

IRSA INVESTMENTS & REPRESENTATIONS INC

Form 20-F

December 30, 2010

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**United States**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 20-F**

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

**OR**

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

**OR**

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

**OR**

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

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

**Commission file number: 1-13542**

**IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA**

**(Exact name of Registrant as specified in its charter)**

**IRSA INVESTMENTS AND REPRESENTATIONS INC.**

**(Translation of Registrant's name into English)**

**Republic of Argentina**

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(Jurisdiction of incorporation or organization)

**Bolívar 108**

**(C1066AAB) Buenos Aires, Argentina**

(Address of principal executive offices)

**Gabriel Blasi**

**Chief Financial Officer**

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

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

**(C1091AAQ) Buenos Aires, Argentina**

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

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

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

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

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

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

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

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

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

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

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

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

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

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

**CERTAIN MEASUREMENTS AND TERMS**

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

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



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**PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION**

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

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

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

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

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

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

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

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

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

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

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

**MARKET DATA**

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

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**PART I**

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

This item is not applicable.

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

This item is not applicable.

**ITEM 3. Key Information**

***A. Selected Financial Data***

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

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

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

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

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

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

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

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

**U.S. GAAP**

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

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

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

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

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

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

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

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

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

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

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

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

*Exchange Rates*

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

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

Source: *Banco de la Nación Argentina*

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

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

**B. Capitalization and Indebtedness**

This item is not applicable.

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

This item is not applicable.

**D. Risk Factors**

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

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### *Risks Related to Argentina*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Risks Related to our Business*

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

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

downturns in the national, regional and local economic climate;

volatility and decline in discretionary spending;

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

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

decreases in consumption levels;

changes in interest rates and availability of financing;

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

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

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

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

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

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

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

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

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

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

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

abandonment of development opportunities and renovation proposals;

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

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

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

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

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

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

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

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

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

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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;

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acquired properties may fail to perform as expected;

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

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

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

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

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

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

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

liabilities for clean-up of undisclosed environmental contamination;

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

liabilities incurred in the ordinary course of business.

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

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

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

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

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

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

delay lease commencements;

decline to extend or renew leases upon expiration;

fail to make rental payments when due; or

close stores or declare bankruptcy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the intrinsic attractiveness of the shopping center;

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

increasing competition from internet sales;

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

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

the fluctuations in occupancy levels in the shopping centers.

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



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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,

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

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

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

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

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

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

a decrease in demand for office space;

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

difficulties or delays renewing leases or re-leasing space;

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

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

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

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

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

In addition, the profitability of our hotels depends on:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In accordance with Emergency Decree No. 214/02 and its implementing regulations, pesified assets and liabilities were adjusted for inflation as of February 3, 2002 by application of the *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. Through December 31, 2002, the WPI and the CVS posted cumulative increases of 118.2% and 0.2%, respectively, and the CER increased 41.4%. During 2003, inflation increased 4.3% as measured by the WPI, 3.7% as measured by the CER and 15.8% as measured by the CVS. As a result, only 10% of Banco Hipotecario's mortgages loans are adjusted for inflation in accordance with the CER, 30% are adjusted in accordance with the CVS and 60% remain entirely unindexed. Additionally, pursuant to Law No. 25,796, Section 1, repealed effective April 1, 2004, the CVS as an indexation mechanism applied to the relevant portion of Banco Hipotecario's mortgages loans. The CVS increased until it was repealed by 5.3%, whereas the increase in CER was 5.5% as of December 31, 2004 and the WPI increased 7.9%. During 2005, the CER increased to 11.75% and the WPI 10.7%, while in 2006 the CER and WPI increased 10.3% and 7.1%, respectively. In 2008, 2009 and during the first six month of 2010, CER increased 8%, 7% and 6,1%, respectively, and WPI increased 9%, 1.2% and 7,71% respectively.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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

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

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

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

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

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

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

adverse changes in the Argentine economy;

adverse changes in the regional economies;

political instability;

changes in regulations;

increases in unemployment; and

erosion of real and/or nominal salaries.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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***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.

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**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 Depository Shares in the United States is The Bank of New York whose address is P.O. Box 358516 Pittsburgh, PA 15252-8516, and whose telephones are + 1-888-BNY-ADR for U. S. calls and + 1 - 201-680-6825 for calls outside U.S.

*History*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In April 2008, we acquired a building known as República Building , a property located in the City of Buenos Aires. This property, designed by the renowned architect César Pelli (who also designed the World Financial Center in New York and the Petronas Towers in Kuala Lumpur) is a unique premium office building in downtown Buenos Aires and adds approximately 19,533 gross leaseable square meters to our portfolio. We paid US\$ 70.2 million partially financed by a mortgage loan from Banco Macro for an amount of US\$ 33.6 million accruing interest at a fixed rate 12% per annum and payable in five equal, annual and consecutive installments as from April 2009. In June 2008, our subsidiary APSA acquired a plot of land situated at Beruti 3351/3359, between Bulnes and Avenida Coronel Díaz in Palermo, a neighborhood in the City of Buenos Aires quite close to our Shopping Center known as Shopping Alto Palermo . The transaction was executed for a total price of US\$17.8 million. See *Recent Developments* and *Significant Changes* .

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

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

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

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

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

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

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

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

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

### ***Capital Expenditures***

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

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

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

### ***Recent Developments***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### ***Sofora Offer***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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***Paraná Plot***

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

***Coto Residential Project.***

Alto Palermo owns approximately 24,000 sqm in air space over the top of the Coto hypermarket that is close to the Abasto Shopping Center in the heart of the City of Buenos Aires. We, through our subsidiary Alto Palermo and Coto Centro Integral de Comercialización S.A. (Coto) executed and delivered a deed dated September 24, 1997 whereby we acquired the rights to receive parking units and the rights to build on top of the premises located in the block formed by the streets Agüero, Lavalle, Guardia Vieja and Gallo, in the Abasto neighborhood. In the course of fiscal 2009, a conditional barter agreement was executed, pursuant to which Alto Palermo would transfer to Cyrsa S.A. (Cyrsa) 112 parking units and the rights to erect on top of the hypermarket two building towers in so far as a number of conditions are met. In exchange, Cyrsa would deliver to Alto Palermo an as of yet undefined number of units in the building to be erected equivalent to 25% of the square meters that as a whole do not total less than four thousand and fifty-three square meters, with fifty square centimeters of own square meters to be built on the whole. Additionally, in the event there were any, Cyrsa would deliver to Alto Palermo a number of storage spaces equivalent to 25% of the storage spaces in the building to be erected. In addition, in the event of meeting the conditions precedent applicable to the transaction, Cyrsa would pay to Alto Palermo US\$ 88,815 and would proceed with the works in the parking lots that we would receive from Coto. This payment would be made within 30 running days as from the execution of the barter deed. For this barter to be consummated, the conditions precedent require Coto, the current owner of the real estate mentioned above that currently hosts a hypermarket, retail stores and parking spaces, to provide certain essential services. Possession over the real estate shall be conveyed upon executing the title deed, scheduled to take place within 30 days counted as from the date on which Alto Palermo notifies Cyrsa of compliance with the conditions precedent. The transaction between Cyrsa and Alto Palermo totals US\$ 5.9 million.

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

***San Miguel de Tucumán Plot***

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

***Shopping Neuquén Project.***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **B. Business Overview**

#### *Operations and