leases receivables, as of June 30, 2011 and 2010, respectively.

(iii) Includes fixed-rate mortgage receivables from several borrowers. As of June 30, 2011 and 2010, the amount due from the largest individual borrower were Ps. 14,844 and Ps 26,537, respectively, at a contractual interest rate of

14% (see Note 25.II.s.).

**d. Other receivables and prepaid expenses:**

|  | <b>2011</b> | <b>As of June 30,</b> | <b>2010</b> |
|--|-------------|-----------------------|-------------|
| <b>Current</b>   |             |                       |             |
| Receivables from the sale of shares (i) (Notes 2.g.A.5, 11 and 26 e.)    | Ps.         | --                    | Ps. 35,772  |
| Metropolitan, put option (Notes 2.g.A.13 and 26 e.)                      |             | --                    | 48,461      |
| Related parties (Notes 11 and 26 e.)                                     |             | 42,270                | 45,404      |
| Prepaid expenses and services (Note 26 e.)                               |             | 43,632                | 36,969      |
| Value Added Tax ("VAT")  |             | 42,386                | 30,929      |
| Gross revenue tax prepayment   |             | 6,947                 | 8,151       |
| Receivable for third party services offered in consumer financing stores |             | --                    | 4,880       |
| Guarantee deposits re. securitization programs (Note 13)                 |             | --                    | 5,427       |
| Income tax prepayment  |             | 2,373                 | 2,680       |
| MPIT   |             | 1,824                 | 1,056       |
| Loans granted  |             | 644                   | 859         |
| Others (Notes 13 and 26 e.)  |             | 15,093                | 20,303      |
|  | Ps.         | 155,169               | Ps. 240,891 |

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**4. Details of balance sheet accounts (continued)****d. Other receivables and prepaid expenses (continued):**

|   |     | <b>As of June 30,</b> |     |             |
|---|-----|-----------------------|-----|-------------|
|   |     | <b>2011</b>           |     | <b>2010</b> |
| <b>Non-Current</b>                              |     |                       |     |             |
| VAT   | Ps. | 49,059                | Ps. | 64,386      |
| MPIT  |     | 84,492                |     | 62,791      |
| Deferred income tax (Note 15)                   |     | 30,383                |     | 55,876      |
| Related Parties (Note 11)                       |     | 415                   |     | 15,010      |
| Others (Notes 13 and 26 e.)                     |     | 7,592                 |     | 4,001       |
| Mortgage receivable (ii)                        |     | 2,208                 |     | 2,208       |
| Allowance for doubtful mortgage receivable (ii) |     | (2,208)               |     | (2,208)     |
| Gross revenue tax prepayment                    |     | 1,067                 |     | 935         |
| Less:   |     |                       |     |             |
| Present value – other receivables               |     | (11,677)              |     | (15,817)    |
|   | Ps. | 161,331               | Ps. | 187,182     |

(i) Represent receivables due to the sale of shares in several entities and other investments.

(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.

**e. Inventories:**

|                |     | <b>As of June 30,</b> |     |             |
|----------------|-----|-----------------------|-----|-------------|
|                |     | <b>2011</b>           |     | <b>2010</b> |
| <b>Current</b> |     |                       |     |             |
| Horizons (v)   | Ps. | 209,458               | Ps. | 208,644     |

|  |        |         |         |
|--|--------|---------|---------|
| Caballito Nuevo (i)                        | 5,473  |         | 25,808  |
| Abril                                      | 1,085  |         | 1,763   |
| El Encuentro (ii)                          | 4,432  |         | 4,938   |
| Rosario plot of land                       | 25,511 |         | 8,728   |
| Torres de Rosario under construction (iii) | 9,320  |         | 3,379   |
| Other inventories                          | 7,381  |         | 6,309   |
|  | Ps.    | 262,660 | Ps.     |
|  |        |         | 259,569 |

**Non-Current**

|  |     |        |     |        |
|--|-----|--------|-----|--------|
| Rights for residential units to be received Caballito (CYRSA) (vi)<br>(Note 11)                    | Ps. | --     | Ps. | 18,970 |
| Caballito Nuevo (i)  |     | --     |     | 6,654  |
| Rights for residential units to be received Beruti (vii) (Note 11)                                 |     | 23,309 |     | --     |
| Rights for residential units to be received Caballito (TGLT) (viii)<br>(Notes 11 and 2.g.A.7 (ii)) |     | 51,999 |     | --     |
| Torres de Rosario under construction (iii)   |     | 4,388  |     | 7,644  |
| El Encuentro (ii)  |     | 1,486  |     | 5,318  |
| Caballito plot of land   |     | --     |     | 6,794  |
| Pereiraola (iv)  |     | 8,200  |     | 8,200  |
| Other inventories  |     | 59     |     | 1,508  |
|  | Ps. | 89,441 | Ps. | 55,088 |

(i) In May 2006, Koad S.A. (“Koad”) and the Company entered into an asset exchange agreement valued at US\$ 7.5 million pursuant to which the Company delivered to Koad a parcel in Caballito for the construction of a building complex to be named “Caballito Nuevo.” As consideration therefore, Koad S.A. made a down payment of US\$ 0.05 million and agreed to cancel the US\$ 7.4 million balance by delivering 118 apartments and 55 parking spaces. To secure this transaction, Koad raised a US\$ 7.5 million mortgage on the parcel that constitutes its subject matter and posted a surety bond for US\$ 1.0 million. On October 15, 2010, Koad conveyed to IRSA full title, possession and ownership over the units agreed in the barter deed and the security interests that had been set up in that respect were cancelled.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**4. Details of balance sheet accounts (continued)**

**e. Inventories (continued):**

Preliminary sales agreements were signed for 80 units to be received. With these units recognized at net realizable value, this transaction generated gain of Ps. 5,790 as of June 30, 2011 and Ps. 4,839 during the fiscal year ended as of June 30, 2010. As of June 30, 2011 the sale had been perfected upon execution of the deed of conveyance of 95 units and 37 parking spaces for which the respective preliminary sales agreements had been signed.

(ii) In March 2004, the Company sold (through subsidiaries) a parcel in Benavidez to Desarrolladora El Encuentro S.A. (DEESA) in exchange for (i) US\$ 1.0 million in cash and (ii) 110 residential lots in the parcel to be subdivided by DEESA for US\$ 3 million. On December 22, 2009 DEESA delivered the residential lots. In addition preliminary sales agreements have been signed for 16 units. With these units recognized at net realizable value, this transaction generated gain of Ps. 3,732 as of June 30, 2011 and Ps. 1,044 during the fiscal year ended as of June 30, 2010. Title deeds have been drawn for the sale of a further 61 units.

(iii) See Note 2.g.C.5 and 2.g.B.10

(iv) See Note 2.g.B.4.

(v) As of June 30, 2011, the percentage of completion of the “Horizons” project was 96%. Two of the six towers included in the project have already been completed and are currently signing the title deeds. Furthermore, the work in progress on the other towers is in the last stage and delivery and signing of the title deeds is expected in the following months. These inventories correspond to finished units pending deed and towers in the last stage of construction, which have been accounted under the percentage of completion method as mentioned in Note 3.d.

(vi) In July 2008, the Company and Cyrsa executed and delivered a barter deed for US\$ 12.6 million whereby the Company conveyed to Cyrsa a plot of land in the Caballito neighborhood. In turn, Cyrsa agreed to conduct a real estate development in that plot for the construction of homes. As consideration, Cyrsa would pay 25% of the units making up the buildings to be constructed in the plot. To guarantee compliance with its obligations, Cyrsa mortgaged the land for the amount of US\$ 12.6 million in favor of the Company.

On December 17, 2010, the Company and Cyrsa executed an agreement whereby they extinguished the obligations arising from the barter agreement dated June 30, 2008 and the title deed dated July 31, 2008. The

Company thus considers that the first mortgage set up to guarantee the obligations taken on by Cyrsa has been cancelled whilst Cyrsa conveys full title over the property bartered, which has been recognized at its original book value.

(vii) See Note 2.g.A.7 (i).

(viii) See Note 2.g.A.7 (ii).

**f. Negative goodwill, net:**

|                                 | <b>As of June 30,</b> |                  |             |                 |
|---------------------------------|-----------------------|------------------|-------------|-----------------|
|                                 | <b>2011</b>           |                  | <b>2010</b> |                 |
| <b>Goodwill:</b>                |                       |                  |             |                 |
| Alto Palermo S.A.               | Ps.                   | 20,194           | Ps.         | 21,778          |
| Torre BankBoston                |                       | 5,481            |             | 5,690           |
| Museo Renault                   |                       | 2,951            |             | 3,113           |
| Conil S.A.                      |                       | 343              |             | 506             |
| Fibesa S.A.                     |                       | --               |             | 342             |
| Soleil Factory                  |                       | 4,978            |             | --              |
|                                 | Ps.                   | 33,947           | Ps.         | 31,429          |
| <b>Negative goodwill:</b>       |                       |                  |             |                 |
| Alto Palermo S.A.(Note 2.g.B.4) | Ps.                   | (358,080)        | Ps.         | (45,863)        |
| Palermo Invest S.A.             |                       | (38,180)         |             | (40,316)        |
| Empalme S.A.I.C.F.A. y G        |                       | (6,127)          |             | (8,450)         |
| Mendoza Plaza Shopping S.A.     |                       | (2,783)          |             | (5,661)         |
| Emprendimiento Recoleta S.A.    |                       | (127)            |             | (262)           |
| Unicity S.A.                    |                       | (3,601)          |             | --              |
| Soleil Factory.                 |                       | (14,349)         |             | --              |
|                                 | Ps.                   | (423,247)        | Ps.         | (100,552)       |
| <b>Negative goodwill, net</b>   |                       | <b>(389,300)</b> |             | <b>(69,123)</b> |

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**4. Details of balance sheet accounts (continued)****g. Trade accounts payable:**

|                                      |     | <b>As of June 30,</b> |     |             |
|--------------------------------------|-----|-----------------------|-----|-------------|
|                                      |     | <b>2011</b>           |     | <b>2010</b> |
| <b>Current</b>                       |     |                       |     |             |
| Suppliers (i)(ii) (Note 26 e.)       | Ps. | 78,857                | Ps. | 215,924     |
| Accruals                             |     | 60,830                |     | 71,856      |
| Related parties (Notes 11 and 26 e.) |     | 9,905                 |     | 25,651      |
| Other (Note 26 e.)                   |     | 3,557                 |     | 2,183       |
|                                      | Ps. | 153,149               | Ps. | 315,614     |
| <b>Non-Current</b>                   |     |                       |     |             |
| Suppliers                            | Ps. | 47                    | Ps. | 11,210      |
| Related parties (Note 11)            |     | --                    |     | 12,158      |
|                                      | Ps. | 47                    | Ps. | 23,368      |

(i) As of June 30, 2011 and 2010, includes accounts payable to merchants for credit card operations of Ps. 0.6 million and Ps. 125.1 million, respectively.

(ii) As of June 30, 2011 and 2010, this includes Ps. 36.4 million and Ps. 46.5 million, respectively, balances that reflect the liabilities in kind associated to the acquisition of properties in Vicente López (Note 4. e. (v)).

**h. Advances from customers:**

|                            |     | <b>As of June 30,</b> |     |             |
|----------------------------|-----|-----------------------|-----|-------------|
|                            |     | <b>2011</b>           |     | <b>2010</b> |
| <b>Current</b>             |     |                       |     |             |
| Admission rights           | Ps. | 60,822                | Ps. | 51,194      |
| Sale advances (Note 26 e.) |     | 103,517               |     | 128,544     |

|  |     |         |     |         |
|--|-----|---------|-----|---------|
| Lease and customer advances (Note 26.e.) |     | 68,524  |     | 30,364  |
|  | Ps. | 232,863 | Ps. | 210,102 |
| <b>Non-Current</b>                       |     |         |     |         |
| Admission rights                         | Ps. | 66,885  | Ps. | 59,469  |
| Lease and customer advances (Note 26.e.) |     | 27,359  |     | 30,901  |
|  | Ps. | 94,244  | Ps. | 90,370  |

**i. Salaries and social security payable:**

|                                      |     | As of June 30, |     |        |
|--------------------------------------|-----|----------------|-----|--------|
|                                      |     | 2011           |     | 2010   |
| Provision for vacation and bonuses   | Ps. | 27,333         | Ps. | 27,038 |
| Salaries and social security payable |     | 7,657          |     | 9,834  |
| Other                                |     | 802            |     | 503    |
|                                      | Ps. | 35,792         | Ps. | 37,375 |

**j. Short-term and long-term debt:**

|  |     | As of June 30, |     |         |
|--|-----|----------------|-----|---------|
|  |     | 2011           |     | 2010    |
| <b>Short-term debt</b>                                 |     |                |     |         |
| Bank loans (i) (Note 26.e.)                            | Ps. | 128,448        | Ps. | 133,813 |
| Bank overdrafts including accrued interests            |     | 420,032        |     | 314,120 |
| APSA Non-Convertible Notes 2011 (iii)                  |     | --             |     | 69,978  |
| Tarshop's VCPS including accrued interest              |     | --             |     | 23,019  |
| Seller financings (ii)                                 |     | 47,846         |     | 15,920  |
| APSA Non-Convertible Notes 2012 (iii)                  |     | 28,889         |     | 26,695  |
| IRSA Non-Convertible Notes 2017 (Notes 10,11 and 26.e) |     | 20,960         |     | 20,009  |
| APSA Non-Convertible Notes 2017 (iii)                  |     | 4,490          |     | 2,917   |
| APSA Convertible Notes 2014 (iv) (Note 11)             |     | 3              |     | 2,719   |
| IRSA Non-Convertible Notes – 2020 (Note 10 and 26.e.). |     | 30,800         |     | --      |
| Related parties (Note 11)                              |     | 2,345          |     | --      |
|  | Ps. | 683,813        | Ps. | 609,190 |

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (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):****Long-term debt**

|  |     |           |     |           |
|--|-----|-----------|-----|-----------|
| IRSA Non-Convertible Notes 2017 (Notes 10,11 and 26.e) | Ps. | 612,419   | Ps. | 584,694   |
| APSA Non-Convertible Notes 2017 (iii)                  |     | 432,591   |     | 294,286   |
| IRSA Non-Convertible Notes – 2020 (Note 10 and 26.e)   |     | 598,116   |     | --        |
| Bank loans (i) (Note 26.e)                             |     | 27,585    |     | 52,767    |
| APSA Convertible Notes 2014 (iv) (Note 11)             |     | 4,640     |     | 60,890    |
| APSA Non-Convertible Notes 2012 (iii)                  |     | --        |     | 26,455    |
| Seller financing (ii)                                  |     | 81,568    |     | 12,436    |
|  | Ps. | 1,756,919 | Ps. | 1,031,528 |

(i) The outstanding balance as of June 30, 2011 includes the following loans:

(a) Ps. 28,728 as a current balance and Ps. 27,585 as a non-current balance related to debt for purchase of “Edificio República” (See Note 13),

(b) Ps. 50,240 correspond to Banco de la Nación Argentina’s mortgage loan, due in July 2011 at a nominal fixed rate of 13% per annum.

(c) Ps. 18,984 correspond to Hoteles Argentinos S.A.’s mortgage loan. (See Note 13 (ii)),

(d) Ps. 30,000 as current loan granted by Banco Provincia due in May 2012 at a nominal fixed rate of 14% per annum.

(e) Ps. 496 related to loans granted by different financial institutions.

(ii) As of June 30, 2011 the balance mainly includes: (a) Ps. 18,116 as current balance and a Ps. 14,796 as non-current balance to the debt from acquisition of Zetol S.A. (See Note 2.g.C.2 and 13 (v)), (b) Ps. 8,900 as current balance related to the seller financing for purchase of Arcos del Gourmet S.A. (see Note 2. g. B. 6), (c) Ps. 4,714 as current balance and Ps. 35,125 as non-current balance related to the seller financing of Soleil Factory, and (d) Ps. 16,116 as current balance and Ps. 31,647 as non-current balance related to the debt for purchase of Predio San Martín.

(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, 2011 total Series I and Series II Notes repurchased by APSA amount to US\$ 10.0 million and US\$ 1.44 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, 2011 the Company holds corporate notes Series II in the nominal amount of Ps. 13.3 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 APSA'S 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.

On May 12, 2011, APSA made the last payment of interest and paid off all the principal of Serie III.

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.

On May 12, 2011, APSA made the last payment of interest and paid off all the principal of Serie IV.

(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, 2011 holders of convertible notes have exercised their right to convert ordinary shares for a total of US\$ 18.3 million. The outstanding balance of the APSA Convertible Notes as of June 30, 2011 amounts to US\$ 50,000, net of the CNB underwritten by the

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**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**4. Details of balance sheet accounts (continued)**

Company for Ps.5,861 current and Ps. 130,444 non- current. As of June 30, 2011, the current balance includes a higher value of Ps. 4,569. Accordingly, balances shown reflect amount held by third parties after intercompany eliminations.

**k. Taxes payable:**

|  |     | <b>As of June 30,</b> |     |             |
|--|-----|-----------------------|-----|-------------|
|  |     | <b>2011</b>           |     | <b>2010</b> |
| <b>Current</b>                                     |     |                       |     |             |
| VAT payable, net (Note 26 e.)                      | Ps. | 21,615                | Ps. | 17,308      |
| Facilities plan for VAT                            |     | --                    |     | 13,235      |
| Tax Amnesty Plan for Income Tax                    |     | 1,759                 |     | 1,559       |
| MPIT, net  |     | 12,054                |     | 10,512      |
| Income tax provision, net                          |     | 57,791                |     | 38,213      |
| Tax amnesty plan for gross revenue tax             |     | 1,464                 |     | 485         |
| Gross revenue tax                                  |     | 5,233                 |     | 3,636       |
| Tax withholdings                                   |     | 6,276                 |     | 10,177      |
| Provision for tax on shareholders' personal assets |     | 3,961                 |     | 4,055       |
| Tax amnesty plan for ABL                           |     | 486                   |     | 815         |
| Other  |     | 8,414                 |     | 1,116       |
|  | Ps. | 119,053               | Ps. | 101,111     |
| <b>Non-Current</b>                                 |     |                       |     |             |
| Deferred income tax (Note 15)                      | Ps. | 308,547               | Ps. | 87,592      |
| Tax amnesty plan for income tax                    |     | 17,386                |     | 19,145      |
| Tax amnesty plan for gross revenue tax             |     | 832                   |     | 1,320       |
| MPIT, net  |     | --                    |     | 12          |
| Tax amnesty plan for ABL                           |     | 1,927                 |     | 2,372       |
|  | Ps. | 328,692               | Ps. | 110,441     |

**l. Other liabilities:**

Short-term debt

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|   | As of June 30, |     |        |
|---|----------------|-----|--------|
|   | 2011           |     | 2010   |
| <b>Current</b>  |                |     |        |
| Payables to National Parks Administration (Note 19)                                     | 1,100          |     | 2,589  |
| Guarantee deposits (Note 26 e.)   | 4,128          |     | 5,243  |
| Below market leases (Note 3. h)   | --             |     | 1,308  |
| Accrual for directors fees (i) (Note 11)  | 15,612         |     | 24,412 |
| Contributed leasehold improvements (ii)   | 332            |     | 462    |
| Related parties (Notes 11 and 26 e.)  | 35,674         |     | 34     |
| Debt with the former minority shareholders of Tarshop<br>(Notes 2. g. B.7.i and 26.e.)) | --             |     | 3,529  |
| Advance from the sale of Tarshop's shares (Notes 2.g.B.7 iii)<br>,11 and 26.e)          | --             |     | 21,070 |
| Other liabilities (Note 26.e)   | 16,004         |     | --     |
| Others (Note 26 e.)   | 6,218          |     | 6,691  |
|   | Ps. 79,068     | Ps. | 65,338 |
| <b>Non-Current</b>  |                |     |        |
| Loans with shareholders of related parties (Note 26 e.)                                 | Ps. 252        | Ps. | 19,989 |
| Contributed leasehold improvements (ii)   | 9,170          |     | 9,502  |
| Guarantee deposits (Note 26 e.)   | 6,302          |     | 4,100  |
| Commitment to provide (Note 2.g.A.13)   | --             |     | 5,897  |
| Related parties (Note 11)   | 20             |     | 20     |
| Debt with the former minority shareholders of Tarshop S.A.<br>(Notes 2. g. B. 7.i)      | --             |     | 3,322  |
| Hersha option payable (iii) (Note 26 e.)  | --             |     | 16,693 |
| Others (Note 26 e)  | 2,480          |     | 2,600  |
| Less:   |                |     |        |
| Present value – other liabilities   | (95)           |     | (102)  |
|   | Ps. 18,129     | Ps. | 62,021 |

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**4. Details of balance sheet accounts (continued)**

**1. Other liabilities (continued):**

(i) Disclosed net of advances to directors fees for Ps. 37,544 and Ps. 23,387 as of June 30, 2011 and 2010, 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, 2011 and 2010.

(iii) Debt with REIG's minority shareholders.

**5. Shareholders' equity**

**a. Common stock**

As of June 30, 2011, 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, 2009, 2010 and 2011:

|                                     | <b>Common Stock</b>  |                  | <b>Additional</b>      |         |     |         |
|-------------------------------------|----------------------|------------------|------------------------|---------|-----|---------|
|                                     | <b>Shares issued</b> |                  | <b>paid-in-capital</b> |         |     |         |
|                                     |                      | <b>Par value</b> |                        |         |     |         |
| <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 |
| <b>Balances as of June 30, 2011</b> | Ps.                  | 578,676,460      | Ps.                    | 578,676 | Ps. | 793,123 |

**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 was 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**

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.

**e. Dividends distribution**

The Shareholders' Meetings held on October 29, 2010 and May 26, 2011, approved, among other issues, the payment of a cash dividend, charged to the balance booked under the account Retained Earnings, corresponding to the fiscal year ended on June 30, 2010, for a total amounts of Ps. 120 million and Ps. 100 million, respectively.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**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.

- 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

Short-term debt

This segment includes the operating results of shopping centers principally comprised of lease and service revenues from tenants.

- Consumer Financing

During the fiscal years ended June 30, 2010 and 2009, APSA, through its subsidiary, Tarshop, and its jointly controlled entity, Metroshop, was engaged in the origination of consumer loans and credit card transactions and securitization of receivables. As part of a plan, APSA sold 80% of Tarshop on September 13, 2010, and acquired the remaining 50% in Metroshop in January 2011. After acquisition of control in Metroshop, APSA sold a significant portion of its receivables portfolio and other assets to Tarshop. Metroshop retained certain receivables and continues as an entity with residual activities. APSA continues in the consumer financing business through its 20% interest in Tarshop where it retained significant influence.

Accordingly, the consumer financing business segment includes the consolidated results of Tarshop for the years ended June 30, 2009 and 2010, and for the period from July 1, 2010 through August 31, 2010. As from September 1, 2010, APSA analyzed the performance of its consumer financing segment through monitoring its results in Tarshop as an equity method investee. Additionally, the consumer financing business segment includes the proportionate consolidated results of Metroshop for the years ended June 30, 2009 and 2010, and for the period from July 1, 2010 through December 31, 2010. As from January 1, 2011, the results of Metroshop were consolidated into the results of the Company. However, these results are residual since a significant portion of Metroshop's business was sold to Tarshop in January 2011.

- 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.

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**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**6. Segment information (continued)**

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.

As of and for the year ended June 30, 2011

|   | Development<br>and Sale of<br>Properties | Office and<br>other<br>Non-Shopping<br>Center<br>Rental<br>Properties (a) | Shopping<br>Centers | Hotels        | Consumer<br>Financing | Financial<br>Operations<br>and Others | Total          |
|---|--|---|---------------------|---------------|-----------------------|---------------------------------------|----------------|
| Revenues  | Ps. 341,074                              | Ps. 164,618   | Ps. 674,779         | Ps. 192,883   | Ps. 68,576            | Ps. --                                | Ps. 1,441,930  |
| Costs   | (244,764)                                | (32,559)  | (181,473)           | (119,471)     | (22,488)              | --                                    | (600,755)      |
| <b>Gross profit</b>   | <b>96,310</b>                            | <b>132,059</b>  | <b>493,306</b>      | <b>73,412</b> | <b>46,088</b>         | --                                    | <b>841,175</b> |
| Gain from<br>recognition of<br>inventories at net<br>realizable value | 45,442                                   | --  | --                  | --            | --                    | --                                    | 45,442         |
| Selling expenses  | (15,396)                                 | (5,283)   | (40,229)            | (20,923)      | (24,873)              | --                                    | (106,704)      |
| Administrative<br>expenses  | (41,425)                                 | (43,734)  | (67,935)            | (40,318)      | (6,947)               | --                                    | (200,359)      |
| Net income from<br>retained interest<br>in securitized<br>receivables | --                                       | --  | --                  | --            | 4,707                 | --                                    | 4,707          |
| Gain from<br>operations and<br>holdings of real                       | 128                                      | 1,012   | --                  | --            | --                    | --                                    | 1,140          |
| Short-term debt   |  |   |                     |               |                       |                                       | 431            |

|   |               |               |                |                 |               |               |                |
|---|---------------|---------------|----------------|-----------------|---------------|---------------|----------------|
| estate assets, net                                |               |               |                |                 |               |               |                |
| <b>Operating income</b>                           | <b>85,059</b> | <b>84,054</b> | <b>385,142</b> | <b>12,171</b>   | <b>18,975</b> | --            | <b>585,401</b> |
| Amortization of negative goodwill, net            | 981           | 725           | 15,621         | --              | 100           | --            | 17,427         |
| Gain on equity investees                          | 443           | --            | 41             | 9,682           | 9,298         | 118,956       | 138,420        |
| Financial results, net                            | (16,714)      | (38,369)      | (121,991)      | (11,326)        | (26,820)      | (67,026)      | (282,246)      |
| Other income (expenses), net                      | (1,621)       | --            | (2,745)        | 1,040           | 9,245         | (20,528)      | (14,609)       |
| <b>Income before taxes and minority interest</b>  | <b>68,148</b> | <b>46,410</b> | <b>276,068</b> | <b>11,567</b>   | <b>10,798</b> | <b>31,402</b> | <b>444,393</b> |
| Income tax and MPIT                               | (23,852)      | (16,244)      | (91,959)       | (7,046)         | 5,212         | 29,365        | (104,524)      |
| Minority interest                                 | 768           | --            | (39,374)       | (19,161)        | -             | 2             | (57,765)       |
| <b>Net income</b>                                 | <b>45,064</b> | <b>30,166</b> | <b>144,735</b> | <b>(14,640)</b> | <b>16,010</b> | <b>60,769</b> | <b>282,104</b> |
| Acquisition of fixed assets and intangible assets | --            | 85,889        | 807,786        | 8,407           | 721           | --            | 902,803        |
| Depreciation and amortization (b)                 | 200           | 24,155        | 132,027        | 14,269          | 902           | --            | 171,553        |
| Non-current investments in equity investees       | 84,062        | 207,074       | --             | 277,248         | 49,459        | 923,807       | 1,541,650      |
| Operating assets                                  | 671,738       | 1,367,767     | 2,413,943      | 202,633         | 26,198        | 367,427       | 5,049,706      |
| Non-operating assets                              | 40,754        | 44,846        | (175,462)      | 36,913          | 22,510        | 1,296,043     | 1,265,604      |
| Total assets                                      | Ps. 712,492   | Ps. 1,412,613 | Ps. 2,238,481  | Ps. 239,546     | Ps. 48,708    | Ps. 1,663,470 | Ps. 6,315,310  |
| Operating liabilities                             | 24,491        | 137,990       | 402,523        | 39,030          | 31,112        | --            | 635,146        |
| Non-operating liabilities                         | 483,151       | 436,886       | 1,568,627      | 198,135         | --            | 194,724       | 2,881,523      |
| Total liabilities                                 | Ps. 507,642   | Ps. 574,876   | Ps. 1,971,150  | Ps. 237,165     | Ps. 31,112    | Ps. 194,724   | Ps. 3,516,669  |

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (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<br>and Sale of<br>Properties | Office and<br>other<br>Non-Shopping<br>Center<br>Rental<br>Properties (a) | Shopping<br>Centers | Hotels        | Consumer<br>Financing | Financial<br>Operations<br>and Others | Total          |
|--|--|---|---------------------|---------------|-----------------------|---------------------------------------|----------------|
| Revenues   | Ps. 225,567                              | Ps. 154,164   | Ps. 518,355         | Ps. 159,894   | Ps. 265,346           | Ps. --                                | Ps. 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<br>recognition of<br>inventories at net<br>realizable value    | 33,831                                   | --  | --                  | --            | --                    | --                                    | 33,831         |
| Selling expenses   | (2,388)                                  | (4,452)   | (37,134)            | (16,509)      | (124,918)             | --                                    | (185,401)      |
| Administrative<br>expenses   | (35,079)                                 | (45,679)  | (54,335)            | (35,074)      | (25,124)              | --                                    | (195,291)      |
| Net income from<br>retained interest in<br>securitized<br>receivables    | --                                       | --  | --                  | --            | 37,470                | --                                    | 37,470         |
| Gain from<br>operations<br>and holdings of<br>real estate assets,<br>net | 730                                      | 361   | --                  | --            | --                    | --                                    | 1,091          |
| <b>Operating<br/>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<br>negative goodwill,<br>net                             | 844                                      | 863   | 561                 | --            | (627)                 | --                                    | 1,641          |
| Gain on equity<br>investees  | 1,907                                    | --  | 40                  | 5,990         | --                    | 152,479                               | 160,416        |
| Short-term debt  |  |   |                     |               |                       |                                       | 433            |

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|   |                |               |                |                |               |                |                |
|---|----------------|---------------|----------------|----------------|---------------|----------------|----------------|
| Financial results, net                                  | (8,868)        | (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 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        | 111,736        | 16,138         | 7,994         | --             | 160,746        |
| 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      |
| Total assets  | Ps. 657,648    | Ps. 1,088,752 | Ps. 1,934,317  | Ps. 248,251    | Ps. 327,271   | Ps. 1,377,202  | Ps. 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                                       | Ps. 368,236    | Ps. 474,751   | Ps. 1,158,112  | Ps. 216,662    | Ps. 296,968   | Ps. 152,559    | Ps. 2,667,288  |

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (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<br>and Sale of<br>Properties | Office and<br>other<br>Non-Shopping<br>Center<br>Rental<br>Properties (a) | Shopping<br>Centers | Hotels        | Consumer<br>Financing | Financial<br>Operations<br>and Others | Total          |
|---|--|---|---------------------|---------------|-----------------------|---------------------------------------|----------------|
| Revenues  | Ps 280,362<br>(148,318)                  | Ps. 147,749   | Ps. 396,733         | Ps. 158,913   | Ps 236,827            | Ps. --                                | Ps. 1,220,584  |
| Costs   | )  | (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<br>recognition of<br>inventories at net<br>realizable value | 12,056                                   | --  | --                  | --            | --                    | --                                    | 12,056         |
| Selling expenses  | (2,115)                                  | (11,460)  | (29,308)            | (16,546)      | (176,772)             | --                                    | (236,201)      |
| Administrative<br>expenses  | (20,867)                                 | (31,547)  | (43,247)            | (34,888)      | (16,780)              | --                                    | (147,329)      |
| Net loss from<br>retained interest in<br>securitized<br>receivables   | --                                       | --  | --                  | --            | (46,012)              | --                                    | (46,012)       |
| Gain from<br>operations and<br>holdings of real<br>estate assets, net | 51                                       | 1,073   | --                  | --            | --                    | --                                    | 1,124          |
| <b>Operating<br/>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<br>negative goodwill, net                             | 455                                      | 1,100   | 47                  | --            | --                    | --                                    | 1,602          |
| Short-term debt   |  |   |                     |               |                       |                                       | 435            |

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|   |                |               |                |                |                  |               |                |
|---|----------------|---------------|----------------|----------------|------------------|---------------|----------------|
| Gain on equity investees                                    | 1,974          | --            | 40             | --             | --               | (1)<br>59,528 | 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 (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        | 88,063         | 18,001         | 5,584            | --            | 136,392        |
| 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      |
| Total assets  | Ps. 507,828    | Ps. 1,014,913 | Ps. 2,020,672  | Ps. 246,389    | Ps. 174,865      | Ps. 971,320   | Ps. 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   | Ps. 329,187    | Ps. 427,295   | Ps. 1,086,175  | Ps. 206,001    | Ps. 243,614      | Ps. 83,672    | Ps. 2,375,944  |

(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.

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**7. Gain from operations and holdings of real estate assets, net:**

|  | 2011 |       | Year ended June 30,<br>2010 |       | 2009 |       |
|--|------|-------|-----------------------------|-------|------|-------|
| Gain from operations and holdings of real estate assets, net | Ps.  | 1,140 | Ps.                         | 1,091 | Ps.  | 1,124 |
|  | Ps.  | 1,140 | Ps.                         | 1,091 | Ps.  | 1,124 |

**8. Financial results, net:**

|   | 2011 |           | Year ended June 30,<br>2010 |           | 2009 |           |
|---|------|-----------|-----------------------------|-----------|------|-----------|
| <b>Financial results generated by assets:</b>           |      |           |                             |           |      |           |
| Interest income   | Ps.  | 16,630    | Ps.                         | 16,484    | Ps.  | 15,693    |
| Interest on discounting assets                          |      | 3,370     |                             | 3,720     |      | (13,780)  |
| <b>Subtotal interest income</b>                         |      | 20,000    |                             | 20,204    |      | 1,913     |
| Foreign exchange gain                                   |      | 23,340    |                             | 6,774     |      | 50,628    |
| <b>Subtotal Foreign exchange gain exchange gain</b>     |      | 23,340    |                             | 6,774     |      | 50,628    |
| Gain (loss) on financial operations                     |      | (5,293)   |                             | 8,197     |      | 27,173    |
| Gain on derivative financial instruments                |      | 2,395     |                             | --        |      | --        |
| <b>Subtotal other holding gain (loss)</b>               |      | (2,898)   |                             | 8,197     |      | 27,173    |
| <b>Total financial results generated by assets</b>      |      | 40,442    |                             | 35,175    |      | 79,714    |
| <b>Financial results generated by liabilities:</b>      |      |           |                             |           |      |           |
| Interest expense  |      | (230,724) |                             | (146,078) |      | (121,100) |
| Interest on discounting liabilities                     |      | (87)      |                             | (324)     |      | 141       |
| <b>Subtotal interest expense</b>                        |      | (230,811) |                             | (146,402) |      | (120,959) |
| Foreign exchange (loss) gain                            |      | (82,855)  |                             | (49,392)  |      | (208,391) |
| <b>Subtotal Foreign exchange loss</b>                   |      | (82,855)  |                             | (49,392)  |      | (208,391) |
| Gain on repurchase of debt                              |      | --        |                             | --        |      | 105,850   |
| (Loss) gain on derivative financial instruments         |      | --        |                             | (2,582)   |      | 9,436     |
| Others  |      | (9,022)   |                             | (1,895)   |      | (2,031)   |
| <b>Subtotal other financial (expenses) income, net</b>  |      | (9,022)   |                             | (4,477)   |      | 113,255   |
| <b>Total financial results generated by liabilities</b> |      | (322,688) |                             | (200,271) |      | (216,095) |
| <b>Total financial results, net</b>                     | Ps.  | (282,246) | Ps.                         | (165,096) | Ps.  | (136,381) |

**9. Other expenses, net:**

|   |     | <b>2011</b> | <b>Year ended June 30,</b> |          | <b>2010</b> |          | <b>2009</b> |
|---|-----|-------------|----------------------------|----------|-------------|----------|-------------|
| <b>Other income:</b>                            |     |             |                            |          |             |          |             |
| Recovery of allowance                           | Ps. | 340         | Ps.                        | 1,151    | Ps.         | 847      |             |
| Sale of client base and assignment of portfolio |     | 9,442       |                            | --       |             | --       |             |
| Other   |     | 979         |                            | 385      |             | 333      |             |
|   | Ps. | 10,761      | Ps.                        | 1,536    | Ps.         | 1,180    |             |
| <b>Other expenses:</b>                          |     |             |                            |          |             |          |             |
| Donations                                       |     | (7,020)     |                            | (5,592)  |             | (1,854)  |             |
| Tax on Shareholders' personal assets            |     | (4,278)     |                            | (4,323)  |             | (3,706)  |             |
| Provision for contingencies (i)                 |     | (3,032)     |                            | (742)    |             | 460      |             |
| Unrecoverable VAT                               |     | (3,347)     |                            | (514)    |             | (4,267)  |             |
| Expense Prior Capitalized Items(ii)             |     | (6,607)     |                            | --       |             | --       |             |
| Others  |     | (1,086)     |                            | (676)    |             | (668)    |             |
|   |     | (25,370)    |                            | (11,847) |             | (10,035) |             |
| <b>Other expenses, net</b>                      | Ps. | (14,609)    | Ps.                        | (10,311) | Ps.         | (8,855)  |             |

(i) As of June 30, 2011, includes Ps. 558 corresponding to provisions.

(ii) Relates mainly to "Caballito" and "Abasto" projects, which were abandoned by the Company.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (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 as approved by the Company’s General Shareholders’ Meeting held on October 29, 2009.

Within this framework, on July 20, 2010, the Company issued Non-convertible Notes for a nominal value of US\$ 150 million (“Class 2 Notes”) maturing on July 20, 2020. The issuance price was 97.838% of the par value and they accrue interest at a nominal interest rate of 11.5% per annum, to be paid semi annually on January 20 and June 20 each year, starting on January 20, 2011. The expenses related to the issuance amounted to Ps. 7.1 million.

On November 2, 2010, the Company’s General Shareholders’ Meeting approved a new expansion of the Program in force for up to a further US\$ 50 million bringing it to US\$ 450 million.



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|   |    |    |       |        |    |        |         |         |          |      |          |
|---|----|----|-------|--------|----|--------|---------|---------|----------|------|----------|
| Cresud<br>S.A.C.I.F. y A.<br>(4)                  |    |    |       |        |    |        |         |         |          |      |          |
| Cyrsa S.A. (3)                                    | -- | -- | 1,750 | 11     | -- | --     | (1,725) | --      | --       | --   | 36       |
| Directors   | -- | -- | 2     | 155    | -- | --     | --      | --      | (15,612) | (20) | (15,475) |
| Elsztain<br>Managing<br>Partners Ltd<br>(6)       | -- | -- | --    | --     | -- | --     | --      | --      | (53)     | --   | (53)     |
| Elsztain Realty<br>Partner Master<br>Fund I (6)   | -- | -- | --    | 48     | -- | --     | --      | --      | (584)    | --   | (536)    |
| Elsztain Realty<br>Partner Master<br>Fund II (6)  | -- | -- | --    | 31     | -- | --     | --      | --      | (275)    | --   | (244)    |
| Elsztain Realty<br>Partner Master<br>Fund III (6) | -- | -- | --    | 77     | -- | --     | --      | --      | --       | --   | 77       |
| Estudio Zang,<br>Bergel y Viñes<br>(9)            | -- | -- | --    | 9      | -- | --     | (1,241) | --      | --       | --   | (1,232)  |
| Fundación<br>IRSA (10)                            | -- | -- | 33    | 1      | -- | --     | (1)     | --      | --       | --   | 33       |
| Futuros y<br>Opciones.com<br>S.A. (2)             | -- | -- | 16    | --     | -- | --     | (8)     | --      | --       | --   | 8        |
| Hersha<br>Hospitality<br>Trust (11)               | -- | -- | --    | 2,690  | -- | --     | --      | --      | --       | --   | 2,690    |
| Irsa<br>Developments<br>LP (1)                    | -- | -- | --    | 7      | -- | --     | --      | --      | (4)      | --   | 3        |
| Real Estate<br>Strategies LP<br>(1)               | -- | -- | --    | 64     | -- | --     | --      | --      | (8)      | --   | 56       |
| Lipstick<br>Management<br>LLC (1)                 | -- | -- | --    | 448    | -- | --     | --      | --      | --       | --   | 448      |
| Museo de los<br>Niños (10)                        | -- | -- | 1,781 | --     | -- | --     | (9)     | --      | --       | --   | 1,772    |
| New Lipstick<br>LLC (1)                           | -- | -- | --    | 960    | -- | --     | --      | --      | (622)    | --   | 338      |
| Personnel<br>loans<br>Puerto Retiro<br>S.A. (3)   | -- | -- | 61    | 2,522  | -- | --     | (146)   | --      | (1,000)  | --   | 1,437    |
| Quality Invest<br>S.A. (3)                        | -- | -- | 58    | 63     | -- | --     | (5)     | --      | --       | --   | 116      |
| Tarshop S.A.<br>(1)                               | -- | -- | 799   | 241    | -- | --     | --      | --      | (16)     | --   | 1,024    |
|   | -- | -- | 660   | 13,715 | -- | --     | (5,533) | --      | (17,330) | --   | (8,488)  |
|   | -- | -- | 658   | 1,680  | -- | 75,308 | --      | (2,345) | --       | --   | 75,301   |

Short-term debt

441

|                                       |       |       |       |        |     |        |         |         |          |      |        |  |
|---------------------------------------|-------|-------|-------|--------|-----|--------|---------|---------|----------|------|--------|--|
| TGLT S.A.<br>(11)                     |       |       |       |        |     |        |         |         |          |      |        |  |
| <b>Totals as of<br/>June 30, 2011</b> | 3,092 | 7,706 | 8,767 | 42,270 | 415 | 75,308 | (9,905) | (2,345) | (51,286) | (20) | 74,002 |  |

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**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**11. Balances and transactions with related parties (continued)**

| Related parties      | Investments current | Account receivables current | Inventories<br>Rights for residential units to be received of Caballito – non current | Other receivables and prepaid expenses - current | Other receivables and prepaid expenses – non current | Trade accounts payable – current | Trade accounts payable – non current | Short-term debt | Long-term debt | Other liabilities – current | Other liabilities – non current | Total |
|----------------------|---------------------|-----------------------------|---|--|--|----------------------------------|--------------------------------------|-----------------|----------------|-----------------------------|---------------------------------|-------|
| om<br>orks S.A.      | --                  | --                          | --  | 1  | 323  | --                               | --                                   | --              | --             | --                          | --                              | --    |
| o<br>ecario<br>(1)   | 784                 | 354                         | --  | --   | --   | (159)                            | --                                   | --              | --             | (21,070)                    | --                              | (20)  |
| is<br>ntina S.A.     | --                  | 18                          | --  | --   | --   | (3)                              | --                                   | --              | --             | --                          | --                              | --    |
| eras Natal<br>o S.A. | --                  | 318                         | --  | 50   | --   | --                               | --                                   | --              | --             | --                          | --                              | --    |
| orcio<br>del Plata   | --                  | 883                         | --  | 2  | --   | (10)                             | --                                   | --              | --             | (3)                         | --                              | --    |
| orcio<br>tador (7)   | --                  | --                          | --  | 20   | --   | (66)                             | --                                   | --              | --             | (4)                         | --                              | --    |
| orcio<br>Boston      | --                  | 595                         | --  | 205  | --   | --                               | --                                   | --              | --             | --                          | --                              | --    |
| ultores              | --                  | 817                         | --  | 29   | --   | (7)                              | --                                   | --              | --             | --                          | --                              | --    |
| s<br>gement          |                     |                             |   |  |  |                                  |                                      |                 |                |                             |                                 |       |

Short-term debt

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|                 |     |       |        |        |        |          |          |         |           |          |           |
|-----------------|-----|-------|--------|--------|--------|----------|----------|---------|-----------|----------|-----------|
| (8)             |     |       |        |        |        |          |          |         |           |          |           |
| nd              |     |       |        |        |        |          |          |         |           |          |           |
| C.I.F. y A.     | --  | 2,111 | --     | 40,450 | --     | (23,667) | --       | (4,831) | (91,829)  | --       | -- (77)   |
| a S.A. (3)      | --  | 1,658 | 18,970 | 8      | --     | (983)    | --       | --      | --        | --       | -- 19     |
| tors            | --  | 2     | --     | 169    | --     | (36)     | --       | --      | --        | (24,412) | (20) (24) |
| ain             |     |       |        |        |        |          |          |         |           |          |           |
| ging            |     |       |        |        |        |          |          |         |           |          |           |
| ers Ltd         | --  | --    | --     | --     | --     | --       | --       | --      | --        | (27)     | --        |
| lio Zang,       |     |       |        |        |        |          |          |         |           |          |           |
| el y Viñes      | --  | --    | --     | 22     | --     | (576)    | --       | --      | --        | --       | --        |
| ación           |     |       |        |        |        |          |          |         |           |          |           |
| (10)            | --  | 41    | --     | 5      | --     | --       | --       | --      | --        | --       | --        |
| os y            |     |       |        |        |        |          |          |         |           |          |           |
| ones.com        |     |       |        |        |        |          |          |         |           |          |           |
| (2)             | --  | 7     | --     | --     | --     | (6)      | --       | --      | --        | --       | --        |
| na              |     |       |        |        |        |          |          |         |           |          |           |
| itality         |     |       |        |        |        |          |          |         |           |          |           |
| (11)            | --  | --    | --     | 2,087  | --     | --       | --       | --      | --        | --       | --        |
| oshop           |     |       |        |        |        |          |          |         |           |          |           |
| (1)             | --  | --    | --     | --     | 14,687 | --       | (12,158) | --      | --        | --       | --        |
| o de los        |     |       |        |        |        |          |          |         |           |          |           |
| s (10)          | --  | 1,111 | --     | --     | --     | (5)      | --       | --      | --        | --       | --        |
| e Arauco        |     |       |        |        |        |          |          |         |           |          |           |
| (5)             | --  | --    | --     | --     | --     | -        | --       | (2,716) | (60,822)  | --       | -- (63)   |
| nnel            |     |       |        |        |        |          |          |         |           |          |           |
|                 | --  | 59    | --     | 2,325  | --     | (128)    | --       | --      | --        | --       | --        |
| o Retiro        |     |       |        |        |        |          |          |         |           |          |           |
| (3)             | --  | 59    | --     | 31     | --     | (5)      | --       | --      | --        | --       | --        |
| s as of         |     |       |        |        |        |          |          |         |           |          |           |
| <b>30, 2010</b> | 784 | 8,033 | 18,970 | 45,404 | 15,010 | (25,651) | (12,158) | (7,547) | (152,651) | (45,516) | (20)(155) |

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|                                       |     |       |          |          |          |       |       |           |
|---------------------------------------|-----|-------|----------|----------|----------|-------|-------|-----------|
| Canteras Natal Crespo<br>S.A. (3)     |     |       |          |          |          |       |       |           |
| Consortio Torre Boston<br>(7)         | 54  | --    | --       | --       | --       | --    | --    | 54        |
| Consortio Libertador<br>S.A. (7)      | 123 | 11    | --       | --       | --       | --    | --    | 134       |
| Consortio Dock del<br>Plata S.A. (7)  | 195 | --    | --       | --       | --       | --    | --    | 195       |
| Cresud S.A.C.I.F. y A.<br>(4)         | --  | 957   | (13,524) | --       | (27,806) | --    | --    | (40,373)  |
| Cyrsa S.A. (3)                        | 146 | 48    | --       | --       | --       | --    | --    | 194       |
| Directors                             | --  | --    | (9)      | (50,198) | --       | --    | --    | (50,207)  |
| Estudio Zang, Bergel y<br>Viñes (9)   | --  | 97    | --       | (4,223)  | --       | --    | --    | (4,126)   |
| Fundación IRSA (10)                   | --  | --    | --       | --       | --       | (423) | --    | (423)     |
| Parque Arauco S.A. (5)                | --  | --    | (8,049)  | --       | --       | --    | --    | (8,049)   |
| Personnel loans                       | --  | --    | 12       | --       | --       | --    | --    | 12        |
| <b>Totals as of June 30,<br/>2010</b> | 566 | 1,113 | (21,470) | (54,421) | (27,806) | (423) | (204) | (102,645) |

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**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**11. Balances and transactions with related parties (continued)**

| Related parties                     | Sale and fees for services | Lease income | Interest and exchange differences | Fees            | Share services – payroll | Donations    | Tax on Shareholders personal assets | Totals          |
|-------------------------------------|----------------------------|--------------|-----------------------------------|-----------------|--------------------------|--------------|-------------------------------------|-----------------|
| Shareholders                        | --                         | --           | --                                | --              | --                       | --           | (492)                               | (492)           |
| Canteras Natal Crespo S.A (3)       | 48                         | --           | 83                                | --              | --                       | --           | --                                  | 131             |
| Consorcio Libertador (7)            | 124                        | 9            | --                                | --              | -                        | --           | --                                  | 133             |
| Cresud S.A.C.I.F. y A. (4)          | --                         | 429          | (9,297)                           | --              | 184                      | --           | --                                  | (8,684)         |
| Cyrsa S.A. (3)                      | --                         | 225          | --                                | --              | --                       | --           | --                                  | 225             |
| Directors                           | --                         | --           | (11)                              | (22,434)        | --                       | --           | --                                  | (22,445)        |
| Directors of Banco Hipotecario S.A. | --                         | --           | (8)                               | --              | --                       | --           | --                                  | (8)             |
| Estudio Zang, Bergel y Viñes (9)    | --                         | --           | --                                | (4,117)         | --                       | --           | --                                  | (4,117)         |
| Fundación IRSA (10)                 | --                         | --           | --                                | --              | --                       | 3,281        | --                                  | 3,281           |
| Parque Arauco S.A. (5)              | --                         | --           | (17,473)                          | --              | --                       | --           | --                                  | (17,473)        |
| <b>Totals as of June 30, 2009</b>   | <b>172</b>                 | <b>663</b>   | <b>(26,706)</b>                   | <b>(26,551)</b> | <b>184</b>               | <b>3,281</b> | <b>(492)</b>                        | <b>(49,449)</b> |

(1) Equity investee of IRSA and Subsidiaries.

(2) Equity investee of Cresud S.A.C.I.F y A, The Company's controlling shareholder.

(3) Venturer of IRSA.

(4) Controlling shareholder of the Company.

- (5) Former minority Shareholder of APSA, subsidiary of the Company.
- (6) Company whose shareholder is a shareholder of IRSA.
- (7) Property Manager of one of our buildings.
- (8) Consulting company whose majority shareholder is shareholder and director of IRSA.
- (9) Law firm whose partners are directors of IRSA.
- (10) Not for profit organization whose president is a shareholder and director of IRSA.
- (11) Cost Investment.
- (12) Shareholder of Cresud S.A.C.I.F y A, the Company's controlling shareholder.

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**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (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, 2011 is as follows:

|   | To mature<br>in 3<br>months | To mature<br>between 4<br>and 6<br>months | To<br>mature<br>between 7<br>and 9<br>months | To mature<br>between 10<br>and 12<br>months | To mature in<br>greater than<br>1 year | Past due   | No fixed term |             | Total         |
|---|-----------------------------|---|--|---|--|------------|---------------|-------------|---------------|
|   |                             |   |  |   |  |            | Current       | Non-Current |               |
| <b>Assets</b>                                   |                             |   |  |   |  |            |               |             |               |
| Investments<br>(1)                              | Ps. 203,408                 | Ps. 654                                   | Ps. 654                                      | Ps. 654                                     | Ps. 7,706                              | Ps. - -    | Ps. 4,801     | Ps. - -     | Ps. 217,877   |
| Accounts<br>receivable,<br>net                  | 124,298                     | 27,282                                    | 23,287                                       | 7,173                                       | 14,300                                 | 65,697     | 1,261         | - -         | 263,298       |
| Other<br>receivables<br>and prepaid<br>expenses | 42,503                      | 76,219                                    | 11,811                                       | 11,578                                      | 71,685                                 | 244        | 12,814        | 89,646      | 316,500       |
|   | Ps. 370,209                 | Ps. 104,155                               | Ps. 35,752                                   | Ps. 19,405                                  | Ps. 93,691                             | Ps. 65,941 | Ps. 18,876    | Ps. 89,646  | Ps. 797,675   |
| <b>Liabilities</b>                              |                             |   |  |   |  |            |               |             |               |
| Trade<br>accounts<br>payable                    | Ps. 94,404                  | Ps. 43,217                                | Ps. 4,480                                    | Ps. 6,001                                   | Ps. 47                                 | Ps. 2,160  | Ps. 2,887     | Ps. - -     | Ps. 153,196   |
| Advances<br>from<br>customers                   | 101,773                     | 87,557                                    | 23,092                                       | 16,556                                      | 94,244                                 | 49         | 3,836         | - -         | 327,107       |
| Short and<br>long term<br>debt                  | 533,087                     | 38,483                                    | 16,958                                       | 95,285                                      | 1,756,919                              | - -        | - -           | - -         | 2,440,732     |
| Other<br>liabilities                            | 122,583                     | 87,957                                    | 6,939  | 10,988                                      | 44,269                                 | 429        | 7,036         | 315,433     | 595,634       |
|   | Ps. 851,847                 | Ps. 257,214                               | Ps. 51,469                                   | Ps. 128,830                                 | Ps. 1,895,479                          | Ps. 2,638  | Ps. 13,759    | Ps. 315,433 | Ps. 3,516,669 |

|  | 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. 10,275                        | Ps. - -       | Ps. 176,349                          | Ps. 7,706   | Ps. 23,547            | Ps. - -     | Ps. 217,877   |  |
| Accounts receivable, net               | 31,112                            | 13,737        | 761                                  | - -         | 217,125               | 563         | 263,298       |  |
| Other receivables and prepaid expenses | 50,564                            | 55,852        | 1,105                                | - -         | 103,500               | 105,479     | 316,500       |  |
|  | Ps. 91,951                        | Ps. 69,589    | Ps. 178,215                          | Ps. 7,706   | Ps. 344,172           | Ps. 106,042 | Ps. 797,675   |  |
| <b>Liabilities</b>                     |                                   |               |                                      |             |                       |             |               |  |
| Trade accounts payable                 | Ps. 381                           | Ps. - -       | Ps. - -                              | Ps. - -     | Ps. 152,768           | Ps. 47      | Ps. 153,196   |  |
| Advances from customers                | - -                               | - -           | 300                                  | 1,689       | 232,563               | 92,555      | 327,107       |  |
| Short and long term debt               | 194,749                           | 1,781,621     | 54,574                               | - -         | 434,490               | (24,702)    | 2,440,732     |  |
| Other liabilities                      | 64,207                            | 20,201        | 6                                    | 61,053      | 171,719               | 278,448     | 595,634       |  |
|  | Ps. 259,337                       | Ps. 1,801,822 | Ps. 54,880                           | Ps. 62,742  | Ps. 991,540           | Ps. 346,348 | Ps. 3,516,669 |  |

(1) Does not include equity investments, undeveloped parcels of land nor other investments.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (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, 2011, 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 canceled 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. 54.37 million as of June 30, 2011.

(ii) 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 a new loan from Standard Bank Argentina S.A., for a total amount of Ps. 19.0 million, which accrued interest at a fixed rate, payable on a quarterly basis. The capital maturing on March 15, 2011. On this date, HASA refinanced the mentioned loan agreement, as per the following detail: US\$ 0.4 million (capital plus interest) paid on September, 2011 with a new loan to be paid on September 2012; US\$ 0.4 million (capital plus interest) to be paid on March 14, 2012 and Ps. 15.8 million, with capital to be paid on March 14, 2012 and interests payable on a quarterly basis.

As a guarantee for this transaction, the Company entered into a put option agreement with Standard Bank Argentina S.A. 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 defaulted the loan.

(iii) 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, 2011</b> |
|------------------------------|---|
| Edificio República           | 215,535                                   |
| Caballito plot of land       | 45,814                                    |
| Bariloche plot of land       | 21,900                                    |
| Zetol plot of land           | 31,721                                    |
| Suipacha 652 (xiv)           | 10,484                                    |
| Vista al Muelle plot of land | 22,140                                    |
| Soleil Factory               | 68,715                                    |
| Predio San Martin            | 69,994                                    |

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**13. Restricted assets (continued)**

(iv) New Lipstick LLC maintains a pledge over Metropolitan 885 Third Avenue Leasehold LLC's shares.

(v) 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 for Vista al Muelle S.A.'s shares executed on June 11, 2009 and the Addendums to such 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.

(vi) Under the agreement executed with Banco Hipotecario S.A. for the sale of Tarshop S.A.'s shares and its amendments, APSA granted to Banco Hipotecario S.A. a security agreement over the Company's Class I Notes, issued on May 11, 2007, for a face value of Ps. 1.2 million, which will work as guarantee upon any price adjustment that may result in favor of Banco Hipotecario S.A. as provided by the purchase agreement.

(vii) Guarantee deposits re-securitization program account included in other current receivables, the contingency and expenses funds of financial trust as credit protection for investors that as of June 30, 2010 amounted to Ps. 4,749. They were restricted availability credits until settlement in accordance with the respective prospectus.

(viii) As of June 30, 2011, in other current receivables, APSA has deposits that are restricted due to different court attachments.

(ix) As regards the case "Alto Palermo S.A. (APSA) with Dirección General Impositiva in re: Appeal", Case file No. 25.030-I, currently heard by Room A, Office of the 3rd Nomination, the property located at Av. Olegario Andrade 367, Caballito, Buenos Aires City has been encumbered, and its value as of June 30, 2011 amounts to Ps. 45,814 (disclosed in the "Non-current investments- Undeveloped parcels of land").

(x) Other current investments account included as of June 30, 2010, BONTE 2006 bonds for Ps. 34 related to Tarshop, which were deposited as rental guarantee. See Note 2.g.B.7(iii).

(xi) As of June 30, 2010, Tarshop S.A. had granted a guarantee over Certificates of Participation related to Fideicomisos Financieros Tarjeta Shopping (“CP”) according to the following detail:

- To Standard Bank Argentina S.A., CP related to Fideicomisos Financieros Tarjeta Shopping Series XLI, XLIV, XLVII, LVII and LIX (loan for Ps. 15,371).

- To Banco Itaú Buen Ayre S.A., CP related to Fideicomisos Financieros Tarjeta Shopping Series XXXIX and XL (loan for Ps. 3,724).

- To Banco Supervielle S.A., CP related to Fideicomisos Financieros Tarjeta Shopping Series XXXII, XXXVIII and L (loan for Ps. 7).

- To Banco Hipotecario S.A., CP related to Fideicomisos Financieros Tarjeta Shopping Series XLVII, XLIX and LVI (loan for Ps. 20,149).

(xii) As regards the case styled "Case File N° 88,390/03 with María del Socorro Pedano; for Tres Ce S.A. o Alto Palermo S.A. (APSA)", the building located at Av. Virrey Toledo 702, Salta, has been encumbered for an amount of Ps. 180 (disclosed in Fixed assets, net).

(xiii) As of June 30, 2010, Other Receivables included cash as guarantee for leases granted by Tarshop S.A., related to the stores where its branches operated for an amount of Ps. 217.

(xiv) The Company carries a mortgage on the property designated as “Suipacha 652”, and a pledge over Cyrsa’s shares, set up to secure its obligation to construct a building and transfer the units to be constructed in the building as price balance for the acquisition of the property located at Libertador 1755.



**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (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.

The Company enters into foreign exchange future contracts. The result generated by hedging operations in the fiscal year ended June 30, 2011 and 2010 included a gain of Ps. 2,264 and a loss of Ps. 2,582 related to closed transactions. 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.

From time to time the Company also may enter into derivative financial instruments for trading purposes. During the fiscal year ended June 30, 2011 and 2010, the Company recognized a Ps. 131 loss and 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.

**15. 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, 2011, 2010 and 2009 consists of the following:

|                                 |     | <b>2011</b> |     | <b>2010</b> |     | <b>2009</b> |
|---------------------------------|-----|-------------|-----|-------------|-----|-------------|
| Current income and MPIT expense | Ps. | 92,459      | Ps. | 82,432      | Ps. | 75,693      |
| Short-term debt                 |     |             |     |             |     | 456         |

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|                             |     |         |     |         |     |        |
|-----------------------------|-----|---------|-----|---------|-----|--------|
| Deferred income tax expense |     | 12,065  |     | 65,995  |     | 4,641  |
| Income Tax and MPIT expense | Ps. | 104,524 | Ps. | 148,427 | Ps. | 80,334 |

The tax effects of temporary differences that give rise to the Company's deferred tax assets and liabilities as of June 30, 2011 and 2010 are presented below:

|  | Balances as of    |           | Changes for the year |           | Balances    |           |
|--|-------------------|-----------|----------------------|-----------|-------------|-----------|
|  | beginning of year |           |                      |           | at year-end |           |
| <b>Deferred tax assets (liabilities):</b>        |                   |           |                      |           |             |           |
| Cash equivalents                                 | Ps.               | (12)      | Ps.                  | (2,739)   | Ps.         | (2,751)   |
| Investments                                      |                   | 28,204    |                      | (20,552)  |             | 7,652     |
| Accounts receivable; net                         |                   | 12,352    |                      | (8,236)   |             | 4,116     |
| Other receivables and prepaid expenses           |                   | 1,254     |                      | 12,381    |             | 13,635    |
| Inventory  |                   | (11,985)  |                      | (17,021)  |             | (29,006)  |
| Fixed assets; net                                |                   | (139,329) |                      | (236,009) |             | (375,338) |
| Intangible assets                                |                   | (8,030)   |                      | 191       |             | (7,839)   |
| Advances from customers                          |                   | 37,703    |                      | 6,833     |             | 44,536    |
| Short-term and long-term debt                    |                   | (2,510)   |                      | (2,163)   |             | (4,673)   |
| Salaries and social security                     |                   | 1,835     |                      | 409       |             | 2,244     |
| Other liabilities                                |                   | 1,572     |                      | (15,533)  |             | (13,961)  |
| Provisions                                       |                   | 4,926     |                      | (32)      |             | 4,894     |
| Tax loss carryforwards (i)                       |                   | 102,724   |                      | (13,725)  |             | 88,999    |
| Valuation allowance                              |                   | (60,420)  |                      | 49,748    |             | (10,672)  |
| <b>Net deferred income tax asset (liability)</b> | Ps.               | (31,716)  | Ps.                  | (246,448) | Ps.         | (278,164) |

(iii) As of June 30, 2011, the Company and its subsidiaries records accumulated tax loss carryforwards of Ps. 254,282 which expire at various dates through 2016.

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**15. Income tax and MPIT (continued)**

Income tax expense for the years ended June 30, 2011, 2010 and 2009 deferred from the amounts computed by applying the Company's statutory income tax rate to pre-tax income as a result of the following:

|   | <b>Years ended June 30,</b> |             |     |             |     |             |
|---|-----------------------------|-------------|-----|-------------|-----|-------------|
|   |                             | <b>2011</b> |     | <b>2010</b> |     | <b>2009</b> |
| Pretax income   | Ps.                         | 444,394     | Ps. | 526,381     | Ps. | 213,624     |
| Statutory income tax rate                                 |                             | 35%         |     | 35%         |     | 35%         |
| Income tax expense at statutory tax rate on pretax income |                             | 155,538     |     | 184,233     |     | 74,768      |
| Non-deductible expenses                                   |                             | 4,861       |     | 3,003       |     | 3,271       |
| Gain on equity investees                                  |                             | (43,442)    |     | (56,146)    |     | (21,540)    |
| Change in valuation allowance                             |                             | (12,029)    |     | 42,554      |     | 8,031       |
| Tax loss carryforwards (1)                                |                             | (15,819)    |     | (41,826)    |     | - -         |
| Inflation adjustment                                      |                             | 15,763      |     | 24,075      |     | 25,774      |
| Others, net   |                             | (348)       |     | (7,466)     |     | (9,970)     |
| Income and MPIT expense                                   | Ps.                         | 104,524     | Ps. | 148,427     | Ps. | 80,334      |

(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, 2011 would have decreased approximately Ps. 134.1 million with a corresponding effect of Ps. 14.0 million loss and Ps. 120.1 million loss in the consolidated statement of income of the year ended June 30, 2011 and retained earnings, respectively.

**16. 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:

|   |     | <b>2011</b> | <b>Year ended June 30,<br/>2010</b> |         | <b>2009</b>                                 |
|---|-----|-------------|-------------------------------------|---------|---|
| <b>Numerator:</b>                             |     |             |                                     |         |   |
| Net income available to common shareholders   | Ps. | 282,104     | Ps.                                 | 334,501 | Ps.      style="text-align: right;">158,635 |
| <b>Denominator:</b>                           |     |             |                                     |         |   |
| Weighted-average number of shares outstanding |     | 578,676     |                                     | 578,676 | 578,676                                     |
| <b>Basic and diluted EPS:</b>                 |     |             |                                     |         |   |
| Basic EPS                                     | Ps. | 0.49        | Ps.                                 | 0.58    | Ps.      style="text-align: right;">0.27    |
| Diluted EPS                                   | Ps. | 0.49        | Ps.                                 | 0.58    | Ps.      style="text-align: right;">0.27    |

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**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**17. 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:

|   | <b>2011</b>    | <b>As of June 30,<br/>2010</b> | <b>2009</b>    |
|---|----------------|--------------------------------|----------------|
| Cash and banks  | 168,170        | 71,175                         | 66,562         |
| Current investments   | 210,183        | 259,168                        | 335,234        |
| <b>Total cash and banks and current investments as per balance sheet</b>              | <b>378,353</b> | <b>330,343</b>                 | <b>401,796</b> |
| Less Items not considered cash and cash equivalents:                                  |                |                                |                |
| - Retained interests in securitized receivables                                       | --             | 117,248                        | 126,033        |
| - Mutual funds  | 60,063         | 53,988                         | 36,787         |
| - Shares of public companies  | 2,912          | 4,075                          | 21,603         |
| - TDFs  | --             | 2,846                          | 16,490         |
| - Government bonds  | --             | --                             | 14,095         |
| - Other investments   | 12             | 48                             | 48             |
| - Mortgage bonds issued by BHSA   | 477            | 784                            | 798            |
| - Interest receivable - Cresud S.A.C.I.F y A. non-convertible notes                   | 2,615          | --                             | --             |
| <b>Cash and cash equivalents as shown in the consolidated statement of cash flows</b> | <b>312,274</b> | <b>151,354</b>                 | <b>185,942</b> |

**18. 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 to 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 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 which although they have been established, are not yet final. The pending fees has been estimated and recorded in the contingency allowance.

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 April 15, 2011, Shopping Neuquén S.A. entered into an agreement with Gensar S.A. (“Gensar”), an unrelated third party developer, pursuant to which Gensar acquired the right to purchase one plot of land of the project adjacent to the place where the shopping center is being developed. Gensar committed to construct and operate a hypermarket. The Company transferred possession of the land in April 2011. On September 16, 2011, the public deed for the property of the mentioned lot was granted in favor of Gensar S.A., whose record is pending before the corresponding Real Estate Registry.

#### **19. Llao Llao Resorts S.A.**

The company Llao Llao Holding S.A. (“LLH”), predecessor of Llao Llao Resorts S.A. (“LLR”) as operator of the Llao Llao Hotel, was sued in 1997 by the National Parks Administration seeking collection of the unpaid balance of the additional sale price (related to the additional consideration for running the hotel called “Hotel Llao Llao”, for which LLH awarded by the resolution No. 1/91 of the National Parks Administration), in Argentine External Debt Bond (“EDB”) amounting to US\$ 2.9 million. In March 2004, after different stages of judicial proceeding LLH paid Ps. 9,156 in cash and EDB. Furthermore, the plaintiff requested

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**19. Llao Llao Resorts S.A. (continued)**

to initiate an incidental procedure for execution of sentence by performing a settlement through the Ministry of Economy. After various judicial instances, such liquidation was approved.

In April 2010, LLR paid Ps. 12,297 in cash and bonds, in addition to the Ps. 826 which had already been levied through an attachment. As of November 30, 2011, the plaintiff had not picked up the payment. At the same time, the plaintiff stated that the deposited amounts were in line with the settlement that had taken place on June 30, 2007 and that was eventually approved in the framework of these proceedings on December 5, 2007. As a result, it 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 Argentine Agency of National Parks, the outstanding balance to be deposited by LLR would amount to US\$ 659.

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. LLR lodged an appeal against the award for considering the amount excessively high. The auctioneer, in turn, lodged his appeal against the award for considering the amount excessively low. After various judicial instances, the courts rendered a decision favorable to LLR and considered LLR's debt was settled as it related to the liquidation approved in the record of proceedings. Furthermore, the appeal remedy regarding fees awarded to the auctioneer, which were reduced from Ps.1.8 million to Ps.1.1 million, plus VAT. Based on the information provided by the legal advisors litigating these proceedings, LLR has booked under "Other current liabilities – Payables to National Parks Administration", the amount of fees described in the above paragraph.

**20. BHSA exposure to public sector**

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.

On July 26, 2010, in the framework of the offering, the Bank sold approximately 26.9 million of its treasury Class D shares. On August 3, 2010, the Bank applied the proceeds from the offering and the remaining Class D shares to the cancellation of the StAR coupons maturing on that date.

On April 13, 2011, Banco Hipotecario's Special Shareholders Meeting decided to authorize the Board of Directors to sell treasury shares in the open market, reducing to ten days the term established for the exercise of pre-emptive rights, which term is not applicable where the sale of shares does not exceed 1% of the Company's capital stock in any given period of 12 months.

Banco Hipotecario's treasury shares still in its portfolio amount to 36.6 million and entail an increase in the Company's ownership interest. As considered for valuation purposes, they have risen from 29.77% to 30.51%.

#### Dividend Payment

Banco Hipotecario's General Annual Shareholders Meeting, held on April 13, 2011 approved the payment of dividends for a total amount of Ps. 100 million, equivalent to 6.66667% of the capital stock or Ps. 0.068335 per outstanding share of par value Ps. 1, corresponding to the fiscal year ended on December 31, 2010. The availability of this dividend is liable to BCRA's approval in accordance with the regulation disclosed by Communication "A" 5072, its amendments and complementary regulations. The BCRA has not yet issued its approval. As per the Company's holding, it is entitled to Ps. 30.5 million.



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(Amounts in thousands, except share data and as otherwise indicated)

**21. Compensation plan for executive management**

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 enrolment 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, 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. 2,454 and Ps. 2,477 for the fiscal years ended June 30, 2011 and 2010, respectively.

**22. Financing and occupation agreement with NAI Internacional II, INC.**

On August 12, 1996 Empalme S.A.I.C.F.A. y G. (merged into Shopping Alto Palermo S.A. as from January 1 st, 2009), executed an agreement with NAI INTERNATIONAL II, INC. (subsequently transferred to NAI INTERNATIONAL II, INC. – Sucursal Argentina) by means of which the latter granted a loan for an original principal of up to US\$ 8.2 million for the construction of a multiplex cinema and part of the parking lot located in the premises of Córdoba Shopping – Villa Cabrera, which are disclosed in Fixed assets, net.

As stated in the occupation agreement related to the loan agreement, the amounts due are set off against payments generated by the occupation held by NAI INTERNATIONAL II, INC. of the building and the area known as cinema. The agreement provides that if after October, 2027, there still is an unpaid balance of the loan plus respective interest thereon, the agreement will be extended for a final term established as the shorter of the term required to fully repay the unpaid loan amount, or ten years.

If the last term has elapsed and there still is an unpaid balance, APSA will be released from any and all obligation to pay the outstanding debt.

On July 1st, 2002 an amendment to the agreement was established, whose most important resolutions are as follows:

- The outstanding debt was de-dollarized (Ps. 1 = US\$ 1).
- An antichresis right was created and it was established that all obligations assumed by Empalme S.A.I.C.F.A. y G. under the agreement by which the normal use and operation of the cinema center is warranted to NAI INTERNATIONAL II, INC., including those obligations involving restrictions on the use or title to property by Empalme S.A.I.C.F.A. y G. or third parties, shall be comprised in the previously mentioned real right.

Principal owed as of June 30, 2011, and unpaid interest accrued through that date, due to the original loan agreement and respective amendments are disclosed under Customers advances - Lease advances together with other advances not included in this agreement.

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**Notes to the Consolidated Financial Statements**

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**23. Compulsory expropriation order of the lot owned by Canteras Natal Crespo S.A.**

On April 8, 2011, Canteras Natal Crespo S.A. (Canteras), a jointly control subsidiary, and Caminos de las Sierras S.A. (Caminos) subscribed to an agreement by means of which Canteras granted Caminos an occupation permit and the possession over a piece of land of approximately 2 hectare 8,250 square meters (portion), located on provincial road E-55 in the province of Córdoba, so that Caminos performed the works necessary for the toll road, based on the Concession agreement subscribed with the provincial Government.

With the aim of completely and adequately affecting the area to road works to be performed by Caminos, the land will be subject to the Compulsory Expropriation Regime ruled by Provincial Act No. 6,394 and its complementary rulings. The management and fulfillment of all the requirements provided by this Act will be exclusively in charge of Caminos, who shall start the proceedings within ninety (90) days as from the date of subscription of the Agreement.

The appraisal of the piece of land will be in charge of the provincial General Appraisal Council (Council) or the organization and/or entity established to replace it. Caminos has committed to the payment of compensation resulting from the appraisal performed by the Council plus 10% of the amount (compensation). As advance payment, Caminos gave the amount of Ps. 0.8 million. Once the appraisal is performed, Caminos shall pay Canteras the positive difference resulting from the compensation and the advances. The payment term shall be ninety (90) days from the Council's resolution. Should the compensation be less than the amount advanced by Caminos, the amount already collected by Canteras will automatically be the final value for the piece of land and the existing difference shall be considered as repayment for the damages immediately and directly derived from the expropriation. As of the date these financial statements were issued, Canteras had granted Caminos the possession of the piece of land.

**24. Subsequent events**

1. Beruti plot of land

On July 4, 2011, the Government of the City of Buenos Aires complied with what was required. On July 11, 2011, the hearing judge granted the injunction requested. Such injunction was temporarily granted until the parties produce all of the evidence offered and such evidence as may be requested by the Court at the adequate time.

On July 15, 2011, TGLT S.A. filed a review remedy against the ruling that ordered the injunction, which was granted on the same date.

Moreover, on August 3, 2011, APSA filed an appeal against the first instance ruling that granted the injunction and suspended construction works. Such appeal was lodged with the Court of Appeals, Division II, and has not been decided upon yet. Furthermore, on August 15, 2011, the answer to the complaint in due time and form was acknowledged.

2. Change of corporate name and corporate purpose of Metroshop S.A.

On July 20, 2011, the Special General Shareholders Meeting held by unanimous consent of Metroshop S.A. approved the change of corporate name to APSAMEDIA S.A. and the amendment of its corporate purpose to capitalize on market opportunities. Metroshop will continue providing its services, which have been broadened in scope:

- Consumer credit marketing and financing.
- Issuance and marketing of credit cards.
- Performance of any type of agency and representation.
- Management of administrative, advertising and commercial activities.

Such amendments were registered with the Public Registry of Commerce on August 29, 2011, under number 17,795.

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**24. Subsequent events (continued)**

3. Acquisition of shares of Nuevo Puerto de Santa Fe S.A.

On August 18, 2011, upon meeting the conditions governing the purchase and sale of shares of Nuevo Puerto de Santa Fe S.A. (NPSF) (see Note 2.g.A.3), the transfer of the shares was perfected. Furthermore, NPSF and Casino Puerto de Santa Fe (CPSF) entered into a sublease agreement which replaces the previous lease agreement originally held by NPSF.

As agreed by the parties, the balance shall be payable in 19 equal, monthly and consecutive installments.

4. Acquisition of Arcos del Gourmet S.A.'s shares

On September 7, 2011 APSA acquired shares from minority shareholders representing 8.185% of Arcos del Gourmet S.A.'s common stock and votes. The total price amounted to US\$ 1.8 million and was fully paid at that date.

Furthermore, the Company and minorities shareholders agreed to modify the variable price of the shares acquired on 2009, representing forty (40%) of Arcos del Gourmet S.A.'s common stock and votes mentioned in Note 2.g. B.6. The new variable price was fixed on 10% of the investment required to develop the project.

5. Shareholder's meeting

On October 31, 2011, APSA's shareholders met and approved the following matters among other things:

Short-term debt

- i) The ratification of payment of cash dividends in advance of Ps. 130,825, a payment of additional cash dividends of Ps. 117,055, the appropriation of 5% of the net income for the year of Ps. 13,029 to the legal reserve and the remainder of Ps. 330 to the voluntary reserve for general purposes account.
- ii) A compensation package to the Board of Directors for Ps. 29,419.
- iii) Ratification of the decisions approved by the former Shareholders' meetings with regard to the implementation of the allocation of up to 1% of APSA's Shareholders' equity, which amounts to Ps. 9,070, through an incentive program aimed at the Company's officials.
- iv) Modification of the face value of APSA's outstanding shares.
- v) Approval of the creation of a new Global Issuance Program of Notes, non-convertible into shares, secured or non-secured or secured by third parties, and for a maximum outstanding amount of US\$ 300 million (or its equivalent in other currencies) at any time.

6. Creation of "Consumo Centro" private financial trust

On October 7, 2011, Metroshop, as trustor, together with Comafi Fiduciario Financiero S.A., acting as trustee of the "Fideicomiso Financiero Privado Yatasto", as original holder, created a private financial trust called "Consumo Centro", which was assigned by Metroshop under trust the legal ownership of certain receivables that were not in good standing, including personal loans, credit card receivables and refinanced receivables generated by Metroshop in the ordinary course of business, and which shall issue pass-throughs in favor of the original holder.

The receivables assigned under trust amount to about Ps. 39.3 million.

As from such assignment, Metroshop will assume no liability whatsoever for the creditworthiness or repayment capacity of any of the debtors, or for the success or failure to collect such receivables, or for compliance by debtors of obligations assumed in relation to such receivables.

The price of the assignment in trust amounts to Ps. 1.9 million. Such price less the sums of money received as payment by Metroshop between August 26, 2011, cutoff date, and September 30, 2011, which amount to Ps. 0.15 million, were transferred on October 7, 2011 to a Argentine pesos-denominated checking account held by the Company at Banco Comafi for a total amount of Ps. 1.8 million.

7. Ordinary and Extraordinary Shareholders' meeting as of October 31, 2011

The following are some of the resolutions adopted by the shareholders' meeting:

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**24. Subsequent events (continued)**

7. Ordinary and Extraordinary Shareholders' meeting as of October 31, 2011 (continued)

- Payment of a dividend exclusively in cash, for Ps. 211,575.
  
- The fees of the Board of Directors for Ps. 23,443.
  
- Implementation of the allocation of an amount equal to 1% of the Shareholders' Equity of the Company, through the long term incentive plan mentioned in Note 24.11, and the delegation of powers into the Board of Directors of the Company for the formation of a special purpose vehicle and to implement such plan, and the power to establish timing, pricing, allocation, amounts, and other, subject to applicable law.
  
- Delegation on the Board of Directors of the power to create a Global Issuance Program of simple Corporate Notes, non-convertible into shares, for a maximum outstanding amount of US\$ 300 million at any time.
  
- Renewal of the delegation on the Board of Directors of the power to create the Program for the issuance of VCP as simple corporate notes, non-convertible into shares, for a maximum outstanding amount of US\$ 50 million at any time.

8. Acquisition of shares of Bitania 26 S.A.

On December 13, 2011, the Company (through a subsidiary) acquired 49% of Bitania 26 S.A.'s common stock, owner company of Hotel "Esplendor Savoy" in the city of Rosario. The total price amounted to Ps. 21,390.

9. Supertel Hospitality Inc

On November 16, 2011, the Company reports that Real Estate Strategies L.P. ("RES L.P."), an investment vehicle managed and indirectly wholly owned by the Company, has entered into a purchase agreement with Supertel Hospitality Inc. ("Supertel"), subject to Supertel's shareholders' approval and to the investor company satisfaction with certain Supertel's debt restructuring.

In the case the conditions mentioned above were met, RES L.P. will invest US\$20 million in exchange of two million newly issued Preferred Shares, which will also include an option to purchase, up to an additional million preferred shares for a price of US\$ 10 per share.

The preferred shares will bear an annual 6.25% preferred dividend; vote with the common stock, subject to certain voting limitations, and subject to ownership limitations, will be convertible into common stock of Supertel at the rate of ten shares for each share of preferred stock for a period of 5 years.

As part of the Agreement, RES L.P. will also receive warrants to purchase 20 million shares of common stock, which may be increased up to 30 million shares pro rata with RES L.P.'s exercise of the option for additional preferred shares. Subject to ownership limitations, these warrants are exercisable at any time with an exercise price of US\$ 1.20 per share for a period of 5 years (with forced exercise under certain conditions after 3 years).

The transaction is anticipated to close within 90 days, subject to the fulfillment of the aforementioned precedent conditions in connection to the approval of Supertel shareholders', and to RES L.P. satisfaction with certain Supertel's debt restructuring.

10. Sale of Property Thames

On September 7, 2011, the Company sold to an unrelated party the property located at Thames Street No. 1868 in San Justo, Buenos Aires, for US\$ 4.7 million, fully collected as of the date of these financial statements.

11. Long term incentive program

In September 2011, the Company established a plan pursuant to which eligible employees may voluntarily join the plan by written notice of acceptance. Pursuant to the plan, participants may contribute up to 7.5% of their annual bonus compensation to a separated fund. The Company matches the participant's contribution by a concurrent contribution equal to 10 times the participant's. The Company will acquire treasury shares with both the participant's and its own contributions. These shares will be put in a trust. The abovementioned contributions are solely valid for the first year of the plan. Subsequent terms and conditions will be defined after next year-end.

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**Notes to the Consolidated Financial Statements**

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**25. 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.

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.

*I. Differences in measurement methods*

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.



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**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)*

| <b>Reconciliation of net income:</b>  | <b>2011</b> |          | <b>Year ended June 30, 2010</b> |          | <b>2009</b> |          |
|---|-------------|----------|---------------------------------|----------|-------------|----------|
| Net income as reported under Argentine GAAP attributable to IRSA                                | Ps.         | 282,104  | Ps.                             | 334,501  | Ps.         | 158,635  |
| <b>US GAAP adjustments:</b>   |             |          |                                 |          |             |          |
| - Impact of US GAAP adjustments on equity investees (Note 25.I.(a))                             |             | 39,210   |                                 | (26,369) |             | (96,440) |
| - Accounting for marketable securities (Note 25.I.(b))  |             | (398)    |                                 | 13,752   |             | 19,774   |
| - Depreciation of fixed assets (Note 25.I.(d) and (f))  |             | 552      |                                 | 536      |             | 782      |
| - Pre-operating and organization expenses (Note 25.I.(e))                                       |             | 1,834    |                                 | (8,296)  |             | (11,202) |
| - Purchase accounting, amortization and depreciation expenses (Note 25.I.(g) and (h))           |             | 27,207   |                                 | 64,952   |             | (654)    |
| - Securitization accounting (Note 25.I.(i))   |             | - -      |                                 | (2,280)  |             | 7,390    |
| - Present-value accounting (Note 25.I.(j))  |             | (4,037)  |                                 | (3,461)  |             | 13,875   |
| - Reversal of previously recognized impairment losses (Note 25.I.(k))                           |             | 3,206    |                                 | 3,113    |             | 9,577    |
| - Accounting for real estate barter transactions (Note 25.I.(n))                                |             | (24,560) |                                 | 735      |             | 12,362   |
| - Reversal of (gain) loss from valuation of inventories at net realizable value (Note 25.I.(o)) |             | 2,331    |                                 | (6,552)  |             | 10,371   |
| - Amortization of fees related to Series II of APSA Non Convertible Notes (Note 25.I.(q))       |             | (133)    |                                 | (97)     |             | 70       |
| - Software developed or obtained for internal use (Note 25.I.(r))                               |             | 7        |                                 | 49       |             | 58       |
| - Reversal of capitalized foreign exchange differences (Note 25.I.(s))                          |             | (1,657)  |                                 | (1,984)  |             | (72,674) |
|   |             | (483)    |                                 | (167)    |             | (148)    |
| Short-term debt   |             |          |                                 |          |             | 477      |

|   |                    |                    |                     |  |          |
|---|--------------------|--------------------|---------------------|--|----------|
| - Debtor's accounting for a modification of APSA convertible debt instruments (Note 25.I.(t)) |                    |                    |                     |  |          |
| - Revenue recognition – deferred commissions (Note 25.I.(u.1))                                | (10,363)           |                    | (3,187)             |  | (4,006)  |
| - Revenue recognition – scheduled rent increases (Note 25.I.(u.2))                            | 14,969             |                    | 17,015              |  | 6,860    |
| - Deferred revenues – insurance & fees (Note 25.I.(u.3))                                      | (2,139)            |                    | 22,925              |  | (3,377)  |
| - Derecognition of Put option (Note 25.I.(v))   | 48,461             |                    | (3,582)             |  | (40,334) |
| - Disposal of business (Note 25.I.(l))  | 32,838             |                    | --                  |  | --       |
| - Allowance for loan losses of credit card portfolio of Metroshop (Note 25.I.(m))             | (2,088)            |                    | --                  |  | --       |
| - Acquisition of APSA's non-controlling interest (Note 25.I.(w))                              | (1,385)            |                    | --                  |  | --       |
| - Deferred income tax (Note 25.I.(x))   | (6,859)            |                    | 21,101              |  | (26,925) |
| - Non controlling interest (Note 25.I.(y))  | 1,578              |                    | (39,851)            |  | 22,653   |
| <b>- Net income under US GAAP attributable to IRSA</b>  | <b>Ps. 400,195</b> | <b>Ps. 382,853</b> | <b>Ps. 6,647</b>    |  |          |
| - Non controlling interest (Note 25.II. (q))  | 56,187             |                    | 83,304              |  | (47,998) |
| <b>- Net income (loss) under US GAAP</b>  | <b>Ps. 456,382</b> | <b>Ps. 466,157</b> | <b>Ps. (41,351)</b> |  |          |
| <b>Earnings per share under US GAAP attributable to IRSA (Note 25.II.(j)):</b>                |                    |                    |                     |  |          |
| Basic net income per common share   | Ps. 0.69           | Ps. 0.66           | Ps. 0.01            |  |          |
| Diluted net income per common share   | Ps. 0.69           | Ps. 0.66           | Ps. 0.01            |  |          |

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)*

| <b>Reconciliation of shareholders' equity:</b>   |     | <b>2011</b> | <b>As of June 30,</b> |  | <b>2010</b> |
|--|-----|-------------|-----------------------|--|-------------|
| Total shareholders' equity under Argentine GAAP attributable to IRSA                     | Ps. | 2,481,815   | Ps.                   |  | 2,403,046   |
| <b>US GAAP adjustments:</b>  |     |             |                       |  |             |
| - Impact of US GAAP adjustments on equity investees (Note 25.I.(a))                      |     | (45,224)    |                       |  | (40,534)    |
| - Accounting for investment in Hersha Hospitality Trust and TGLT (Note 25.I. (c))        |     | 151,391     |                       |  | 111,444     |
| - Depreciation of fixed assets (Note 25.I.(d))   |     | (7,280)     |                       |  | (7,832)     |
| - Pre-operating and organization expenses (Note 25.I.(e))                                |     | (22,034)    |                       |  | (23,868)    |
| - Mortgage payable with no stated interest rate (Note 25.I.(f))                          |     | (2,029)     |                       |  | (2,029)     |
| - Differences in basis relating to purchase accounting Original value (Note 25.I.(g))    |     | 127,097     |                       |  | 117,848     |
| Purchase accounting - Amortization and depreciation expenses (Note 25.I.(h))             |     | 32,581      |                       |  | 26,968      |
| - Present-value accounting (Note 25.I.(j))   |     | 11,581      |                       |  | 15,715      |
| - Reversal of previously recognized impairment losses (Note 25.I.(k))                    |     | (99,766)    |                       |  | (102,972)   |
| - Accounting for real estate barter transactions (Note 25.I.(n))                         |     | (53,969)    |                       |  | (29,409)    |
| - Reversal of gain from valuation of inventories at net realizable value (Note 25.I.(o)) |     | (16,388)    |                       |  | (18,719)    |
| - Appraisal revaluation of fixed assets (Note 25.I.(p))                                  |     | (3,953)     |                       |  | (3,953)     |
| - Amortization of fees related to Serie II of APSA Non-Convertible Notes (Note 25.I.q)   |     | 49          |                       |  | 182         |
| - Software obtained for internal use (Note 25.I.(r))                                     |     | -           |                       |  | (7)         |
| - Reversal of capitalized foreign exchange differences (Note 25.I.(s))                   |     | (70,961)    |                       |  | (69,304)    |
| Short-term debt  |     |             |                       |  | 479         |

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|   |                      |  |            |                  |
|---|----------------------|--|------------|------------------|
| - Debtor's accounting for a modification of APSA convertible debt instruments (Note 25.I.(t)) | --                   |  |            | 483              |
| - Revenue recognition – Deferred commissions (Note 25.I.(u.1))                                | (35,447)             |  |            | (25,084)         |
| - Revenue recognition – Scheduled rent increases (Note 25.I.(u.2))                            | 51,992               |  |            | 37,023           |
| - Deferred revenues – insurance & fees (Note 25.I.(u.3))                                      | --                   |  |            | (12,603)         |
| - Derecognition of Put option (Note 25.I.(v))   | --                   |  |            | (48,461)         |
| - Allowance for loan losses of credit card portfolio of Metroshop (Note 25.I.(m))             | (2,088)              |  |            | --               |
| - Acquisition of additional shares of APSA (Note 25.I.(w))                                    | (208,952)            |  |            | --               |
| - Deferred income tax (Note 25.I.(x))   | (147,399)            |  |            | (169,752)        |
| - Non controlling interest on adjustments above   | 38,710               |  |            | 38,342           |
| <b>Shareholders' equity under US GAAP attributable to IRSA</b>                                | <b>2,179,726</b>     |  |            | <b>2,196,524</b> |
| - Non controlling interest  | 332,031              |  |            | 521,374          |
| <b>Shareholders' equity under US GAAP</b>   | <b>Ps. 2,511,757</b> |  | <b>Ps.</b> | <b>2,717,898</b> |

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**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)***Description of changes in  
shareholders' equity under US  
GAAP:****Year ended June 30,**

|   | <b>2011</b>   |                                     |              | <b>2010</b>   |                                     |              |
|---|---------------|-------------------------------------|--------------|---------------|-------------------------------------|--------------|
|   | <b>IRSA</b>   | <b>Non-controlling<br/>interest</b> | <b>Total</b> | <b>IRSA</b>   | <b>Non-controlling<br/>interest</b> | <b>Total</b> |
| - Shareholders' equity as of the beginning of the year under US GAAP    | Ps. 2,196,524 | 521,374                             | 2,717,898    | Ps. 1,588,126 | 370,060                             | 1,958,186    |
| - Cash dividends  | (220,000)     | (27,934)                            | (247,934)    | (31,727)      | (23,658)                            | (55,385)     |
| - Other comprehensive income (Note 25.II.(o))                           | (55,540)      | 1,208                               | (54,332)     | 252,664       | 654                                 | 253,318      |
| - Cumulative adjustments for accounting charges in BHSA (Note 25.I.(a)) | 49,449        | --                                  | 49,449       | --            | --                                  | --           |
| - Non-controlling shareholders' contribution                            | --            | 101,799                             | 101,799      | --            | 80,511                              | 80,511       |
| - Current translation adjustment  | 16,665        | --                                  | 16,665       | 4,608         | --                                  | 4,608        |
| - Acquisition of non-controlling interest in APSA (Note 25.I.(w))       | (207,567)     | (290,234)                           | (497,801)    | --            | --                                  | --           |
| - Acquisition of Tarshop  | --            | --                                  | --           | --            | (1,574)                             | (1,574)      |
| - Other acquisitions of non-controlling interest (Note 2.g.A.5)         | --            | (30,369)                            | (30,369)     | --            | --                                  | --           |
| - Non-controlling in Arcos  | --            | --                                  | --           | --            | 12,077                              | 12,077       |
| - Net income (loss) under US GAAP                                       | 400,195       | 56,187                              | 456,382      | 382,853       | 83,304                              | 466,157      |
| - Shareholders' equity as of the end of the year                        | 2,179,726     | 332,031                             | 2,511,757    | Ps. 2,196,524 | 521,374                             | 2,717,898    |



**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)***(a) Impact of US GAAP adjustments on equity investees**

Under Argentine GAAP, investments in companies in which the Company exercises significant influence, but not control, are accounted for under the equity method. Under the equity method, the investment is recorded at original cost and periodically increased (decreased) by the investor's proportionate share of earnings (losses) of the investee and decreased by all dividends received from the investor by the investee. The Company applies its percentage ownership interest to the financial statements of its equity method investments prepared under Argentine GAAP. For purposes of this reconciliation, the Company has assessed the impact of US GAAP adjustments on the Argentine GAAP financial statements of its equity investees. As of June 30, 2011, the equity investees of the Company are BHSA, Manibil, New Lipstick LLC, Rigby 183 LLC and Tarshop.

**Banco Hipotecario and Banco de Crédito y Securitización**

During the years ended June 30, 2011, 2010 and 2009, the Company acquired additional shares in BHSA. These acquisitions were accounted for under the purchase method of accounting under Argentine GAAP. The majority of the assets and liabilities on BHSA's balance sheet are financial assets carried at fair value, or are short-term in nature. The carrying value of these short-term assets approximates fair value. In these acquisitions, the fair value of BHSA's net assets exceeded the purchase price paid. When the fair value of the net assets acquired exceeds the consideration paid, negative goodwill exists under Argentine GAAP. Under Argentine GAAP, non-financial assets were written down against the negative goodwill in these acquisitions. Any remaining negative goodwill was immediately recognized as a gain in the respective periods. Accordingly for the years ended June 30, 2011, 2010 and 2009, the Company recorded gains of Ps. 14.8 million, Ps. 70.4 million and Ps.133.0 million, respectively as a result of these transactions under Argentine GAAP.

US GAAP requires that the difference between the cost of an investment and the amount of underlying equity in net assets of an investee should be accounted for as if the investee were a consolidated subsidiary. The difference at the date of purchasing the additional shares in BHSA between the cost of the investment and underlying equity in net assets was accounted for according to its nature. The Company applied the provisions of ASC N° 805 "Business Combination" (ASC No. 805), in assigning this difference. Under US GAAP authoritative literature, the concept of a "bargain purchase" (the purchase price was substantially lower than the fair value of the underlying net assets) does not apply to an equity method investment since the investor does not control the underlying assets of the investee and therefore would not be able to realize the gain by selling the underlying assets of the investee to unlock this gain. Accordingly, under US GAAP the reconciling item includes the reversal of the gains of Ps. 14.8 million, Ps. 70.4 million and Ps. 133.0 million for the years ended June 30, 2011, 2010 and 2009, respectively. Under US GAAP these gains are deferred and will be recognized upon consolidation or selling of the shares of BHSA.

Including the impact of the reversal of the gain explained above the US GAAP adjustments on the Company's equity investees in BHSA related primary to (i) troubled debt restructuring; (ii) loan loss reserves; (iii) loan origination fees and costs; (iv) securitization of mortgaged loans; (v) impairment of fore-closed assets; and (vi) consolidation of variable interest entities, among others. The US GAAP adjustments also include the effect of the elimination of intercompany results generated in the disposal of business related to Tarshop and Metroshop as mentioned in note 25.I.(l). The impact of US GAAP adjustments related to BHSA were a gain of Ps. 68.7 million, and losses of Ps. 26.4 million and Ps 96.4 million for the years ended June 30, 2011, 2010 and 2009, respectively; net of Ps. (83.5) million, Ps. 188.3 million and Ps. (51.4) million of other comprehensive income adjustments for the years ended June 30, 2011, 2010 and 2009 (See Note 25.II.(o)), and the recognition of cumulative adjustments for accounting charges (related to the consolidation of variable interest entities for the adoption of ASU 2009-01) to shareholders' equity of Ps. 49.5 million for the year ended June 30, 2011.

#### Metropolitan – New Lipstick:

As mentioned in Note 2.g.A.13, in July 2008 the Company acquired a 30% interest in Metropolitan 885 Third Avenue LLC ("Metropolitan"), and had recognized a zero value on its investment since acquisition as the share in Metropolitan's losses exceeded its equity interest.

As also discussed in Note 2.g.A.13, in November 2010, Metropolitan 885 Third Avenue Leasehold LLC (the "Metropolitan Leasehold" and subsidiary of Metropolitan) presented a plan of reorganization (the "Plan"). The Plan was

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)***(a) Impact of US GAAP adjustments on equity investees (continued)**

approved by the Company's Members and the corresponding jurisdiction Court and it became effective on December 30, 2010. The Plan provides for, among other things, the reduction and restructuring of the financial debt and the extinguishment of 100% of the Parent Company, the Holding Company and the Junior Mezz membership interest in the Property Owner and issuance of the membership interest in the reorganized debtor to New Lipstick LLC, a newly formed entity in which the Company changed its member class and holds a 49% interest. In exchange for the 49% interest in New Lipstick LLC, IRSA made a US\$ 15.3 million capital contribution, and surrendered its rights for the put option for the 50% of the shareholding initially acquired in Metropolitan, which amounted to approximately US\$ 11.3 million as of the date of reorganization. See Note 25 I (v).

Argentine GAAP does not provide specific rules about this type of reorganizations. Under US GAAP, the Company applies the provisions of ASC No. 852 "Reorganizations". Following ASC No. 852, if the reorganization value of the emerging entity immediately before the date of court approval is less than the total of liabilities, and the holders of existing voting shares immediately before court approval receive less than 50 percent of the voting shares of the emerging entity, fresh start accounting must be applied. The reorganization value of the entity shall be assigned to the entity's assets and liabilities in conformity with the procedures specified in ASC No. 805, "Business Combinations" ("ASC No. 805") when the entity applies fresh start accounting. Accordingly, Metropolitan has recognized the results of the plan and the deconsolidation of its investment, and New Lipstick LLC has applied fresh start accounting.

However, the results of the reorganization did not impact the results of IRSA under both US GAAP and Argentine GAAP since the Company had recognized a zero value on this investment as the share in Metropolitan's losses exceeded its equity interest. Under Argentine GAAP, the investment in New Lipstick LLC is also accounted under the equity method. Under the equity method, the investment is recorded at original cost and periodically increased (decreased) by the investor's proportionate share of earnings (losses) of the investee and decreased by all dividends received from the investor by the investee. The original cost includes the cash contribution and the put option settled

as part of the transaction, as described in Note 25.I (v). There are no differences with US GAAP in the recorded cost of the investment. For purposes of the reconciliation, the company has assessed the impact of US GAAP adjustments on the Argentine GAAP financial statements of its equity investees. The US GAAP adjustments on the New Lipstick LLC equity investee related primary to (i) revenue recognition and schedule rent increases of the lessees where the entity is the lessor; (ii) the straight line of the ground lessee where the entity is a lessee; and (iii) acquisition costs. The net US GAAP adjustment on the results of the investment in New Lipstick LLC amounts to a loss of Ps. 35.6 million for the year ended June 30, 2011.

Rigby 183 LLC:

As mentioned in Note 2.g.A1, in December 2010, the Company together with other shareholders (unrelated parties to the Company) formed Rigby 183 LLC (“Rigby 183”), for the purpose of acquiring a real estate property located in New York. At the date of formation, the Company held a 57% interest in Rigby 183. However, on March 31, 2011, the Company sold an 8% interest in Rigby 183 to CAM Communications LP, an unrelated party to the Company. As a result, as from the date of disposal, the Company held a 49% interest in Rigby 183. There is a limited liability agreement signed between the shareholders upon formation of Rigby 183 (the “Agreement”), which requires that certain significant decisions shall be taken with the majority of the voting rights plus the affirmative vote of one of the other shareholders of Rigby 183. These decisions are central to the operation of Rigby 183 and, considering the Agreement, cannot be taken unilaterally by the Company. Therefore, upon formation of Rigby 183, the Company does not have the power to direct or cause the direction of the management and policies of Rigby 183.

Under Argentine GAAP, and considering the Agreement mentioned in previous paragraph, the Company concluded that, as from the date of acquisition, the Company exercised joint control over Rigby 183 through its 57% interest over that Company. 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, investments in joint ventures where the Company exercises joint control are accounted under the proportionate consolidation method. However, Technical Resolution N° 21 also establishes that the financial statements of companies over which temporary

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

**(a) Impact of US GAAP adjustments on equity investees (continued)**

control or joint control exists shall not be consolidated or proportionally consolidated. Temporary control or joint control exists when the investor expects to sale or dispose the investment acquired within one year since acquisition. Considering that, since the date of disposition of the 8% interest in Rigby 183, the Company exercised significant influence instead of joint control over this investment; the Company concluded that temporary joint control existed as of the date of formation of Rigby 183. Therefore, under Argentine GAAP, the Company accounted for its investment in Rigby 183 under the equity method of accounting since the date of its formation.

Under US GAAP similar Argentine GAAP, since the Company does not exercise control over its investment in Rigby 183, the equity method of accounting was applied since the date of its formation, in accordance with ASC No. 323, "Investments-Equity Method and Joint Ventures" ("ASC No. 323").

For purposes of this reconciliation, the Company has assessed the impact of US GAAP adjustments on its equity investee, Rigby 183, which related primary to (i) differences in the accounting for operating leases; and (ii) differences in the accounting for business combinations. The net US GAAP adjustment on the investment in Rigby 183 amounts to a gain of Ps. 3.2 million for the year ended June 30, 2011.

Tarshop:

As discussed in Note 2.g.B.7.(iii), APSA sold an 80% in Tarshop on September 13, 2010, and deconsolidated the subsidiary as of that date. As from September 13, 2010, APSA maintains a 20% interest in Tarshop and accounts for its investment under the equity method of accounting. The US GAAP adjustments on Tarshop related primary to (i) loan loss reserves; (ii) loan origination fees and costs and (iii) consolidation of variable interest entities. The impact of the US GAAP adjustments to the financial statements of Tarshop prepared under Argentine GAAP were a gain of Ps. 2.9 million.

Under Argentine GAAP, the Company recognized the non-controlling investment retained under the equity method at the date control was lost. Under US GAAP APSA recognized the non-controlling investment retained at its fair value at the date control was lost. The US GAAP adjustment on APSA's equity investee in Tarshop amounted to a loss of Ps. 9.8 million. The net impact to equity of the adjustments described above amount to Ps. 6.9 million as of June 30, 2011.

The remaining 80% interest in Tarshop is held by BHSA, an equity method investee of the Company, as further described above. Accordingly, the US GAAP adjustments on the Company's equity investment in BHSA include also the portion of the US GAAP adjustments in Tarshop generated by the Company's equity interest in BHSA.

As a result of the explanations on this note, the US GAAP adjustments on equity investee are summarized below:

|   | <b>Year ended June 30,</b> |                 |                 |
|---|----------------------------|-----------------|-----------------|
|   | <b>2011</b>                | <b>2010</b>     | <b>2009</b>     |
| <b>Equity Investees – Adjustments to net income</b> |                            |                 |                 |
| - Banco Hipotecario S.A                             | Ps. 68,692                 | Ps. (26,369)    | Ps. (96,440)    |
| - New Lipstick LLC                                  | (35,582)                   | --              | --              |
| - Rigby 183 LLC                                     | 3,175                      | --              | --              |
| - Tarshop SA  | 2,925                      | --              | --              |
| Total net income adjustments to US GAAP             | <b>39,210</b>              | <b>(26,369)</b> | <b>(96,440)</b> |

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)***(a) Impact of US GAAP adjustments on equity investees (continued)**

|   |                 | Year ended June 30, |                 |
|---|-----------------|---------------------|-----------------|
|   | 2011            |                     | 2010            |
| <b>Equity Investees – Adjustments to shareholders' equity</b> |                 |                     |                 |
| - Banco Hipotecario S.A.                                      | Ps. (8,941)     | Ps.                 | (40,534)        |
| - New Lipstick LLC  | (35,582)        |                     | --              |
| - Rigby 183 LLC   | 3,175           |                     | --              |
| - Tarshop SA.   | (6,923)         |                     | --              |
| - Others  | 3,047           |                     | --              |
| Total equity adjustments to US GAAP.                          | <b>(45,224)</b> |                     | <b>(40,534)</b> |

**(b) Accounting for marketable securities**

Under Argentine GAAP, the Company's investments in mutual funds, shares of public companies, government and mortgage bonds are carried at fair value, with unrealized gains and losses included in the statement of income.

Under US GAAP, the Company has classified all of these investments as available-for-sale and carried them at fair value with unrealized gains and losses, included in shareholders' equity in accordance with ASC No. 320, "Investments – Debt and Equity Securities" (ASC No. 320). The Company's investments are considered available for sale as these securities could potentially be sold in response to needs for liquidity, changes in the availability of and the yield on alternative instruments or changes in funding sources or terms.

Under US GAAP gross unrealized (gain) loss was Ps. (1.3) million, Ps. 13.8 million and Ps. 19.8 million for the years ended June 30, 2011, 2010 and 2009, respectively.

Unrealized gains and losses determined to be temporary are recorded as other comprehensive income, net of related deferred taxes, until realized. Unrealized losses determined to be other than temporary are recognized in the period the determination is made. As of the date of these consolidated financial statements, the Company has not determined any unrealized losses to be other than temporary.

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**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)***(b) Accounting for marketable securities (continued)**

The cost and estimated fair values of available for sale securities as of June 30, 2011, 2010 and 2009 were as follows:

|                            | Amortized Cost<br>Basis |         | Fair Value  | Gross unrealized<br>Gain |       | Gross unrealized<br>Loss |         |
|----------------------------|-------------------------|---------|-------------|--------------------------|-------|--------------------------|---------|
| <b>June 30, 2009</b>       |                         |         |             |                          |       |                          |         |
| Mutual funds               | Ps.                     | 110,107 | Ps. 110,794 | Ps.                      | 687   | Ps.                      | --      |
| Dolphin Fund               |                         | 22,751  |             |                          | 7,466 |                          | --      |
| Shares of public companies |                         | 20,061  |             |                          | 1,542 |                          | --      |
| Mortgage bonds             |                         | 615     |             |                          | 183   |                          | --      |
| Government bonds           |                         | 14,129  |             |                          | --    |                          | --      |
|                            | Ps.                     | 167,663 | Ps. 177,541 | Ps.                      | 9,878 | Ps.                      | --      |
| <b>June 30, 2010</b>       |                         |         |             |                          |       |                          |         |
| Mutual funds               | Ps.                     | 99,791  | Ps. 100,766 | Ps.                      | 975   | Ps.                      | --      |
| Dolphin Fund               |                         | 38,097  |             |                          | --    |                          | (4,696) |
| Shares of public companies |                         | 4,240   |             |                          | --    |                          | (166)   |
| Mortgage bonds             |                         | 771     |             |                          | 12    |                          | --      |
| Government bonds           |                         | 49      |             |                          | 1     |                          | --      |
|                            | Ps.                     | 142,948 | Ps. 139,073 | Ps.                      | 988   | Ps.                      | (4,862) |
| <b>June 30, 2011</b>       |                         |         |             |                          |       |                          |         |
| Mutual funds               | Ps.                     | 169,226 | Ps. 170,508 | Ps.                      | 1,282 | Ps.                      | --      |
| Dolphin Fund               |                         | 33,401  |             |                          | --    |                          | (4,162) |
| Mutual funds Cyrsa         |                         | 4,549   |             |                          | 31    |                          | --      |
| Shares of public companies |                         | 3,550   |             |                          | --    |                          | (639)   |
| Mortgage bonds             |                         | 461     |             |                          | 16    |                          | --      |
| Government bonds           |                         | 16      |             |                          | --    |                          | (4)     |
|                            | Ps.                     | 211,203 | Ps. 207,727 | Ps.                      | 1,329 | Ps.                      | (4,805) |
| Short-term debt            |                         |         |             |                          |       |                          | 491     |

The information and the reconciliation items regarding the investment in Hersha Hospitality Trust and TGLT S.A., an available for sale securities for US GAAP purposes, have been included separately in Note 25.I.(c).

**(c) Accounting for the investments in Hersha Hospitality Trust and TGLT**

Hersha Hospitality Trust:

As mentioned in Note 2.g.B.1, the Company held a 12.1% and 10.9% interest in Hersha Hospitality Trust as of June 30, 2011 and 2010, respectively. Under Argentine GAAP, this investment has been valued at cost. Under US GAAP, since the investment in Hersha represents an investment in an equity security with a readily determinable fair value and not held for trading, the investment has been valued at fair value in accordance with ASC No. 320. Gains or losses resulting from changes in fair value are recognized in other comprehensive income in the shareholders' equity.

The cost and estimated fair values of Hersha Hospitality Trust as of June 30, 2011 and 2010 were as follows:

|                          | Amortized Cost |         | Fair Value |         | Gross unrealized |         |
|--------------------------|----------------|---------|------------|---------|------------------|---------|
|                          | Basis          |         |            |         | Gain             |         |
| <b>June 30, 2011</b>     |                |         |            |         |                  |         |
| Hersha Hospitality Trust | Ps.            | 216,757 | Ps.        | 355,893 | Ps.              | 139,136 |
|                          | Ps.            | 216,757 | Ps.        | 355,893 | Ps.              | 139,136 |
| <b>June 30, 2010</b>     |                |         |            |         |                  |         |
| Hersha Hospitality Trust | Ps.            | 204,553 | Ps.        | 315,997 | Ps.              | 111,444 |
|                          | Ps.            | 204,553 | Ps.        | 315,997 | Ps.              | 111,444 |

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)***(c) Accounting for the investments in Hersha Hospitality Trust and TGLT (continued)****TGLT:**

As of June 30, 2011, the Company held an 8.86% interest in TGLT. Under Argentine GAAP, the Company accounted for this investment at acquisition cost since it is not held for trading. TGLT is a public company in Argentina whose shares are traded in the Buenos Aires Stock Exchange. Under US GAAP, since the investment in TGLT represents an investment in equity securities with readily determinable fair value and not held for trading, the Company accounted for this investment at fair value in accordance with ASC No. 320. Gains or losses resulting from changes in fair value are recognized in other comprehensive income in the shareholders' equity.

The cost and estimated fair value of TGLT at June 30, 2011 were as follows:

|      | Amortized Cost |            | Fair Value | Gross unrealized |
|------|----------------|------------|------------|------------------|
|      | Basis          |            |            | Gain             |
| TGLT | Ps.            | 56,295 Ps. | 68,550 Ps. | 12,255           |

**(d) Depreciation of fixed assets**

Prior to 2007, certain office and apartment buildings of the Company were being depreciated over a useful life of 50 years under Argentine GAAP. For US GAAP purposes, these buildings were being depreciated over a useful life of 40 years. Accordingly, the US GAAP adjustment reflected higher depreciation charges for US GAAP purposes. As a result of this adjustment, the net book value of these assets for US GAAP purposes differs from the book value for Argentine GAAP purposes. In the year ended June 30, 2007, independent appraisers reassessed the appropriateness of the useful lives of the Company's office buildings and other properties. As a result of the work, the remaining useful lives of certain of these properties were reduced and no difference exists in the remaining useful life of these assets between Argentine GAAP and US GAAP. However, due to the different cost base of fixed assets for Argentine GAAP and US GAAP purposes, a US GAAP reconciling item for depreciation still exists.

**(e) Pre-operating and organization expenses**

Under Argentine GAAP, the Company capitalizes certain costs related to pre-operating activities of the Company's shopping centers, residential projects and expenses incurred in the organization of subsidiaries. These costs are generally amortized on a straight-line basis over periods ranging from 3 to 5 years commencing upon the opening of the shopping center and/or launching of a project. Under US GAAP, pursuant ASC No. 720-15, "Other expenses-start up costs" (ASC No. 720-15), such costs are charged to income as incurred. The US GAAP adjustments for the years ended June 30, 2011, 2010 and 2009 represents the net effect of (i) expensing such costs as incurred and (ii) the reversal of amortization expenses on costs capitalized under Argentine GAAP and expensed under US GAAP.

**(f) Mortgage payable with no stated interest rate**

In 1991, the Company obtained a non-interest bearing mortgage with a face value of US\$ 3,300 to acquire a property (Suipacha 652/64). Under Argentine GAAP, the Company did not make any fair value adjustment for this non-interest bearing mortgage. Under US GAAP however, the non-interest bearing mortgage held by the Company was recorded at the estimated market value of the note. The Company used an interest rate of 12%, which approximated its weighted-average borrowing rate, in determining the present value of this debt. This mortgage was fully repaid in November 1996. As a result, Ps. 2,000 decreased the carrying value of the acquired property. This adjustment gives rise to differences in depreciation expense and is included in the line item "Depreciation and amortization expense" in the US GAAP reconciliation.

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**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

**(g) Differences in basis relating to purchase accounting**

Effective July 1, 2009, the Company applied the provisions of FASB Statement No. 141R “Business Combinations” (FAS 141R) or ASC No. 805 “Business Combinations” (“ASC No. 805”), for all business combinations for which the acquisition date is on or after the beginning of its fiscal year ended June 30, 2010, i.e. July 1, 2009. For all business combinations for which its acquisition date was prior to July 1, 2009, the Company applied the provisions of FAS 141.

Acquisitions for which their acquisition date was before July 1, 2009

As discussed in Note 3.h., under Argentine GAAP, the Company follows the guidance in RT No. 18 in accounting for business combinations. Under Argentine GAAP, the Company applies the purchase method of accounting and accordingly it allocates the purchase price based on the fair value of net assets acquired. When the sum of the individual fair values of the identifiable tangible and intangible assets exceeds the purchase price paid, negative goodwill exists. Under Argentine GAAP, if after a reassessment is made and negative goodwill continues, any amount of negative goodwill is allocated to reduce the value of intangible assets acquired to zero. Any remaining amount of negative goodwill is amortized under the straight-line method over the respective periods. During the period from July 1, 2005 through June 30, 2009, the Company recognized negative goodwill namely “Empalme”, “Palermo Invest”, “Bouchard 551”, “Dock del Plata” and “Mendoza Plaza Shopping”.

Under US GAAP, the Company applied the provisions of FAS 141 to the “The Empalme”, “Palermo Invest”, “Bouchard 551”, “Dock del Plata” and “Mendoza Plaza Shopping” acquisitions. There was no difference between US GAAP and Argentine GAAP in the purchase price allocation process. However, under FAS 141, when negative goodwill existed,

eligible assets (tangible and intangible) were subject to pro rata reduction. Accordingly, under US GAAP, certain intangible assets and liabilities were recognized while assigned a zero value under Argentine GAAP.

The fair value of below market leases was recorded as deferred income and amortized as additional lease revenue over the remaining contractual lease period and any renewal option periods included in the valuation analysis. Intangible assets associated with at-market in-place leases are amortized as additional expense over the remaining contractual lease term. There was no US GAAP adjustment to equity for these items.

In addition, the US GAAP reconciling item includes various adjustments related to purchase accounting differences for certain business combinations which occurred prior to the year ended June 30, 2005 between US GAAP and Argentine GAAP prior to the adoption of revised accounting standards in Argentina. For business combinations, which occurred prior to that date, the application of US GAAP standards to those business combinations resulted in differences between the amounts of goodwill recorded for Argentine GAAP and US GAAP purposes. Following the adoption of pre-codification FAS 142 or ASC No. 350, "Intangible-goodwill and Other" (ASC No. 350), goodwill amortization ceased under US GAAP effective July 1, 2002. Total goodwill under US GAAP as of the date of adoption of ASC No. 350 was Ps. 48.2 million.

The differences between Argentine GAAP and US GAAP described above related to the acquisitions which occurred prior to July 1, 2009 impacted the US GAAP adjustments to net income as described in Note 25.I.(h). and representing the net effect of (i) reversing the amortization expense of negative goodwill recorded under Argentine GAAP; (ii) lower depreciation charges on lower amounts of fixed assets under US GAAP (reduced on a pro rata basis to allocate negative goodwill); (iii) amortization charges for intangible assets recognized under US GAAP (and reduced to zero under Argentine GAAP); and (iv) reversing the amortization of goodwill charged under Argentine GAAP and ceased under US GAAP since June 30, 2002.

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(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)***(g) Differences in basis relating to purchase accounting (continued)**Acquisitions for which their acquisition date was after July 1, 2009Acquisition of Arcos del Gourmet:

As discussed in Note 2.g.B.6., on November 27, 2009, the Company completed the acquisition of an 80% controlling interest in Arcos. Arcos is a company holder of a concession right to exploit the land and attached assets owned by the ONABE. The concession is for an initial term of sixteen years renewable at the option of the holder for an additional four year period. Under the concession, the Company is obligated to pay a monthly concession fee of Ps. 0.1 million to ONABE. The land and attached assets (mainly old warehouses and adjacent spaces) are capable of being reconverted into a shopping mall, cultural complex and other recreational facilities after incurring significant capital expenditures. Under Argentine GAAP, the Company determined that the transaction represented the acquisition of a business. Accordingly, the Company accounted for the acquisition under the purchase method of accounting. Under the purchase method of accounting, the Company allocated the purchase price to tangible and intangible assets and liabilities assumed based on the respective fair values. Transaction costs are considered part of the consideration transferred. The acquisition date fair value of the net assets acquired exceeded the cost of the acquisition. The holders of the rights from ONABE were individual persons who did not have the financial feasibility, expertise and scale to obtain the projected returns from the concessioned assets as well-established real estate market participants in the area have. Thus, they agreed to sell their rights to the Company for a fair amount of consideration although far below the fair value of the business. Under Argentine GAAP, the excess of the fair value of the net assets acquired over cost represents negative goodwill. When there is negative goodwill, Argentine GAAP requires a reassessment to determine all assets acquired, liabilities assumed, and consideration transferred. The Company performed a reassessment and has still concluded that it has negative goodwill. However, under Argentine GAAP, when negative goodwill exists, acquired intangible assets are reduced to absorb the negative goodwill even if they are assigned a zero value. Any

remaining negative goodwill is accounted for as described in Note 3.h. In the acquisition of Arcos, the principal asset acquired was the concession right and since negative goodwill existed, this intangible was reduced by the amount of negative goodwill absorbing it completely. Therefore, no negative goodwill remained under Argentine GAAP. In addition, under Argentine GAAP, the minority interest was recognized at the proportionate share of the acquiree's identifiable net assets (the proportionate share method) at the acquisition date.

Under US GAAP, the Company applied the provisions of ASC No. 805 and also determined that this transaction qualifies as a business acquisition. Accordingly, the Company accounted for the acquisition under the purchase method of accounting and allocated the purchase price to tangible and intangible assets and liabilities assumed based on the respective fair values. Under ASC No. 805, the non-controlling interest is recognized at fair value at the date of acquisition. Under ASC No. 805, any excess of the value assigned to the net identifiable assets acquired over the fair value of the consideration transferred and any previously held equity interest in the acquiree and any non-controlling interest is a bargain purchase gain and should be recognized in earnings. Acquisition-related costs are considered separate transactions and should not be included as part of the consideration transferred, but rather expensed as incurred.

As a result of the above explanation, the US GAAP adjustment for the acquisition of Arcos represents the net effect of (i) the recognition of a bargain purchase gain of Ps. 58.8 million; (ii) the recognition of the non-controlling interest at fair value for Ps. 12.1 million; and (iii) the charge expense of transaction costs for Ps. 0.4 million.

Pro forma results as if the acquisition had occurred as of the beginning of the comparative fiscal year have not been presented based on materiality grounds.

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)***(g) Differences in basis relating to purchase accounting (continued)**

For disclosure purposes, under US GAAP the estimated fair values of assets acquired and liabilities assumed are summarized as follows (in thousands):

|  |     |          |
|--|-----|----------|
| Cash and cash equivalents acquired     | Ps. | 13       |
| Fair value of non-cash assets acquired |     | 103,120  |
| Fair value of liabilities assumed      |     | (8,124)  |
| Fair value of net assets acquired      |     | 95,009   |
| Minority interest                      |     | (12,077) |
| Purchase price                         |     | 24,108   |
| Seller financing                       |     | (14,213) |
| Cash and cash equivalents acquired     |     | (13)     |
| Advance payments                       |     | (2,254)  |
| Net cash paid for the acquisition      | Ps. | 7,628    |

Acquisition of Soleil Factory shopping center business

As discussed in Note 2.g.A.11., on July 1, 2010, the Company acquired the "Soleil" business from INCSA. Soleil is a shopping center located in San Isidro, Province of Buenos Aires. Under Argentine GAAP, the Company determined that the transaction represented the acquisition of a business, and accordingly, the Company accounted for the acquisition under the purchase method of accounting. Under the purchase method of accounting, the Company allocated the purchase price to tangible and intangible assets and liabilities assumed based on the respective fair values. Transaction costs are considered part of the consideration transferred. The acquisition date fair value of the net

assets acquired exceeded the cost of the acquisition. Under Argentine GAAP, the excess of the fair value of the net assets acquired over cost represents negative goodwill. When there is negative goodwill, Argentine GAAP requires a reassessment to determine all assets acquired, liabilities assumed, and consideration transferred. The Company performed a reassessment and has still concluded that it has negative goodwill. However, under Argentine GAAP, when negative goodwill exists, acquired intangible assets are reduced to absorb the negative goodwill even if they are assigned a zero value. Any remaining negative goodwill is accounted for as described in Note 3.i.

Under US GAAP, the Company applied the provisions of ASC No. 805 and also determined that this transaction qualifies as a business acquisition. Accordingly, the Company accounted for the acquisition under the purchase method of accounting and allocated the purchase price to tangible and intangible assets and liabilities assumed based on the respective fair values. Under ASC No. 805, any excess of the value assigned to the net identifiable assets acquired over the fair value of the consideration transferred and any previously held equity interest in the acquiree and any non-controlling interest is a bargain purchase gain and should be recognized in earnings. Acquisition-related costs are considered separate transactions and should not be included as part of the consideration transferred, but rather expensed as incurred.

As a result of the above explanation, the US GAAP adjustment for the acquisition of Soleil represents the net effect of (i) the charge expense of transaction costs for Ps. 2.8 million; (ii) the recognition of a bargain purchase gain of Ps. 18.5 million and (iii) the charge expense of amortization for Ps. 4.1 million. This bargain purchase gain arose due to the underperformance and undermanagement of the underlying "Soleil" shopping center business. Additionally, the purchase price was negotiated between the parties when a preliminary agreement was signed in December 2007, and was not subsequently modified. Since December 2007, there were periods on inflation in Argentina, generating a higher fair value of Soleil's net assets at the date of acquisition. This increase in the fair value of net assets acquired without a corresponding increase in the purchase price, also generated this bargain purchase gain.

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(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)***(g) Differences in basis relating to purchase accounting (continued)**

For disclosure purposes, under US GAAP the estimated fair values of assets acquired and liabilities assumed are summarized as follows:

|  |     |          |
|--|-----|----------|
| Fair value of non-cash assets acquired (i) | Ps  | 81,093   |
| Fair value of liabilities assumed          |     | (1,108)  |
| Fair value of net assets acquired          | Ps. | 79,985   |
| Purchase price                             | Ps. | 61,486   |
| Seller financing                           |     | (33,403) |
| Advance payments (ii)                      |     | (28,083) |
| Net cash paid for the acquisition          | Ps. | -        |

(i) Corresponds to fixed assets of Ps. 67.0 million, intangible assets of Ps. 3.1 million, air space of Ps. 6.7 million and deferred income assets of Ps. 4.3 million.

(ii) Amount paid in 2007 when preliminary agreement was signed between INCSA and APSA.

In the period from acquisition to June 30, 2011, Soleil contributed revenues of Ps. 22.1 million and net income of Ps. 9.6 million to the Company's consolidated results. If Soleil had been acquired on July 1, 2009, combined revenues of the Company would have been Ps. 1,026.6 million (unaudited) and net income would have been Ps. 231.0 million (unaudited) for the year ended June 30, 2010. These amounts have been calculated using the Company's accounting policies and by adjusting the results of the Soleil to reflect the additional depreciation and amortization, as appropriate, that would have been charged assuming the fair value adjustments to net assets acquired had been applied from July 1, 2009, together with its consequential tax effects.

Acquisition of Metroshop S.A.'s shares

On January 13, 2011, the Company completed the acquisition of an additional 50% interest in Metroshop. As from that date, Metroshop becomes a wholly-owned subsidiary of the Company. Under Argentine GAAP, the Company determined that the transaction represented the acquisition of a business. Accordingly, the Company accounted for the acquisition under the purchase method of accounting. Under the purchase method of accounting, the Company allocated the purchase price to tangible and intangible assets and liabilities assumed based on the respective fair values. Transaction costs are considered part of the consideration transferred. The acquisition date fair value of the net assets acquired exceeded the cost of the acquisition. Under Argentine GAAP, the excess of the fair value of the net assets acquired over cost represents negative goodwill. When there is negative goodwill, Argentine GAAP requires a reassessment to determine all assets acquired, liabilities assumed, and consideration transferred. The Company performed a reassessment and has still concluded that it has negative goodwill. However, under Argentine GAAP, when negative goodwill exists, acquired intangible assets are reduced to absorb the negative goodwill even if they are assigned a zero value. Any remaining negative goodwill is accounted for as described in Note 3.i.

Under US GAAP, the Company applied the provisions of ASC No. 805 and also determined that this transaction qualifies as a business acquisition. Accordingly, the Company accounted for the acquisition under the purchase method of accounting and allocated the purchase price to tangible and intangible assets and liabilities assumed based on the respective fair values. Under ASC No. 805, the acquirer's previously held equity interest is remeasured to fair value at the date the controlling interest is acquired. Any difference between the carrying value and the fair value of the previously held equity interest is recognized as a gain or loss in the income statement. Under ASC No. 805, any excess of the value assigned to the net identifiable assets acquired over the fair value of the consideration transferred and any previously held equity interest in the acquiree and any non-controlling interest is a bargain purchase gain and should be recognized in earnings. Acquisition-related costs are considered separate transactions and should not be included as part of the consideration transferred, but rather expensed as incurred. There were no significant transaction costs as part of the transaction.

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(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)***(g) Differences in basis relating to purchase accounting (continued)**

As a result of the above explanation, the US GAAP adjustment for the acquisition of Metroshop represents the effect of (i) the recognition of a bargain purchase gain of Ps. 2.4 million and (ii) the gain from the re-measurement of the previously held interest at fair value of Ps. 7.6 million.

For disclosure purposes, under US GAAP the estimated fair values of assets acquired and liabilities assumed are summarized as follows:

|  |     |          |
|--|-----|----------|
| Cash and cash equivalents acquired         | Ps. | 2,279    |
| Fair value of non-cash assets acquired (i) |     | 75,414   |
| Fair value of liabilities assumed          |     | (41,680) |
| Fair value of net assets acquired          | Ps. | 36,013   |

|                                   |     |        |
|-----------------------------------|-----|--------|
| Purchase price                    | Ps. | 25,947 |
| Net cash paid for the acquisition | Ps. | 25,947 |

(i) Corresponds mainly to intangible assets of Ps. 15.2 million, receivables of Ps. 55.6 million and other assets of Ps. 4.6 million.

In the period from acquisition to June 30, 2011, Metroshop contributed revenues of Ps. 4.8 million and net income of Ps. 0.5 million to the Company's consolidated results. If Metroshop had been acquired on July 1, 2010, combined revenues of the Company would have been Ps. 1,168.8 million (unaudited) and net income would have been Ps. 288.4 million (unaudited) for the year ended June 30, 2011. If Metroshop had been acquired on July 1, 2009, combined revenues of the Company would have been Ps. 1,031.8 million (unaudited) and net income would have been Ps. 220.4 million (unaudited) for the year ended June 30, 2010. These amounts have been calculated using the Company's

accounting policies and by adjusting the results of the Metroshop to reflect the additional depreciation and amortization, as appropriate, that would have been charged assuming the fair value adjustments to net assets acquired had been applied from July 1, 2009 or 2010, as applicable, together with its consequential tax effects.

#### Treatment of goodwill

Effectively July 1, 2002, the Company does not amortize goodwill under US GAAP. ASC 350 requires the Company to periodically test for goodwill impairment, at least annually, or sooner if evidence of possible impairment arises. The Company performs its annual impairment testing as of June 30, using a two-step process that begins with an estimation of the fair values of the reporting units that have goodwill.

Step 1 of impairment testing consists of determining and comparing the fair value of a reporting unit to the carrying value of the reporting unit. If step 1 is failed for a reporting unit, indicating a potential impairment, the Company is required to complete step 2, which is a more detailed test to calculate the implied fair value of goodwill, and compare that value to the carrying value of the goodwill. If the carrying value of goodwill exceeds its implied fair value, an impairment loss is required to be recorded.

The Company performed Step 1 of the goodwill impairment testing as of the end of its fiscal year June 30, 2010. The Step 1 tests indicated that the fair value of the reporting units -calculated primarily using discounted expected future cash flows- exceeded their carrying values as of that date. Accordingly, Step 2 of the goodwill impairment testing was not required and no impairment charges were necessary. There were no impairment indicators present as of June 30, 2011, and therefore, no test was performed as of that date.

#### **h) Purchase accounting - Amortization and depreciation expenses**

This reconciling item should be read in conjunction with item 25.I.g. above.

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(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)***h) Purchase accounting - Amortization and depreciation expenses (continued)**

Under Argentine GAAP, goodwill continues to be amortized under the straight-line method generating amortization expense of Ps. 12.9 million for the years ended June 30, 2011, 2010 and 2009. Under US GAAP, amortization expense recorded was reversed for all periods presented.

Due to the differences in the purchase price allocation process, generally when negative goodwill exists, there are differences in the carrying amount of fixed assets and intangible assets acquired between Argentine GAAP and US GAAP. As a result, the US GAAP adjustment to income represents the net effect of (i) amortization charges for intangible assets recognized under US GAAP; (ii) higher amortization of deferred revenues (below-market leases); (iii) lower depreciation charges on fixed assets; and (iv) reversal of the amortization of the negative goodwill recorded under Argentine GAAP. The net effect of all of these adjustments amounted to Ps. 1.1 million, Ps. 2.7 million and Ps. 2.8 million during the years ended June 30, 2011, 2010 and 2009, respectively.

As a result of the explanation on this note and in Note 25.I.g the US GAAP reconciling item represents the net effect of the followings adjustments:

|  | <b>2011</b> | <b>Year ended June 30,<br/>2010</b> | <b>2009</b> |
|--|-------------|-------------------------------------|-------------|
| <b>US GAAP adjustments:</b>                            |             |                                     |             |
| - Reversal of amortization expense on goodwill         | Ps. 529     | Ps. 2,868                           | Ps. 1,518   |
| - Differences in the purchase price allocation process | (3,617)     | (422)                               | (1,229)     |
| Short-term debt  |             |                                     | 505         |

|  |         |        |       |
|--|---------|--------|-------|
| - Bargain purchase   | 20,775  | 58,822 | --    |
| - Re-measurement of the previously held interest at fair value | 12,288  | 4,036  | (943) |
| - Transaction costs  | (2,768) | (352)  | --    |
| - Total  | 27,207  | 64,952 | (654) |

**(i) Securitization accounting**

The Company enters into ongoing revolving-period securitization programs transferring credit card receivables to trusts in exchange for cash and retained interests in the trusts (known as “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 the Company on a monthly basis according to a schedule until all TDFs are fully paid.

Under Argentine GAAP, the Company recognizes a gain or loss on the sale of receivables when the carrying value of transferred credit card receivables differs from the amount of cash and CPs received. Results recognized on the sale of receivables are reported as a component of “Net income (loss) from retained interest in securitized receivables” in the accompanying Consolidated Statements of Operations. 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 financial statements issued by the trusts, less allowances for impairment if the carrying value exceeds their fair value and classified as investments in the accompanying Consolidated Balance Sheets. Certain expenses associated with the securitization of credit card receivables are capitalized and amortized over the term of the agreements.

Under US GAAP, prior to July 1, 2010 the Company adopted SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities”, as amended by SFAS 156, both of them codified under the topic ASC No. 860 “Transfers and Servicing” (“ASC No. 860”). ASC No. 860 required an entity to recognize the financial and servicing assets it controls and the liabilities it had incurred and to derecognize financial assets when control has been surrendered. The proceeds of securitized financial assets were allocated to the assets sold, the servicing asset or liability and retained interest, based on their relative estimated fair values at the transfer date in determining the gain on the securitization transaction. Furthermore, the Company considered that the securitization programs through which it transfers receivables to financial trusts qualify as QSPEs. ASC No. 860 also provided guidance on accounting for separately recognized servicing assets and servicing liabilities. In accordance with the provisions of ASC No. 860, separately recognized servicing assets and servicing liabilities had to be initially measured at fair value, if practicable.

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(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

**(i) Securitization accounting (continued)**

Subsequent to initial recognition, the Company might have used either the amortization method or the fair value measurement method to account for servicing assets and servicing liabilities within the scope of this Statement. Following ASC No. 860, the Company elected the amortization method and assessed the increase in the obligation of the servicing liability based on fair value.

Prior to July 1, 2010, the retained interests in securitized credit card receivables were treated as an equity security classified as available-for-sale in accordance with ASC No. 320 “Investments – Debt and Equity Securities” (“ASC No. 320”), and were carried at fair value. At the time of securitization, the retained interest was initially recorded at the basis allocated in accordance with ASC No. 860. This original cost basis was periodically adjusted to fair value, which was based on the discounted anticipated future cash flows on a “cash out” basis. The cash out method projected cash collections to be received only after all amounts owed to investors have been paid. Adjustments to fair value (net of related deferred income taxes) were recorded as a component of other comprehensive income. ASC No. 320 also stated that for individual securities classified as available-for-sale an enterprise should determine whether a decline in fair value below the amortized cost basis is other than temporary. In such event, accumulated unrealized losses included in other comprehensive income should be reclassified into the statement of operations. Cash reserves were considered retained interests and as such they were considered in calculating the gain or loss on the sale of receivables under US GAAP.

Effective July 1, 2010, the Company implemented new accounting guidance provided by SFAS 166 and 167 (ASU 2009-16 and ASU 2009-17, respectively, under the new codification), which amend the accounting for the transfers of financial assets and the consolidation of variable interest entities (VIEs).

The new guidance eliminates the concept of qualified special purpose entities (“QSPEs”) that were previously exempt from consolidation and introduces a new framework for determining the primary beneficiary of a VIE. The primary beneficiary of a VIE is required to consolidate the assets and liabilities of the VIE. Therefore, the Company must evaluate all existing securitization trusts that qualify as QSPEs to determine whether they must be consolidated in accordance with ASU 2009-17. Under the new guidance, the primary beneficiary is the party that has both (1) the power to direct the activities of an entity that most significantly impact the VIE’s economic performance; and (2) through its interests in the VIE, the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

To assess whether the Company has the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance, the Company considers all facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes, first, identifying the activities that most significantly impact the VIE’s economic performance; and second, identifying which party, if any, has power over those activities.

As a consequence of this assessment, the Company was deemed to be the primary beneficiary of these securitization trusts because the Company (through its subsidiaries) has the power to direct the activities of these VIEs through its servicing responsibilities and duties. The Company also through its retained interests held in these securitizations has the obligation to absorb losses or the right to receive benefits from the VIE.

Therefore, the Company must, under ASC 810-10-65, measure the components of those newly consolidated financial trusts at their carrying amounts as of the adoption date. The Company must determine the amounts of the assets, liabilities, and non-controlling interests of the newly consolidated financial trusts, that would have been recorded in the Company’s financial statements as of July 1st 2010, as if ASU 2009-17 had been effective as of the date of the Company’s initial involvement with the financial trusts. Any difference between the net amount added (assets less liabilities of each financial trusts where the Company is primary beneficiary) from the Company’s balance sheet and the amount of any previously recognized retained interest is recognized as a cumulative-effect adjustment to retained earnings as of June 30, 2010.

The company determined that the difference between (i) the net amount that should be added as of June 30, 2010 (carrying amounts of assets less liabilities of each financial trusts), and (ii) the amount of the retained interest related to

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(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)***(i) Securitization accounting (continued)**

securitization programs, is not material. Therefore, no adjustments to retained earnings were recognized under US GAAP as of June 30, 2010. The amount of retained interest as of June 30, 2010 was as follows:

|                                       | <b>Cost</b> | <b>Estimated unrealized<br/>(loss) (i)</b> | <b>Fair value (ii)</b> |
|---------------------------------------|-------------|--|------------------------|
| Retained Interest as of June 30, 2010 | Ps. 119,576 | Ps. (4,457)                                | Ps. 115,119            |

These retained interests were treated as an equity securities classified as available-for-sale in accordance with ASC No. 320, and were carried at fair value. As of July 1, 2010, in accordance with the new accounting standards, the estimated unrealized losses were reclassified to retained earnings (loss) and the company must consolidate its VIEs in which it had retained interests and for which it is the primary beneficiary. The table below presents the assets and liabilities of the financial trusts which have been consolidated for US GAAP purposes:

|                       | <b>July 1, 2010</b> |         |
|-----------------------|---------------------|---------|
| Total Assets (1)      | Ps.                 | 268,692 |
| Total Liabilities (2) | Ps.                 | 151,559 |
| CPs                   | Ps.                 | 117,133 |

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- (1) Included cash and due from banks, credit card receivables net of allowances and other assets.
- (2) Included debt securities and other liabilities.

As further explained in Note 2.g.B.7.(iii), on September 13, 2010, APSA sold 80% of Tarshop's capital stock thus retaining an equity interest of 20% in such entity. At the date of the sale, APSA deconsolidated the subsidiary (Tarshop) and recognized a gain for the sale of 80% capital stock in accordance with ASC No. 810 amounting to Ps. 28.8 million. Therefore, no reconciliation adjustments were recorded since such date regarding Tarshop securitization programs.

Provided below is an analysis of the securitization accounting adjustments as of June 30, 2010, including a description of each significant component, where appropriate.

The shareholders' equity adjustments as of such date represent the difference in the valuation of the Company's retained interests in the trusts related to securitization programs that qualified for sale treatment under US GAAP. Under Argentine GAAP, retained interests in the trusts were carried at the lower of their equity value and their fair value. Under US GAAP those retained interests were considered available-for-sale securities in accordance with ASC No. 320 and, as a result, were carried at their estimated fair market value. The US GAAP adjustments affecting shareholders' equity at June 30, 2010 are as follows:

|  |            | <b>2010</b> |
|--|------------|-------------|
| Equity value, net of allowances, as reported under Argentine GAAP  | Ps.        | 144,913     |
| Less: retained interests related to securitization programs that did not qualify as a sale under US GAAP                                   |            | (29,794)    |
| Equity value reported under Argentine GAAP of retained interests related to securitization programs that qualified as a sale under US GAAP | Ps.        | 115,119     |
| Estimated fair value of retained interests related to securitization programs that qualified as a sale under US GAAP                       |            | 115,119     |
| <b>US GAAP adjustment</b>  | <b>Ps.</b> | <b>--</b>   |

The US GAAP adjustments affecting net income as reported under Argentine GAAP for the year ended June 30, 2010, are as follows:

|  |            | <b>2010</b>    |
|--|------------|----------------|
| Reversal of (gains) losses recognized under Argentine GAAP             | Ps.        | (6,374)        |
| Recognition of gains (losses) under US GAAP on the sale of receivables |            | 4,094          |
| <b>US GAAP adjustment</b>  | <b>Ps.</b> | <b>(2,280)</b> |

Short-term debt 510



**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)***(i) Securitization accounting (continued)**

Regarding receivables transferred in connection with the Company's securitization programs that qualified for sale treatment under US GAAP, neither the Company nor the trustee have responsibility over any shortfall or failure in collecting the receivables which are the source of cash payment for the TDF holders. Under no circumstances neither the Company nor the trustee are required to repurchase the securitized receivables. Furthermore, the agreements relating to the securitization stipulate that the rights of the beneficiaries (TDF holders) will not be affected by any financial or liquidity failure of either the trustee or the Company. The agreements also state that the transfer qualifies as a non-recourse transfer of receivables since if receivables are not collected in full, neither the trustee nor the Company is obligated to use its own cash flows to cover any potential shortfall or collection failure.

The following summarizes the changes in the balance of the Company's retained interests for the year ended June 30, 2010:

|                                   |     | <b>Cost</b> | <b>Estimated<br/>unrealized<br/>gain (loss)</b> | <b>Fair value (i)</b> |
|-----------------------------------|-----|-------------|---|-----------------------|
| Balance at June 30, 2009          | Ps. | 134,659     | Ps. (6,737)                                     | Ps. 127,922           |
| Increase in retained interest     |     | 56,724      | --  | 56,724                |
| Liquidation of retained interests |     | (71,807)    | --  | (71,807)              |
| Change in unrealized gain         |     | --          | 2,280   | 2,280                 |
| Balance at June 30, 2010          | Ps. | 119,576     | Ps. (4,457)                                     | Ps. 115,119           |

(i) Unrealized gains for the year ended June 30, 2010 were included as a component of “Accumulated Other Comprehensive Income” in shareholders’ equity.

The key economic assumptions used in measuring the fair value of retained interests at the time of and subsequent to a securitization are the estimated cash flows and the discount rate. The estimated cash flows have been discounted at rates that include charges for losses. The valuation models use information deriving from or that can be observed with market data.

**(j) Present-value accounting**

Under Argentine GAAP, certain tax credits and liabilities are measured present-valued as of year-end. Under US GAAP, present valuing or discounting of these assets is precluded. The US GAAP adjustments amount to a loss of Ps. 4.1 million and Ps. 3.5 million for the years ended June 30, 2011 and 2010, respectively, and a gain of Ps. 13.9 million for the year ended June 30, 2009.

**(k) Reversal of previously recognized impairment losses**

Under Argentine GAAP previously recognized impairment losses can be reversed. Amounts reversed in 2011, 2010 and 2009 amounted to Ps. 1.1 million, Ps. 1.2 million and Ps. 1.1 million, respectively. Under US GAAP, reversal of a previously recognized impairment loss is prohibited. When an impairment loss is recognized, the adjusted carrying amount of the asset becomes the new cost basis, which is depreciated over the remaining useful life of the asset. Previously impairment losses reversed under Argentine GAAP increased the assets costs giving rise to higher depreciation expenses. These higher depreciation charges are reversed under US GAAP which for the years ended June 30, 2011, 2010 and 2009 amounted to Ps. 4.3 million.

In 2009, certain assets were sold. The cost basis of these assets under US GAAP was lower than under Argentine GAAP due to reversal of previously impairment losses under Argentine GAAP. Consequently, the gain on the sale under US GAAP was higher in Ps. 6.4 million.

Therefore, the US GAAP adjustment represents the net effect of (i) a loss for the reversal of previously recognized impairment losses under Argentine GAAP; (ii) a gain for lower depreciation charges under US GAAP; and (iii) a higher gain on the sale of assets under US GAAP in 2009.



**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)***(1) Disposal of business****a) Disposal of equity interest in Tarshop**

As discussed in Note 2.g.B.7.(iii), on September 13, 2010, APSA completed the disposal of an 80% controlling interest in Tarshop S.A to Banco Hipotecario S.A., a related party to the Company. Under Argentine GAAP, the Company (i) derecognized the assets and liabilities at their carrying amounts at the date control was lost; (ii) recognized the fair value of the consideration received; (iii) recognized the non-controlling investment retained under the equity method at the date control was lost and (iv) recognized the resulting difference as a loss on the sale in the statement of income. Under Argentine GAAP, the Company derecognized net assets of Ps. 149.1 million, recognized a non-controlling investment of Ps. 28.9 million and recognized a loss on the sale of Tarshop of Ps.13.9 million in the income statement.

Under US GAAP, the Company applies the provisions of ASC No. 810. Under ASC No. 810, the loss of control in subsidiary results in the recognition of a gain or loss on the sale of the interest sold and on the revaluation of any retained non-controlling investment. A loss of control is an economic event, similar to that of gaining control, and, therefore, is a remeasurement event. As a result, under US GAAP, the Company (i) derecognized the assets and liabilities of Tarshop at their carrying amounts at the date control was lost (including associated goodwill); (ii) recognized the fair value of the consideration received; (iii) recognized the non-controlling investment retained at its fair value at the date control was lost and (iv) recognized the resulting difference as gain or loss in income attributable to the Company. The resulting gain or loss is calculated as the difference between (1) the aggregate of (a) the fair value of the consideration received and (b) the fair value of the noncontrolling investment retained in the former subsidiary on the date the subsidiary is deconsolidated; and (2) the carrying amount of the former subsidiary's net assets. Under US GAAP, the Company derecognized net assets of Ps. 96.5 million, recognized a non-controlling investment of Ps. 19.1 million and determined a gain of Ps. 28.8 million. Under US GAAP, this resulting gain relates to both the interest

sold and the noncontrolling investment retained. The loss related to the remeasurement of the noncontrolling investment retained to fair value is Ps. 0.2 million.

As a result of the above explanation, the US GAAP adjustments represent the difference between the Argentine GAAP loss on the sale and the US GAAP aggregate gain on the interest sold and noncontrolling investment retained.

b) Disposal of Metroshop's business

As discussed in Note 2.g.A.4., on January 13, 2011, APSA completed the disposal of Metroshop's credit portfolio to Tarshop. Under Argentine GAAP, the Company (i) derecognized the assets at their carrying amounts at the date of disposal; (ii) recognized the fair value of the consideration received; and (iii) recognized the resulting difference as a gain on the sale in the statement of income. Under Argentine GAAP, the Company derecognized net assets of Ps. 22.2 million, and recognized a gain on the sale of Metroshop's credit portfolio of Ps.15.2 million in the income statement.

Under US GAAP, the Company applies the provisions of ASC No. 810 and determined that this transaction qualifies as the loss of control of a group of assets that constitutes a business. As a result, under US GAAP, the Company (i) derecognized the assets at their carrying amounts at the date the control was lost; (ii) recognized the fair value of the consideration received; (iii) recognized the non-controlling investment retained at its fair value at the date control was lost; and (iv) recognized the resulting difference as gain or loss in income attributable to the Company. Under US GAAP, the Company derecognized net assets of Ps. 32.7 million and determined a gain of Ps. 5.3 million.

(l) **Disposal of business (continued)**

As a result of the above explanation, the US GAAP adjustment represents the difference between the Argentine GAAP and the US GAAP gain on the assets sold.

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**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

**(m) Allowance for loan losses of credit card portfolio of Metroshop**

Under Argentine GAAP, the allowance for loan losses is calculated according to specific criteria. Loan loss reserves for consumer loans are based on the client's aging.

Under US GAAP purposes, the Company has performed a migration analysis for credit cards loans of Metroshop 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.

As a result of the analysis mentioned before, the Company recorded a loss of Ps. 2,088 for the year ended June 30, 2011. No loss recognized under U.S. GAAP for the years ended June 30, 2010 and 2009.

**(n) Accounting for real estate barter transactions**

In the ordinary course of business, the Company enters into certain non-monetary transactions with third parties pursuant to whom the Company sells parcels of land held for sale in the ordinary course of business in exchange for cash and/or other real estate properties. See Note 2.g.A.7., for details of these transactions.

Under Argentine GAAP, these transactions are recorded based on the fair value of the assets involved and, as a result, a gain or loss is recognized at the time of the exchange. Under Argentine GAAP, the Company recorded gains of Ps. 51.6 million, nil and Ps. 2.6 million for the years ended June 30, 2011, 2010 and 2009, respectively.

Under US GAAP, the Company applied the provisions of ASC No. 845, "Non-monetary Transactions" (ASC No. 845). ASC No. 845 requires exchanges of non-monetary assets be measured based on the fair value of the assets exchanged and eliminates the narrow exception for non-monetary exchanges of similar productive assets and replaces it with a broader exception for exchanges of non-monetary assets that do not have "commercial substance."

Under ASC No. 845 the Company determined that all of its barter transactions have commercial substance and therefore the transactions must be measured at fair value.

Furthermore, the Company completed certain barter transactions where the Company does not receive a down payment or receives a down payment which is less than 10% of the sales price, As these transactions involved the exchange of real estate and the amount of the monetary consideration was not significant, the Company concluded that the exchange is a nonmonetary transaction, and considered the guidance in ASC No. 360-20 "Property, Plant and Equipment - Real Estate" ("ASC No. 360-20") for the recognition of gain . The Company accounted for these barter transactions under the deposit method as prescribed in ASC 360-20. Under the deposit method the Company does not recognize profit, nor records a receivable and continues to report the property and related liabilities in its balance sheet even if the buyer has assumed the liability. The Company discloses that those items are subject to a sales contract. Therefore, under US GAAP, in these cases any gain recognized under Argentine GAAP is reversed. As mentioned in Note 2.g A.7.(ii), during the year ended June 30, 2011, the Company completed a barter transaction with TGLT whereby the Company exchanged a plot of land located in the neighborhood of Caballito for residential units to be constructed in the future. Therefore, the Company determined that the gain related to this transaction of Ps. 43.4 million should be reversed for US GAAP.

The Company completed through APSA another barter transaction (i.e. the agreement with TGLT to barter the Beruti plot of land, as further described in Note 2. g.A.7.(i)) whereby the Company exchanged a parcel of land for monetary consideration and residential units to be constructed in the future. The Company recognized a gain of Ps. 20.5 million on this transaction under Argentine GAAP. Under US GAAP, the Company evaluated the guidance and considered that this transaction is partly monetary and non-monetary. The gain of the non-monetary exchange of land for finished units will be deferred until the units are finished and delivered to the Company. Once that delivery occurs, the Company will evaluate if the non-monetary transaction qualifies for gain recognition under ASC No. 845. For the

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**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

**(n) Accounting for real state barter transactions (continued)**

monetary portion of the transaction, the Company follows ASC 845-10-15-15 through 16 and considering that: i) the sale is consummated, ii) consideration has been exchanged, iii) the cash received is not subject to future subordination, and iv) the risks and rewards of ownership have been transferred, the Company concluded that the transaction met the criteria for sale recognition under ASC 360. Therefore, the Company determined that the gain related to the non-monetary portion of the transaction of Ps. 8.2 million should be reversed for US GAAP while maintaining the gain of Ps.12.3 million for the monetary portion of the transaction. The gain under US GAAP was calculated as the total gain multiplied by a factor determined as the consideration received over the sum of the consideration plus the fair value of the item received.

For the years ended June 30, 2011, 2010 and 2009, a total gain related to barter transactions of Ps. 51.6, nil and Ps. 2.6 million, respectively, recorded under Argentine GAAP, was reversed under US GAAP. However, the US GAAP adjustment also reflects the effect gains of Ps.27.0 million, Ps. 0.7 million and Ps. 14.9 million, for the years ended June 30, 2011, 2010 and 2009, respectively, related to the conclusion of barter transactions originated in prior years for which the related results have been previously recognized for Argentine GAAP purposes.

**(o) Reversal of gain from valuation of inventories at net realizable value**

Under Argentine GAAP, inventories for which the title has not yet been transferred but for which a down payment has been received fixing the sales price and the terms and conditions of the agreement provide reasonable assurance about the closing of the transaction and realization of gain, are carried at net realizable value as of period-end (these transactions are considered “consummated” for Argentine GAAP purposes). Under US GAAP, inventories are carried at

cost. The US GAAP adjustment for the year ended June 30, 2011, represents:

- (i) the reversal of the gain of Ps. 15.0 million related to the sale of Rosario plot of land (see Note 2.g.B.10) recognized under Argentine GAAP;
- (ii) the recognition of a gain of Ps. 1.2 million related to the sale of Carlos Gardel plot of land since the conditions for revenue related to a prior transaction were fulfilled for US GAAP purposes, recognized under Argentine GAAP in previous years;
- (iii) the recognition of a gain of Ps. 16.5 million related to the sale of units of Caballito Nuevo , (see Note 4.e.(i)) and the reversal of a gain of Ps. 0.4 million related to El Encuentro (see Note 4.e. (ii)).

**(p) Appraisal revaluation of fixed assets**

Under Argentine GAAP, APSA recognized a parcel of land acquired prior to June 30, 1986 at its appraised value as of such date. This appraisal increased the carrying value of the land by approximately Ps. 4.0 million, which was recorded against an appraisal revaluation reserve account in the shareholders' equity. Under Argentine GAAP, this appraisal revaluation reserve will be amortized to income once the land is disposed of or its value becomes impaired.

Under US GAAP, this parcel of land was recorded at original cost and therefore this reserve has been reversed. Since land is not amortized, there is no impact to the consolidated statement of income.

**(q) Amortization of fees related to Series II of APSA Non Convertible Notes**

Under Argentine GAAP, fees and expenses relating to the Series II of APSA Non-Convertible Notes are amortized on a straight-line method over the term of the agreement. Under US GAAP, following ASC No. 310-20 "Receivables – Nonrefundable Fees and Other Costs" ("ASC 310-20"), such costs are amortized over the same period but using the effective interest method. The US GAAP adjustments amount to a loss of Ps. 0.1 million and Ps. 0.1 million for the years ended June 30, 2011 and 2010, respectively, and a gain of Ps. 0.1 million for the year ended June 30, 2009.

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**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

**(r) Software developed or obtained for internal use**

Under Argentine GAAP, the Company capitalizes certain costs related to software developed or obtained for internal use, which would be expensed under US GAAP pursuant to the provisions of ASC No. 350-40 “Intangibles - Goodwill and Other - Internal-Use” (“ASC No. 350-40”).

The US GAAP adjustment for the years ended June 30, 2011, 2010 and 2009 represents the net effect of (i) expensing such costs as incurred and (ii) the reversal of amortization expense on costs capitalized under Argentine GAAP and expensed under US GAAP. As of June 30, 2011, these costs were fully amortized under Argentine GAAP.

**(s) Reversal of capitalized financial costs**

Under Argentine GAAP, the Company capitalized financial costs comprising of interest and foreign exchange differences for the years ended June 30, 2011, 2010 and 2009 related to the PAMSA project and Horizons project. Under US GAAP, the Company applied the provisions of ASC No. 835-20 “Interest - Capitalization of Interest” (“ASC No. 835-20”), which requires interest capitalization on assets which have a period of time to get them ready for their intended use. Capitalization of foreign exchange differences is not allowed under ASC No. 835-20. The US GAAP reconciling item represents the effect of reversing the foreign exchange differences capitalized under Argentine GAAP related to the acquisition and construction of PAMSA and Horizons for the years ended June 30, 2011, 2010 and 2009 amounting to a loss of Ps. (1.6) million, a loss of Ps. 2.0 million and a gain of Ps. 72.7 million, respectively. Reversal of capitalized financial costs in fixed assets, gives rise to differences in depreciation expense in US GAAP, which is included in this adjustment.

**(t) Debtor's accounting for a modification of APSA convertible debt instruments**

In August 2002, APSA issued US\$ 50,000 of Convertible Notes (the "APSA Convertible Notes"). Under US GAAP, the Company applied ASC No. 470-20, "Debt – Debt with Conversion and Other Options", ("ASC No. 470-20"), which requires that no portion of the proceeds be allocated to the conversion feature if the convertible debt securities are convertible into common stock of the issuer at a specified price at the option of the holder and are sold at a price or have a value at issuance not significantly in excess of the face amount. ASC No. 470-20 requires that embedded beneficial conversion features present in convertible securities be valued separately at issuance when the non-detachable conversion feature is "in-the-money" at the commitment date. The embedded beneficial conversion feature should be recognized and measured by allocating to additional paid-in capital a portion of the proceeds equal to the intrinsic value of that feature. That amount is calculated at the commitment date as the difference between the conversion price and the fair value of the common stock or other securities into which the security is convertible, multiplied by the number of shares into which the security is convertible (intrinsic value). Under US GAAP, no proceeds were allocated to the embedded conversion feature since it was "out-the-money" at the commitment date (i.e. the intrinsic value at the commitment date was zero).

As discussed in Note 4.j.(iv), the terms of the APSA Convertible Notes were modified to extend the maturity date through July 19, 2014. Argentine GAAP requires that an exchange of debt instruments with substantially different terms be considered a debt extinguishment and that the old debt instrument be derecognized. Argentine GAAP clarifies that from a debtor's perspective, 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 percent 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 debt 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 instruments 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, the Company concluded that the instruments were not substantially different and accordingly the old instrument was not derecognized.

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**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

**(t) Debtor's accounting for a modification of APSA convertible debt instruments (continued)**

Under US GAAP, the Company applied the guidance in ASC No. 470-50-40, "Debt Modification and Extinguishments" (ASC No. 470-50-40) to determine whether the debt instrument was modified or extinguished. This guidance considers the accounting for a modification of debt terms (or exchange in debt instruments) when a change in

the fair value of an embedded conversion option has occurred or an embedded conversion option has been added or eliminated from the debt instrument.

ASC No. 460-50-40 stipulates that, in evaluating whether a convertible debt instrument has been modified or extinguished, three aspects of the modification (or exchange of debt instruments) must be considered.

1. Change in cash flows: If the change in cash flows as prescribed by the analysis under Issue 96-19 is greater than 10% of the carrying value of the original debt instrument, the modification (or exchange of debt

instruments) should be accounted for as an extinguishment. This test would not include any changes in fair value to the embedded conversion option.

2. Change in fair value of the embedded conversion option: If the change in the fair value of the embedded conversion option is greater than 10% of the carrying value of the original debt instrument immediately before the change (or exchange of debt instruments), the modification (or exchange) should be accounted for as an

extinguishment.

3. Addition or removal of an embedded conversion option: The addition or removal of a substantive conversion option would automatically result in extinguishment accounting. Whether an embedded conversion option is substantive would be assessed as of the modification date and would be based on the definition of substantive in ASC No. 470-20.

Any one of the three criteria needs to be met to account for the modification of the debt instrument (or exchange of debt instruments) as an extinguishment. When the result of the three-pronged evaluation above results in a conclusion that a convertible debt instrument has been modified (and not extinguished), the Task Force affirmed as a final consensus that any increase in the fair value of the embedded conversion option should reduce the carrying value of the debt instrument (with a corresponding increase to additional paid-in capital), but any decrease in the fair value of the embedded conversion option is ignored.

Based on the analysis performed, neither of criteria 1, 2 or 3 above were met. Accordingly, the change of the debt instrument was not accounted for as an extinguishment. Thus, the increase in the fair value of the conversion option reduced the carrying value of the debt instrument with a corresponding increase to additional paid-in-capital. This resulted in an increase in interest expense prospectively, amounting to Ps. 0.4 million, Ps. 0.2 million and Ps. 0.1 million for the year ended June 30, 2011, 2010 and 2009.

**(u) Revenue recognition**

**(u.1) Deferred commissions**

Under Argentine GAAP, lease commissions earned are recognized at the time a transaction is successfully completed. A transaction is considered successfully concluded when both parties have signed the related lease contract. Under US GAAP, lease commissions are deferred and amortized to income over the term of the respective leases.

**(u.2) Scheduled rent increases**

Under Argentine GAAP, revenue from “non-cancelable” leases subject to rent escalation clauses is recognized when the escalated payment is due rather than recognizing the effects of the scheduled rent increases under the straight-line method over the lease term. Under US GAAP, the Company applied ASC No. 840 “Leases” (“ASC No. 840”), and accordingly recognized escalated rental revenue under the straight-line method over the term of the leases.

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**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

**(u) Revenue recognition (continued)**

In the determination of the US GAAP adjustment, the Company considered the definition of lease term in ASC No. 840. All lease agreements are cancelable pursuant to Law 23,091 as amended by Law 24,808. This law provides that after an initial six-month period tenants may rescind commercial lease agreements upon 60 days written notice by incurring non-significant monetary penalties (cancellations are subject to one-and-a-half month's rent if rescinded during the first year of the lease and one month's rent if rescinded after the first year of the lease).

ASC No. 840 provides that a lease that is cancelable (a) only upon the occurrence of some remote contingency, (b) only with the permission of the lessor, (c) only if the lessee enters into a new lease with the same lessor or (d) only if the lessee incurs a penalty in such amount that continuation of the lease appears, at inception, reasonably assured shall be considered "noncancelable" for purposes of this definition.

Based on the provisions of ASC No. 840, the Company concluded that, even though the lease are cancelable, lessees would incur significant "economic penalties" if these agreements were to be rescinded prior to maturity. The Company considered that these economic penalties are of such an amount that continuation of the lease agreements by lessees appear to be reasonably assured at the inception of the respective agreements.

The Company reached this conclusion based on the factors mentioned in ASC No. 840, including (i) the offices and shopping centers' geographical location and accessibility; (ii) the nature and tenure of tenants, (iii) limited availability of identical space in certain neighborhoods; (iv) the tenants' brand image and other competitive considerations; (v) tenants' significant expenses in renovation, maintenance and improvements

The Company believes that all of the above mentioned factors represent significant non-contractual penalties for the lessees, which support the Company's view that it is reasonably assured at the inception of lease agreements that such leases will not be rescinded prior to maturity even though they are cancelable as permitted by law.

**(u.3) Deferred insurance and origination fees**

Under Argentine GAAP, the Company, through its investments in Tarshop, accounted for revenues from life and disability insurance and origination fees related to credit card and personal loans receivables on an up-front basis. Under US GAAP, revenue from life and disability insurance and origination fees is recognized to income on a straight line basis over the term of the respective underlying receivables. As discussed in Note 2.g.B.7.iii., APSA sold an 80% in Tarshop on September 13, 2010, and deconsolidated the subsidiary as of that date. As from September 13, 2010, APSA maintains a 20% interest in Tarshop and accounts for its investment under the equity method of accounting. Therefore, there is no longer a US GAAP adjustment to equity for this item as of June 30, 2011. The US GAAP adjustment to income for the year ended June 30, 2011 related to the deferral of these revenues through the date Tarshop was deconsolidated with APSA. Any US GAAP adjustment related to this item is included in the determination of the equity investment in Tarshop and disclosed as Item 25.I.(1) in the US GAAP reconciliation.

**(v) Recognition of Put option**

In July 2008, the Company acquired a 30% in Metropolitan. This transaction included a put right exercisable through July 2011 to sell 50% of the equity interest acquired for a price equal to the original amount paid plus interest. Under Argentine GAAP, the Company recorded the put option at fair value and adjusted it on a monthly basis with fair value increases or decreases against income. Under US GAAP, the Company determined that the terms of the put option did not meet the definition of a derivative financial instrument for the fiscal years ended June 30, 2010 and 2009. Accordingly, the value of the put option was derecognized under US GAAP in those fiscal years.

According to ASC No. 815, "Derivatives and Hedgings" (ASC No. 815), a financial instrument is a derivative financial instrument if it meets all three of the following characteristics must be met:

- a. It has (i) one or more underlyings and (ii) one or more notional amounts or payment provisions or both.
- b. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- c. Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it



**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

**(v) Recognition of Put option (continued)**

provides for delivery of an asset that puts the recipient in a position not substantially different from the net settlement.

ASC No. 815 provide that a contract fits the description of net settlement if its settlement provisions meet one of the following criteria: (a) neither party is required to deliver an asset that is associated with the underlying and that has a principal amount, stated amount, face value, number of shares, or other denomination that is equal to the notional amount (or the notional amount plus a premium or minus a discount); (b) one of the parties is required to deliver an asset of the type described in the guidance but there is a market mechanism that facilitates net settlement; (c) one of the parties is required to deliver an asset of the type described in the guidance, but that asset is readily convertible to cash or is itself a derivative instrument.

As of June 30, 2010 and 2009 characteristics a. and b. were met since underlying is the quantity of shares to sell under the put option agreement and there was no initial net investment; however characteristic c. was not met since the Company was required to deliver an asset of the type described in the guidance but there is no market mechanism that facilitates net settlement nor the asset is readily convertible to cash or is itself a derivative instrument because shares of Metropolitan 885 Third Avenue LLC are not traded on public markets.

As of June 30, 2010, the fair value of the put option amounted to Ps. 48.5 million under Argentine GAAP. As described in Note 2.f. due to foreign currency translation procedures a cumulative translation adjustment (“CTA”) of Ps. 3,582 million was also generated for the recognition of the put option.

As mentioned in Note 25.I (a), as part of the reorganization of Metropolitan, on December 30, 2010 the put option was surrendered and used as consideration for the increased interest of the emerging entity New Lipstick LLC. The US GAAP adjustment for the year ended June 30, 2011 represents a gain due to the recognition at fair value of the put option as the put option was settled at the date of the reorganization. The US GAAP adjustment for the years ended June 30, 2010 and 2009, represents the reversal of the recognition at fair value of the put option under Argentine GAAP.

**(w) Acquisition of additional shares of APSA**

As discussed in Note 2.g.A.12, on October 15, 2010, the Company's Board of Directors resolved to exercise the option for the acquisition of the 29.55% minority interest in Alto Palermo held by PASA, cancelling the outstanding amount of US\$ 120.0 million and thus increasing the Company's interest in Alto Palermo to 94.89% (the "APSA Acquisition").

Under Argentine GAAP, the Company accounted for the APSA Acquisition under the purchase method of accounting. Under the purchase method of accounting, the purchase price paid is allocated to the net assets acquired based on its fair value. Assets, including goodwill, and liabilities of the acquired business are recognized using a cost accumulation approach (i.e. for the previous equity interests acquired). Any outstanding minority interest is recorded at its carrying amount.

The APSA Acquisition generated negative goodwill since the fair value of the net tangible and intangible assets acquired exceeded the cost of acquisition.

Under Argentine GAAP, when negative goodwill exists, any identifiable acquired intangible assets are not recognized. Negative goodwill is recognized as follows, as appropriate in the circumstances: (i) the portion of negative goodwill associated with future expected losses is recognized in income as losses are incurred; and/or (ii) the amount of negative goodwill exceeding the amount represented by the interest acquired over the non-monetary assets is recognized in income at acquisition date; and/or (iii) the amount of negative goodwill not exceeding the amount represented by the interest acquired over the non-monetary assets is deferred and amortized to income under the straight line method over the weighted average useful lives of the identifiable net assets of the acquired company, not in excess of 20 years. Consequently, under Argentine GAAP, intangible assets were assigned a zero value and negative goodwill was recognized and amortized under the straight-line method over the weighted average useful lives of the identifiable net assets of APSA.

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**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

**(w) Acquisition of additional shares of APSA (continued)**

Under US GAAP, the Company applied the principles of ASC No. 810 “Consolidation” in accounting for changes in ownership interests. As per ASC No. 810-10-65, when an additional interest is obtained and control is maintained, the transaction is accounted for as an equity transaction. The Company does not recognize any additional acquisition adjustments to reflect the subsequent purchase of additional shares in the subsidiary if there is no change in control.

Under US GAAP, the difference between the fair value of the consideration paid and the related carrying value of the noncontrolling interest acquired is recognized in the controlling interest’s equity as a credit or debit to additional paid in capital. Therefore, no gain or loss is recognized in the statement of income and the carrying value of the noncontrolling interest is adjusted to reflect the change in the noncontrolling interest’s ownership interest in APSA, amounting to Ps. 290.2 million for the year ended June 30, 2011.

As a result of the above explanation, the US GAAP net income adjustment for the APSA Acquisition, amounting to Ps. 1.4 million for the year ended June 30, 2011, represents the net effect of (i) reversing the amortization of negative goodwill recorded under Argentine GAAP and (ii) lower depreciation charges on lower carrying amounts of fixed assets under US GAAP. The US GAAP equity adjustment includes the above items and the recognition of a debit to additional paid in capital under US GAAP of Ps. 207.6 million in shareholders’ equity.

**(x) Deferred income tax**

The Company accounts for income taxes using the deferred tax method under both Argentine GAAP and US GAAP. Argentine GAAP is similar to the guidance in ASC No. 740-10 "Income Taxes" ("ASC No. 740-10") (formerly FIN 48 "Uncertain Tax Positions"). However, as discussed in Note 15, following Resolution CD 93/2005 issued by CPCECABA, the Company elected to continue treating the differences between book basis and inflation-adjusted basis of non-monetary balance sheet items as permanent for deferred income tax calculation purposes.

Under US GAAP, the Company applies ASC No. 830 "Foreign Currency Matters – Income Taxes" ("ASC No. 830"), which requires such differences to be treated as temporary.

In addition, the US GAAP adjustment includes the effect of deferred income taxes on the reconciling items, as appropriate.

Under Argentine GAAP, the Company has provided a valuation allowance for a portion of the net deferred tax assets related to the consumer financing business (Metroshop S.A.), as the future realization of their tax benefits is not considered by management to be more likely than not. The Company recognized tax loss carry forwards for an amount of Ps. 6.7 million. The legal expiration period for this tax loss carry forwards is five years. In its assessment, the Company has considered the near-term projections of the consumer financing business segment after measures taken by the Company to streamline the operations.

Also, the Company is subject to a tax on minimum presumed income. Under Argentine GAAP, the Company considered the ultimate realization of these tax credits to be more likely than not based on current projections and its legal expiration period of 10 years. As such, the Company deferred this amount as other non-current receivables in the balance sheet.

ASC No. 740 prescribes more detailed and specific guidance related to the assessment of the need for a valuation allowance. US GAAP requires the weighting of positive and negative evidence in accordance with its objective verifiability. Furthermore, it indicates that a cumulative loss in recent years is a significant piece of negative evidence that is difficult to overcome thereby requiring positive evidence of sufficient quality and quantity to support a conclusion that, based on the weight of all available evidence, a valuation allowance is not needed. When assessing whether a company's deferred tax asset will be realized, a company's recent losses or near-term expected losses will generally carry more weight in the assessment than its prior historic profitability or its longer-term projected profitability (which is typically more subjective in nature). Therefore, the existence of a 3-year cumulative loss in a jurisdiction, particularly if it includes multiple periods of significant annual losses without recent evidence of turnaround, will effectively preclude consideration of future profitability in most instances as being objectively verifiable.



**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

**(x) Deferred income tax (continued)**

Based on the authoritative literature, the losses generated by the consumer financing business are mainly a result of loan loss reserves which would not be considered one time or non-recurring as they are directly related to the business. Furthermore, the long-term projected profitability is more subjective in nature.

Accordingly, under US GAAP, a full valuation allowance has been provided for the net deferred tax assets and tax credits related to tax on minimum presumed income related to the consumer financing business segment amounting to Ps. 10.8 million and the tax effects on US GAAP adjustments.

**(y) Non controlling interest**

Effective July 1, 2009, the Company applies the provisions of ASC 810 "Consolidation". Pursuant to ASC 810-10-45-15, non controlling interest is (i) reported as part of equity of the consolidated group; (ii) recorded separately from the parent's interests; and (iii) clearly identified and labeled to distinguish it from other components of the parent's equity. The Company has non-controlling interests in more than one subsidiary. The Company determined that all of its non controlling interests should be reclassified to equity. This reclassification has been made retroactively for all periods presented.

The adjustment represents the effect of the foregoing US GAAP adjustments on the non controlling interests under Argentine GAAP.

For additional disclosures related to the non controlling interests see Note 25.II.q.

**(z) Adoption of ASC No. 740, “Income Taxes”**

On July 1, 2007, the Company adopted ASC No. 740. ASC No. 740 addresses the accounting and disclosure of uncertain tax positions. ASC No. 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The difference between the tax benefit recognized in the financial statements for a position in accordance with ASC No. 740 under analysis and the tax benefit claimed in the tax return is referred to as an unrecognized tax benefit.

The adoption of ASC No. 740 did not result in an increase to the net liability for unrecognized tax benefits.

The total amount of unrecognized tax benefits as of the adoption of ASC No. 740 at July 1, 2007 was not significant. The company classified unrecognized tax benefits not expected to be paid in the next 12 months in other non-current liabilities.

The Company’s principal taxable jurisdiction is Argentina. At any point in time, the Company may have tax audits underway at various stages of completion. The Company evaluates the tax positions and establishes liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite the company’s belief that the underlying tax positions are fully supportable. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law, and closing of statute of limitations. Such adjustments are reflected in the tax provision as appropriate.

*II. Additional disclosure requirements*

**(a) Balance sheet classification differences**

Under Argentine GAAP, assets and liabilities are classified as current or non-current depending on their respective settlement dates. Under US GAAP, balance sheets of real estate companies generally do not present a classified balance sheet.

In addition, under Argentine GAAP the Company has classified the net deferred tax liability as of June 30, 2011 amounting to Ps. 278.2 million and the net deferred tax liability as of June 30, 2010 amounting to Ps. 31.7 million, as

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*II. Additional disclosure requirements (continued)*

**(a) Balance sheet classification differences (continued)**

follows: Ps. 30.4 million and Ps. 55.9 million as of June 30, 2011 and 2010, respectively, as non-current other receivables and prepaid expenses; and Ps. 308.6 million and Ps. 87.6 million as of June 30, 2011 and 2010, respectively, as non-current taxes payable. Under US GAAP, the classification of deferred taxes is determined by the classification of the asset or liability for financial reporting to which the temporary difference is related. A temporary difference is related to an asset or liability if reduction of the asset or liability causes the temporary difference to reverse. For deferred tax balances not related to an asset or liability for financial reporting (e.g. tax loss carryforwards), the classification is based on the expected realization date. As of June 30, 2011 and 2010, Ps. 28.0 million and Ps. 37.8 million, respectively, would have been classified as current assets, and Ps.138.3 million and Ps. 155.9 million, respectively, would have been classified as non-current assets. As June 30, 2011 and 2010 Ps. 6.0 million and Ps. 10.3 million, respectively, would have been classified as current liabilities and Ps. 438.5 million and Ps. 215.1 million, respectively, would have been classified as non-current liabilities.

Furthermore, under Argentine GAAP, deferred debt costs are shown as a deduction of the corresponding liability. Under US GAAP, issue costs should be reported as deferred charges of Ps 14,076 and Ps. 8,633 for the years ended June 30, 2011 and 2010, respectively.

As these differences have no effect on net income or on shareholders' equity, no reconciling items are presented for US GAAP measurement purposes.

**(b) Statement of income classification differences**

Short-term debt

Should a US GAAP income statement be presented, certain items shown in some line items of the income statement under Argentine GAAP would have to be reclassified to affect other line items. The following reclassifications are intended to present Argentine GAAP numbers using a different criterion of classification under US GAAP. The numbers included below are not US GAAP numbers.

### ***Revenues***

#### **Gross vs. net presentation**

As part of the lease agreements, tenants are required to pay their proportionate share of common area maintenance expenses. The Company does not charge any mark up on reimbursable costs. These expenses are incurred and paid by the Company and then passed through to tenants as reimbursable costs.

Under Argentine GAAP, pass-through expenses, such as these reimbursable costs, are accounted for on a net basis and, as such, excluded from revenues and expenses in the Consolidated Financial Statements. However, Note 26.f shows the total amount of expenses passed through to tenants by expense category with the corresponding offsetting amount therefore having no impact in the consolidated costs of the Company. No amount is shown as revenues.

Under US GAAP, the Company accounts for pass-through revenue and expenses as a component of revenue and as a component of operating expenses in the statement of income. These costs, which are pass-through expenses to tenants included in both revenues and expenses were Ps. 379.0, Ps. 253.9 and Ps. 228.5 million for the years ended June 30, 2011, 2010 and 2009, respectively. As these expenses are fully reimbursed, without mark-up, by the tenants, there is no impact on operating income, net income, EPS, cash flows or the balance sheet.

Should the US guidance be applied to the Argentine GAAP income statement, net revenues under Argentine GAAP would have been Ps. 1,820.9 million, Ps. 1,577.2 million and Ps. 1,449.1 million for the years ended June 30, 2011, 2010 and 2009, respectively.

### ***Operating income***

Under US GAAP, certain income and expense items included in the Argentine GAAP financial statements of the Company within "Other expenses, net" would have been included in the determination of operating income. In addition,



**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***II. Additional disclosure requirements (continued)***(b) Statement of income classification differences (continued)**

under Argentine GAAP, the recovery of certain allowances and provisions has been included within “Other expenses, net”. Under US GAAP, such items would have been classified as a reversal to the amounts in the line items which were originally recorded. Should certain other expenses, financial results and the recovery of allowances and provisions be reclassified into/out of operating income, as applicable, operating income under Argentine GAAP would have been Ps. 599.4 million, Ps. 539.6 million and Ps. 294.4 million for the years ended June 30, 2011, 2010 and 2009, respectively.

**(c) Maturities of long-term debt**

Aggregate annual maturities during the next years (excluding current portion of Ps. 683,813 and capitalized costs of issuance of debt of Ps.12,002 - See Note 25.II.(a)), as of June 30, 2011, are as follows:

|                 |     |           |
|-----------------|-----|-----------|
| 2012            | Ps. | 58,660    |
| 2013            |     | 16,279    |
| 2014            |     | 130,222   |
| Thereafter 2015 |     | 1,563,760 |
|                 | Ps. | 1,768,921 |

**(d) Operating leases**

This note discloses operating leases information of the Company and its controlled and jointly controlled subsidiaries:

*- Operating lease information:*

- Leases and services from office and other buildings

The Company enters into cancelable commercial leases with its tenants for terms ranging from three to five years, with most leases having terms of no more than 5 years. Tenants are charged a base rent on a monthly basis. No contingent rentals were recorded for the years ended June 30, 2011, 2010 and 2009.

- Leases and services from shopping center operations

The Company enters into cancelable commercial leases with its tenants for terms ranging from three to ten years, with most leases having terms of no more than five years. Tenants are generally charged a rent, which consists of the higher of (i) the base rent and (ii) the percentage rent (which generally ranges between 4% and 10% of the tenants 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. Included in lease revenues for the years ended June 30, 2011, 2010 and 2009 were contingent rentals of Ps. 158.5 million, Ps 95.6 million and Ps. 70.9 million, respectively. Even though the leases are cancelable by law, the Company considered them to be non-cancelable for these purposes. See Note 25.I. (u.2). for more information as to how the Company considered this definition.

Minimum future rentals on non-cancelable leases from shopping centers for each of the five fiscal years as of June 30, 2011 are as follows:

|            |     |            |
|------------|-----|------------|
| 2012       | Ps. | 273,239    |
| 2013       |     | 218,379    |
| 2014       |     | 130,121    |
| 2015       |     | 56,142     |
| 2016       |     | 60,943     |
| Thereafter |     | 36,742     |
|            | Ps. | 775,566(1) |

(1) Include leases agreements in US\$ at the exchange rate quoted by Banco Nación Argentina as of June 30, 2011 which was 4.11.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*II. Additional disclosure requirements (continued)*

**(e) Disclosure of related parties transactions**

Pursuant to ASC No. 850 “Related Party Disclosures” (ASC No. 850), the Company provides the following additional disclosures of transactions with related parties. This section should be read in conjunction with Note 11 to the consolidated financial statements:

- **Acquisitions:** During the fiscal year ended June 30, 2011, 2010 and 2009, Cresud acquired additional shares of the Company. Consequently, Cresud’s equity interest in the Company amounts approximately to 57.70% as of June 30, 2011. Cresud exercises control on the Company as it holds the necessary votes to form the social will in the ordinary meetings of shareholders.

During fiscal year ended June 30, 2009, the Company bought APSA's notes (Nominal Value US\$ 120 million and due 2017), for US\$ 39.6 million in par value at an average US\$ 0.46 quoted price. The total amount paid was US\$ 19.3 million. This transaction generated Ps. 74,285 income (gain recognized on extinguishment of subsidiary debt).

During fiscal year 2010, the Company acquired APSA's notes (Nominal Value Ps. 154 million and due 2012) for a nominal value of Ps. 46.5 million, at an average Ps. 0.61 quoted price. The amount paid amounted to US\$ 8.2 million. This transaction generated Ps. 18,363 income (gain recognized on extinguishment of subsidiary debt).

During fiscal year 2011, the Company sold APSA’s notes for US\$ 38.1 million. The difference has been treated as an implicit financial cost of the transaction, which shall accrue and be amortized against income over the term of the

notes.

During fiscal year 2009, the Company acquired additional shares of BHSA for Ps. 107.6 million, out of this total amount, Ps. 25.5 million and Ps. 53.3 million were acquired from IFISA and Dolphin Fund Plc., respectively.

During fiscal year 2010, the Company acquired additional shares of BHSA for Ps. 118.7 million, out of this total amount, Ps. 80.5 million were acquired from IFISA.

During fiscal year 2011, the Company acquired additional shares of BHSA for PS. 36.2 million, exercising its preemptive right.

On January 13, 2011, APSA purchased 18,400,000 registered, non-endorsable shares of common stock with a face value of Ps. 1 each and entitled to one vote per Class B share, representing 50% of Metroshop's common capital stock. As of June 30, 2011 APSA has 100% of Metroshop's common capital stock. (See Note 24.2.).

On January 13, 2011, and as an action subsequent to the purchase of the remaining 50% of Metroshop's shares by the Company, Metroshop transferred the following assets to Tarshop:

- i. Receivables from consumption transactions carried out through December 31, 2010 and that are performing or in default for not more than 60 days (both those in Metroshop S.A.'s own portfolio and those assigned to Fideicomiso Financiero Metroshop S.A. Serie XV).
- ii. The contractual position in the credit card issuance agreements whose customers did not have as of December 31, 2010 a default for over 60 days in complying with their obligations.
- iii. All credit card customers or accounts and consumer loans.
- iv. Lease agreements on certain branches and their personal property.
- v. Labor agreements for payroll personnel.

During fiscal year 2011, APSA's Board of Directors approved the sale of a 80% interest in Tarshop to Banco Hipotecario S.A. ("BHSA") for a sale price of US\$ 26.8 million. The transaction was approved by the *Banco Central*

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*II. Additional disclosure requirements (continued)*

**(e) Disclosure of related parties transactions (continued)**

*la República Argentina*, and subsequently was closed on September 13, 2010. APSA committed not to compete in the credit card or consumer loan origination business market where Tarshop conducts business for a period of 5 years.

On October 13, 2010, APSA and TGLT, a real estate developer in Argentina, entered into an agreement to barter a plot of land located in Beruti street Nos. 3351/59 in the city of Buenos Aires for monetary consideration and future units to be constructed by TGLT on the land. The transaction was subject to certain precedent conditions including the completion by TGLT of its initial public offering. The transaction was agreed upon at US\$ 18.8 million. TGLT plans to construct an apartment building with residential and commercial parking space. In consideration, TGLT may transfer APSA (i) a number of apartments to be determined representing 17.33% of the saleable square meters occupied by apartment units of the future building; (ii) a number of parking spaces to be determined representing 15.82% of the saleable square meters occupied by parking space of the future building; (iii) all spaces reserved for commercial parking in the future building and (iv) the amount of US\$ 10.7 million payable upon delivering the deeds of title on the land.

TGLT completed its initial public offering in the Buenos Aires Stock Exchange on October 29, 2010. Therefore, the precedent condition for the transaction was fulfilled on that date. TGLT paid the US\$10.7 million on November 5, 2010. On December 16, 2010, the title deed to the Beruti plot of land was executed.

To secure performance of obligations assumed by TGLT under the deed of sale, a mortgage was granted in favor of the Company. (See Note 24.1)

On June 29, 2011, the Company and TGLT also entered into an agreement to barter a plot of land located in the neighborhood of Caballito in the city of Buenos Aires for future units to be constructed by TGLT on the land. The transaction was agreed upon at US\$ 12.8 million. TGLT plans to construct an apartment building with residential, offices and parking space. In consideration, TGLT paid US\$ 0.2 million in cash and may transfer IRSA: (i) a number of apartments to be determined, which represents in all 23.10% of the square meters of the saleable houses; (ii) a number to be determined of complementary units (garages), which represents in all 21.10% of the square meters of the garages; and (iii) in case TGLT builds complementary storage rooms, a number to be determined, which represents 21.10% of the square meters of the storage rooms; of the future real estate that shall form part of the project.

TGLT is committed to build, finish and obtain authorization for the three buildings that shall make up the building project, within 36 to 48 months. To secure performance of obligations assumed by TGLT under the deed of sale, a mortgage was granted in favor of the Company.

- Donations: For the years ended June 30, 2011, 2010 and 2009, the Company made donations to two not-for-profit organizations, namely *Fundación IRSA* and *Museo de los Niños*, amounting Ps. 3.1 million, Ps. 2.6 million and Ps. 4.0 million, respectively. A director and shareholder of the Company is the President of these organizations.

- Lease agreements: Our principal executive offices are located at Bolívar 108, in the City of Buenos Aires. In the past we subleased a portion of our headquarters from Consultores Assets Management S.A. (formerly Dolphin Fund Management) pursuant to two lease agreements dated June 30, 1997. As of November 25, 2003 Eduardo Elsztain is the owner of 100% of its capital stock. Consultores Assets Management S.A. leased such offices both from Elsztain e Hijos S.C.A., a company controlled by relatives of Eduardo S. Elsztain, our chairman, and also from Hamonet S.A., a company controlled by Fernando A. Elsztain, our director, and certain of his relatives.

- Mutual investment fund: Since 1996, the Company has investments in Dolphin Fund Plc, an open – ended investment fund which is related to the Company’s directors. These investments are carried at market value as of year-end, with unrealized gains reported in earnings within “Financial results, net” in the accompanying Consolidated Statements of Income.

The Company recognized net (loss) gains of Ps. (4.2) million, Ps. 3.2 million and Ps. (12.1) million for the years ended June 30, 2011, 2010 and 2009 respectively.

- Corporate services: IRSA shares corporate services (including but not limited to finance, human resources, procurement, internal audit, systems, administration, etc.) with APSA and Cresud under an Exchange of Operating



**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*II. Additional disclosure requirements (continued)*

**(e) Disclosure of related parties transactions (continued)**

Services Agreement entered into by all three companies in June 2004 which was subsequently amended on August 23, 2007, August 14, 2008, November 27, 2009 and July 11, 2011. IRSA pays a monthly fee, primarily through the provision of services to the other parties.

- Legal services: During the years ended June 30, 2011, 2010 and 2009, the Company paid the law firm Zang, Bergel & Viñes an aggregate amount of approximately Ps. 6.0 million, Ps. 4.9 million and Ps. 3.2 million, respectively, for legal services. Certain directors or alternative directors of the Company are partners of the law firm and an alternate director of the Company is off counsel of the law firm.

**(f) Disclosure about fair value of financial instruments**

Under Argentine GAAP, there are no specific rules regarding disclosure of fair value of financial instruments.

Under US GAAP, the rules regarding disclosure of fair value of financial instruments are: ASC No. 815, "Derivatives and Hedging", ("ASC No. 815"), formerly SFAS No. 133, which amended SFAS No. 107 and superseded SFAS No. 105 and 119, and ASC No. 820, "Fair value measurement and disclosure", ("ASC No. 820"), formerly SFAS No. 157.

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The Company adopted ASC No. 820 in the fiscal year ended June 30, 2009. In such guidance, three levels of input are used to measure fair value, are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the assets or liabilities.

Level 3: Unobservable inputs for assets or liabilities.

Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and the relevant market information. Quoted market prices are used when available. In other cases, 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 risk characteristics of various financial instruments, prepayments, discount rates, and estimates of future cash flows, future expected loss experience, and other factors. Changes in 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, the Company's fair values should not be compared to those of other companies.

The following table summarizes the fair values of the assets and liabilities measured at fair value on recurring basis as of June 30, 2011:

|  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
|--|----------------|----------------|----------------|----------------|
| <b>ASSETS</b>                          |                |                |                |                |
| Cash and banks                         | 168,170        | --             | --             | 168,170        |
| Other current Investments, net (i)     | 207,556        | --             | --             | 207,556        |
| Other non-current investment, net (ii) | 355,893        | --             | --             | 355,893        |
| Other Investment, net (iii)            | 68,550         | --             | --             | 68,550         |
| <b>Total</b>                           | <b>800,169</b> | <b>--</b>      | <b>--</b>      | <b>800,169</b> |



**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*II. Additional disclosure requirements (continued)*

**(f) Disclosure about fair value of financial instruments (continued)**

- (i) Includes mutual funds, mortgage bonds issued by Banco Hipotecario S.A., shares from public companies and government bonds.
- (ii) Corresponds to investment in equity securities in Hersha.
- (iii) Corresponds to investment in equity securities in TGLT.

There were no liabilities measured at fair value on a recurring basis as of June 30, 2011.

The following is a description of the valuation methodologies used for the assets and liabilities measured at fair value, key inputs and significant assumptions:

Cash equivalents: Cash equivalents represent highly liquid investments with original maturities of three months or less. Generally, quoted market prices are used to determine the fair value of these instruments.

Marketable securities: Marketable securities and other securities investments include debt securities and equity securities. The Company uses quoted market prices for identical or similar assets or liabilities to measure fair value.

Derivative financial instruments: The Company estimates the fair value of derivative financial instruments using industry-standard valuation models that requires observable inputs including interest rates and foreign exchange rates, and the contractual terms. In other certain cases when market data is not available, key inputs to the fair value measurement include quotes from counterparties, and other market data. The Company's derivative fair value measurements consider assumptions about counterparty and our own non-performance risk, using such as credit default probabilities.

The following is a description of the valuation methodologies used for the assets and liabilities not measured at fair value, key inputs and significant assumptions:

Mortgages and leases receivable, net: The carrying value of mortgages and lease receivables reported in the consolidated balance sheet approximates its estimated fair value. All amounts that are assumed to be uncollectible within a reasonable time are written off and/or reserved.

Accounts payable: The carrying amounts of accounts and notes payable reported in the consolidated balance sheets approximate their fair value.

Short-term debt: The carrying amounts of short-term debt reported in the consolidated balance sheets approximate fair value due to its short-term nature.

Long-term debt: Includes current portion of the non-current item. As of June 30, 2011, 2010 and 2009, except for the Non-Convertible Notes of APSA and IRSA, the carrying amounts of long-term debt reported in the consolidated balance sheets approximate their fair value.

The fair value of APSA Convertible and Non-Convertible Notes was Ps. 1,169.4 million and Ps 1,858.6 million as of June 30, 2011 and 2010, respectively. Such fair value was determined based on the market price of the shares assuming full conversion of the notes at year-end.

The fair value of IRSA Notes (see Note 10) was Ps. 1,313.1 million and Ps. 571.9 million as of June 30, 2011 and 2010, respectively and was determined based on quoted market prices of the notes.

Other receivables and other liabilities: The carrying amounts of other receivables and other liabilities reported in the consolidated balance sheets approximate fair value.

Seller financings: The fair value of the seller financings is estimated based on discounted cash flows using rates offered to the Company for debt of the same remaining maturities. The carrying value approximates fair value.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*II. Additional disclosure requirements (continued)*

**(g) Additional disclosures about derivative financial instruments**

FASB issued ASC No. 815 “Derivatives and Hedging” (“ASC No. 815”), formerly SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Standard No. 133”, to enhance the current disclosure framework in SFAS 133. ASC No. 815 amends and expands the disclosures required by SFAS No. 133 so that they provide an enhanced understanding of “(1) how and why an entity uses derivative instruments, (2) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (3) how derivative instruments affect an entity’s financial position, financial performance, and cash flows.”

The Company adopted ASC No. 815 in the fiscal year ended June 30, 2009. The Company employs derivative financial instruments, including foreign exchange forward contracts, to manage its exposure to fluctuations in foreign currency exchange rates. The Company does not use derivatives for speculation or trading

Undesignated derivative financial instruments

The Company uses foreign exchange forward contracts, to manage its exposure to foreign currency exchange rate fluctuations and interest rate fluctuations from an economic perspective, and for which the Company is unable or has elected not to apply hedge accounting.

The following table summarizes the gains and losses on derivative financial instruments reported in the Consolidated Statement of Income for the year ended June 30, 2011 and 2010:

Short-term debt

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| Derivatives not designated as hedging instruments under statement 133 | Location of gain or (loss) recognized in income on derivative | Amount of gain or (loss) recognized in income on derivative |         |
|---|---|---|---------|
|   |   | Years ended June 30, 2011                                   | 2010    |
| Foreign exchange contracts  | Financial results, net (Note 8)                               | 2,395   | (1,840) |
|   |   | Ps. 2,395Ps.  | (1,840) |

The derivatives entered into by the Company do not contain credit risk related contingent features.

Derivative financial instruments involve, to varying degrees, market risk as instruments are subject to price fluctuations and elements of credit risk in the event the counterparty should default. In the unlikely event the counterparty fails to meet the contractual terms of a foreign currency instrument, the Company's risk is limited to the fair value of the instrument.

**(h) Disclosures about credit risk and credit quality of financing receivables and allowance for credit losses**

a) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, cash equivalents, accounts receivable, and short-term investments.

The Company places its cash and cash equivalents, investments, and other financial instruments with various high credit quality financial institutions, thus mitigating the amount of credit exposure to any one institution. The Company has not experienced any significant losses in such accounts.

The Company's accounts receivable are primarily derived from leases and services from the Company's shopping center and office buildings customers and origination of consumer loans and credit card receivables. The Company is not dependent on any single customer. Accounts receivable derived from leases and services are related to the Company's shopping center operations. The Company has not experienced any significant losses resulting from non-performance of any counterpart to the lease contracts.



**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***II. Additional disclosure requirements (continued)***(h) Disclosures about credit risk and credit quality of financing receivables and allowance for credit losses (continued)**

Consumer loan and credit card receivables arise primarily under open-end revolving credit accounts used to finance purchases of goods and services offered by the Company's shopping centers, hypermarkets and street stores, and financing and lending activities through the Company's subsidiaries Tarshop and Metroshop.

**b) Disclosure about credit quality of financing receivables and allowance for credit losses**

Financing receivables of the Company are mainly comprised of receivables from the sale of properties (i.e. real estate) and consumer financing receivables (including consumer loans and credit card transactions).

**Receivables from the sale of properties**

As of June 30, 2011, receivables from the sale of properties represented 0.8% of total assets. Following is a table which includes an aging analysis of past due receivables from the sale of properties by class as of June 30, 2011:

|                           | 1-30 days<br>past due | 30-60 days<br>past due | 60-180<br>days past<br>due | 180-365<br>days past<br>due | 365+ days<br>past due | Total past<br>due | Current | Total  |
|---------------------------|-----------------------|------------------------|----------------------------|-----------------------------|-----------------------|-------------------|---------|--------|
| <b>June 30, 2011:</b>     |                       |                        |                            |                             |                       |                   |         |        |
| Real estate:              |                       |                        |                            |                             |                       |                   |         |        |
| Real estate – residential | 38                    | 46                     | 46                         | 80                          | 2,666                 | 2,876             | 27,125  | 30,001 |
| Real estate – offices     | --                    | --                     | --                         | --                          | --                    | --                | 18,502  | 18,502 |

Short-term debt

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For this segment, the Company collectively evaluates for impairment smaller-balance homogeneous loans, based on grouping its portfolio in loans with similar characteristic, taking into account asset type, collateral type, past-due status and other relevant factors. The Company applies allowance factors, which in the judgment of management represent the expected losses over the life of the loans. In determining those factors, the Company considers the following: (i) delinquencies and overall risk ratings, (ii) loss history, (iii) trends in volume and terms of loans, (iv) effects of changes in lending policy, (v) the experience and depth of the borrowers' management, (vi) national and local economic trends, (vii) concentrations of credit by individual credit size and by class of loans, (viii) quality of loan review system, and (ix) the effect of external factors (e.g., competition and regulatory requirements). As of June 30, 2011 all of these receivables are secured by mortgages.

The credit quality of these financing receivables is assessed by reference to historical information about counterparty default rates, as detailed in the table below:

|                       | <b>Real estate –<br/>residential</b> | <b>Real estate –<br/>offices</b> | <b>Total</b> |
|-----------------------|--------------------------------------|----------------------------------|--------------|
| <b>June 30, 2011:</b> |                                      |                                  |              |
| Group 1               | 26,855                               | 18,502                           | 45,357       |
| Group 2               | 497                                  | --                               | 497          |
| Group 3               | 2,649                                | --                               | 2,649        |

§ Group 1 - new customers (less than 3 years) with no defaults in the past.

§ Group 2 - existing customers (more than 3 years) with no defaults in the past.

§ Group 3 - existing customers (more than 3 years) with some defaults in the past.

**IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)***II. Additional disclosure requirements (continued)***(h) Disclosures about credit risk and credit quality of financing receivables and allowance for credit losses (continued)****Consumer financing receivables**

As of June 30, 2011, consumer financing receivables represented 1.2% of total assets. Following is a table which includes an aging analysis of past due consumer financing receivables by class as of June 30, 2011:

|                        | To mature | 1-30 days<br>past due | 30-60 days<br>past due | 60-180<br>days past<br>due | 180-365<br>days past<br>due | 365+ days<br>past due | Total past<br>due |
|------------------------|-----------|-----------------------|------------------------|----------------------------|-----------------------------|-----------------------|-------------------|
| <b>June 30, 2011:</b>  |           |                       |                        |                            |                             |                       |                   |
| Consumer:              |           |                       |                        |                            |                             |                       |                   |
| Consumer – credit card | 3,759     | 216                   | 382                    | 530                        | 520                         | 13,111                | 14,759            |
| Consumer - loans       | 9,465     | 546                   | 691                    | 1,463                      | 2,547                       | 42,220                | 47,467            |

For its consumer financing segment, the Company has developed and documented a systematic methodology to determine its provision for loan losses, based on grouping its portfolio in loans with similar characteristic, taking into account asset type, collateral type, past-due status and other relevant factors. The Company applies allowance factors, which in the judgment of management represent the expected losses over the life of the loans. In determining those factors, the Company considers the following: (i) delinquencies and overall risk ratings, (ii) loss history, (iii) trends in volume and terms of loans, (iv) effects of changes in lending policy, (v) the experience and depth of the borrowers' management, (vi) national and local economic trends, (vii) concentrations of credit by individual credit size and by class of loans, (viii) quality of loan review system, and (ix) the effect of external factors (e.g., competition and regulatory requirements). As of June 30, 2011, the Company provided for losses with respect to consumer financing receivables for an amount of Ps. 59.9 million.

The following table present performing and nonperforming consumer financing receivables based on payment activity for the year ended June 30, 2011. Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when days delinquent is greater than 30 days.

|                       | Consumer – credit<br>card | Consumer - loans | Total  |
|-----------------------|---------------------------|------------------|--------|
| <b>June 30, 2011:</b> |                           |                  |        |
| Performing            | 7,376                     | 11,665           | 19,041 |
| Non-performing        | 11,142                    | 45,267           | 56,409 |

#### Other financing receivables

As of June 30, 2011, the Company holds outstanding loans granted to related parties (mainly Cresud and Tarshop) for an aggregate amount of Ps. 42.7 million. These loans are denominated in Argentine pesos, accrue interest at fixed interest rates ranging from 4% to 14%. The Company measures impairment for these receivables on an individual basis, considering the borrower's overall financial condition, resources, and payment record, the prospects for support from any financially responsible guarantors and, if appropriate, the realizable value of any collateral. As of June 30, 2011, none of these receivables were past due nor impaired

Furthermore, as of June 30, 2011, the Company holds mortgage receivables for an aggregate amount of Ps. 33.4 million. The Company measures impairment for these receivables on an individual basis, considering the borrower's overall financial condition, resources, and payment record, the prospects for support from any financially responsible guarantors and, if appropriate, the realizable value of any collateral. As of June 30, 2011, receivables for an amount of Ps. 0.1 million were past due. As of June 30, 2011, no allowance for doubtful accounts was recorded against these receivables.

**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*II. Additional disclosure requirements (continued)*

**(i) Recently issued accounting pronouncements**

For the year ended June 30, 2011, several accounting standards were effective for the Company. The Company provides below a description of those standards which are relevant to the Company's business only and the impact of their adoption if any.

Recently Issued Accounting Standards

*Financial Accounting Standard No. 141 (Revised 2007), "Business Combinations" ("FAS No. 141(R)") or Accounting Standards Codification ("ASC") 805, "Business Combinations"*

The Company adopted FAS No. 141(R), or ASC 805, on July 1, 2009, the first day of the 2010 fiscal year. This topic significantly changed the accounting for business combinations. Under this topic, an acquiring entity is required to recognize all the assets acquired and all the liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Transaction costs are no longer included in the measurement of the business acquired. Instead, these costs are expensed as they are incurred. This topic also includes a substantial number of new disclosure requirements. It applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which for the Company was the beginning of the 2010 fiscal year. The adoption of this topic did have a material impact on the consolidated financial statements. See Notes 25.II.f. and 25.II.g. for details.

*Financial Accounting Standards No. 157, "Fair Value Measurements" ("FAS No. 157") or ASC 820, "Fair Value Measurements and Disclosures"*

The Company adopted FAS No. 157 or ASC 820, on July 1, 2008, the first day of the 2009 fiscal year. FASB Staff Position ("FSP") FAS No. 157-2, "Effective Date of Financial Accounting Standards Board ("FASB") Statement No. 157" ("FSP FAS No. 157-2"), or ASC 820-10, amended ASC 820 by delaying its effective date, by one year, for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. In accordance with ASC 820-10, the Company adopted the provisions of ASC 820 to non-financial assets and non-financial liabilities on July 1, 2009, the first day of the 2010 fiscal year. The adoption did not have a material impact on the consolidated financial statements.

*Financial Accounting Standards No. 160, "Non-controlling Interests in Consolidated Financial Statements-an Amendment of ARB No. 51" ("FAS No. 160") or ASC 810-10-65-1, "Consolidation — Transition"*

The Company adopted FAS No. 160 or ASC 810-10-65-1, on July 1, 2009, the first day of the 2010 fiscal year. This topic establishes new accounting and reporting standards for non-controlling interests, previously known as minority interests, in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of non-controlling interests as equity in the consolidated financial statements separate from the parent's equity. The amount of net income or loss attributable to the non-controlling interests is included in consolidated net income on the face of the income statement. This topic clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income attributable to the Company when a subsidiary is deconsolidated. Such gain or loss is measured using the fair value of the non-controlling equity investment on the deconsolidation date. This topic also includes expanded disclosure requirements regarding the interests of the parent and its non-controlling interests. This topic is applied prospectively for fiscal years and interim periods within those fiscal years, beginning with the current fiscal year, except for the presentation and disclosure requirements, which are applied retrospectively for all periods presented. The adoption of this topic did not have a material impact on the consolidated financial statements.

*FSP FAS No. 141(R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies" ("FSP FAS No. 141(R)-1") or new accounting guidance within ASC 805, "Business Combinations"*

The Company adopted FSP FAS No. 141(R)-1, or ASC 805, on July 1, 2009, the first day of the 2010 fiscal year. This topic applies to all assets acquired and all liabilities assumed in a business combination that arise from



**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*II. Additional disclosure requirements (continued)*

**(i) Recently issued accounting pronouncements (continued)**

contingencies. This topic states that the acquirer will recognize such an asset or liability if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If it cannot be determined during the measurement period, then the asset or liability should be recognized at the acquisition date if the following criteria, consistent with the guidelines for accounting for contingencies, are met: (1) information available before the end of the measurement period indicates that it is probable that an asset existed or that a liability had been incurred at the acquisition date, and (2) the amount of the asset or liability can be reasonably estimated. The adoption of this topic did not have a material impact on the consolidated financial statements.

*FSP FAS No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP FAS No. 142-3") or ASC 350-30-50-4*

The Company adopted FSP FAS No. 142-3, or ASC 350-30-50-4, on July 1, 2009, the first day of the 2010 fiscal year. This topic amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FAS No. 142, "Goodwill and Other Intangible Assets" ("FAS No. 142"). This topic is intended to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure the fair value of the asset. This topic requires an entity to disclose information related to the extent to which the expected future cash flows associated with the asset are affected by the entity's intent and/or ability to renew or extend the arrangement. The adoption of this topic did not have a material impact on the consolidated financial statements.

*EITF Issue 08-6, "Equity Method Investment Accounting Considerations" ("EITF 08-6") or new accounting guidance within ASC 323, "Investments-Equity Method and Joint Ventures"*

The Company adopted Emerging Issues Task Force ("EITF") 08-6, or ASC 323, on July 1, 2009, the first day of the 2010 fiscal year concurrently with the adoption of ASC 805 and ASC 820-10-65-1. The intent of this topic is to clarify the accounting for certain transactions and impairment considerations related to equity method investments as modified by the provisions of ASC 805 and ASC 820-10-65-1. The adoption of this topic did not have a material impact on the consolidated financial statements.

*Accounting Standards Update No. 2009-05 "Fair Value Measurements and Disclosures (Topic 820) Measuring Liabilities at Fair Value" ("ASU No. 2009-5")*

The Company adopted ASU No. 2009-5, which amends ASU Subtopic 820-10, "Fair Value Measurements and Disclosures-Overall" for the fair value measurement of liabilities, in the second quarter of the 2010 fiscal year. ASU No. 2009-5 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value utilizing one or more of the following techniques: (1) a valuation technique that uses the quoted market price of an identical liability or similar liabilities when traded as assets; or (2) another valuation technique that is consistent with the principles of Topic 820, such as a present value technique. The adoption of ASU No. 2009-5 did not have a material impact on the consolidated financial statements.

*Accounting Standards Update No. 2010-09 "Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements" ("ASU No. 2010-09")*

On February 25, 2010, the FASB issued ASU No. 2010-09 Subsequent Events Topic 855 "Amendments to Certain Recognition and Disclosure Requirements," effective immediately. The amendments in the ASU remove the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. The FASB believes these amendments remove potential conflicts with the SEC's literature. The adoption of this ASU did not have a material impact on the consolidated financial statements.

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**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*II. Additional disclosure requirements (continued)*

**(i) Recently issued accounting pronouncements (continued)**

*Accounting Standards Update No. 2010-02 "Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary - a Scope Clarification" ("ASU No. 2010-02")*

In January 2010, the FASB issued ASU No. 2010-02, Accounting and Reporting for Decreases in Ownership of a Subsidiary – a Scope Clarification. This update provides amendments to ASC 810-10, Consolidation – Overall (formerly SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements) to clarify the scope of the decrease in ownership provisions of ASC 810-10 and related guidance. ASU 2010-02 also clarifies that the decrease in ownership guidance does not apply to certain transactions even if they involve businesses. ASU 2010-02 expands the disclosures required for a business combinations achieved in stages and deconsolidation activity within the scope of ASC 810-10. ASU 2010-02 is effective for both interim and annual periods ending on or after December 15, 2009. The amendments are to be applied retrospectively to the first period that an entity adopted ASU 810-10, Consolidation – Overall. The adoption of this ASU did not have an impact on the consolidated financial statements relative to non-controlling interests.

*Accounting Standards Update No. 2009-09 "Accounting for Investments - Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees" ("ASU No. 2009-09")*

In September 2009, the FASB issued ASU No. 2009-09, Accounting for Investments-Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees. This ASU represents a correction to Section 323-10-S99-4, Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee. Section 323-10-S99-4 was originally entered into the Codification incorrectly. The ASU was effective upon

issuance. The adoption of ASU No. 2009-09 did not have material impact on the consolidated financial statements.

*Financial Statement of Position (FSP) on Accounting Professional Board (APB) 14-1 "Debt with Conversion and Other Options" or ASC 470 "Debt"*

In May 2008, the FASB issued revised guidance on Convertible Debt Instruments. The revised guidance which is now part of ASC 470-20 (formerly Staff Position No. Accounting Principles Board 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement). ASC 470-20 requires that the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) be separately accounted for in a manner that reflects an issuer's nonconvertible debt borrowing rate. ASC 470-20 was effective for the Company on July 1, 2009, the first day of the 2010 fiscal year. The adoption of ASC 470-20 did not have an impact on the consolidated financial statements.

*Accounting Standards Update No. 2010-06 "Improving Disclosures about Fair Value Measurements" (Topic 820) ("ASU No. 2010-6")*

In January 2010, the Financial Accounting Standards Board ("FASB") issued ASU No. 2010-06, "Improving Disclosures about Fair Value Measurements". ASU No. 2010-06 requires additional disclosures about fair value measurements including transfers in and out of Levels 1 and 2 and a higher level of disaggregation for the different types of financial instruments. For the reconciliation of Level 3 fair value measurements, information about purchases, sales, issuances and settlements are presented separately. ASU 2010-06 was effective for the Company on July 1, 2010, the first day of the 2011 fiscal year. The adoption of this topic did have a material impact on the consolidated financial statements since the Company does not have Level 2 or Level 3 fair value measurements. See Notes 25.II.f. for details.

*Accounting Standards Update No. 2010-11 "Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives" ("ASU No. 2010-11")*

In March 2010, the FASB issued ASU No. 2010-11, "Derivatives and Hedging (Topic 815) - Scope Exception Related to Embedded Credit Derivatives." ASU No. 2010-11 clarifies that the only form of an embedded credit derivative that is exempt from embedded derivative bifurcation requirements are those that relate to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative



**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*II. Additional disclosure requirements (continued)*

**(i) Recently issued accounting pronouncements (continued)**

feature. The provisions of ASU 2010-11 were effective on July 1, 2010, the first day of the 2011 fiscal year and did not have a significant impact on the Company's consolidated financial statements.

*Accounting Standards Update No. 2010-20 "Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses" ("ASU No. 2010-20")*

In July 2010, the FASB issued ASU No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which requires new and expanded financial statement disclosures. An entity is required to provide qualitative and quantitative disclosures about the allowance for credit losses, credit quality, impaired loans, modifications, and nonaccrual and past due financing receivables. In addition, the disclosures must be disaggregated by portfolio segment or class of financing receivable based on how a company develops its allowance for credit losses and how it manages its credit exposure. The provisions of ASU No.2010-20 were effective for the Company on July 1, 2010 the first day of the 2011 fiscal year. The adoption of ASU No. 2010-20 did not have a material impact on the consolidated financial statements.

*Accounting Standards Update No. 2010-17 "Revenue Recognition-Milestone Method (Topic 605): Milestone Method of Revenue Recognition- A Consensus of the FASB Emerging Issues Task Force) ("ASU No. 2010-17")*

In April 2010, the FASB issued ASU No. 2010-17, Revenue Recognition - Milestone Method (Topic 605): Milestone Method of Revenue Recognition. This ASU codifies the consensus reached in EITF Issue No. 08-9, "Milestone Method of Revenue Recognition." The amendments to the Codification provide guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. Consideration that is contingent on achievement of a milestone in its entirety may be recognized as revenue in the period in which the milestone is achieved only if the milestone is judged to meet certain criteria to be considered substantive. Milestones should be considered substantive in their entirety and may not be bifurcated. An arrangement may contain both substantive and nonsubstantive milestones, and each milestone should be evaluated individually to determine if it is substantive. The provisions of ASU No. 2010-17 were effective for the Company on July 1, 2010, the first day of the 2011 fiscal year. The adoption of ASU No. 2010-17 did not have a material impact on the consolidated financial statements.

#### Future Adoption of Recently Issued Accounting Standards

*Accounting Standards Update No. 2010-29 "Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations (a consensus of the FASB Emerging Issues Task Force)" ("ASU No. 2010-29")*

In December 2010, the FASB issued ASU No. 2010-29, Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations (a consensus of the FASB Emerging Issues Task Force). The amendments in this Update affect any public entity as defined by Topic 805 that enters into business combinations that are material on an individual or aggregate basis. The amendments in this Update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Company does not expect the provisions of ASU 2010-29 to have a material effect on the consolidated financial statements.

*Accounting Standards Update No. 2011-02 "Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring" ("ASU No. 2011-02")*

In April 2011, the FASB issued ASU No. 2011-02, Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring. The amendments in this Update apply to all creditors, both public and nonpublic, that restructure receivables that fall within the scope of Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors. The amendments in this Update are effective for annual periods ending on or after December 15, 2012, including interim periods within those annual periods. The Company is currently evaluating the impact that the provisions of ASU 2011-02 will have on the consolidated financial statements.



**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2011, 2010 and 2009 (Continued)**

(Amounts in thousands, except share data and as otherwise indicated)

**25. Differences between Argentine GAAP and US GAAP (continued)**

*II. Additional disclosure requirements (continued)*

**(i) Recently issued accounting pronouncements (continued)**

*Accounting Standards Update No. 2011-03 “Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements” (“ASU No. 2011-03”)*

In April 2011, the FASB issued ASU No. 2011-03, Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements. The amendments in this Update remove from the assessment of effective control (1) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (2) the collateral maintenance implementation guidance related to that criterion. The guidance in this Update is effective for the first interim or annual period beginning on or after December 15, 2011. The Company is currently evaluating the impact that the provisions of ASU 2011-03 will have on the consolidated financial statements.

*Accounting Standards Update No. 2011-04 “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs” (“ASU No. 2011-04”)*

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the Board does not intend for the amendments in this Update to result in a change in the application of the requirements in Topic 820. Some of the amendments clarify the Board’s intent about the application of existing fair value measurement

requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The amendments in this Update are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. Early application by public entities is not permitted. Nonpublic entities may apply the amendments in this Update early, but no earlier than for interim periods beginning after December 15, 2011. The Company is currently evaluating the impact that the provisions of ASU 2011-04 will have on the consolidated financial statements.

*Accounting Standards Update No. 2011-05 “Comprehensive Income (Topic 220): Presentation of Comprehensive Income” (“ASU No. 2011-05”)*

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. Under the amendments to Topic 220, Comprehensive Income, in this Update, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. In a single continuous statement, the entity is required to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, along with the total of comprehensive income in that statement. In the two-statement approach, an entity is required to present components of net income and total net income in the statement of net income. The statement of other comprehensive income should immediately follow the statement of net income and include the components of other comprehensive income and a total for other comprehensive income, along with a total for comprehensive income. Regardless of whether an entity chooses to present comprehensive income in a single continuous statement or in two separate but consecutive statements, the entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented (this last requirement was deferred by the FASB on November 8, 2011). The amendments in this Update do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. The amendments do not change the option for an entity to present components of other comprehensive income either net of related tax effects or before related tax effects, with one amount shown for the aggregate income tax expense or benefit related to the total of other comprehensive income items. In both cases, the tax effect for each component must be disclosed in the notes to the financial statements or presented in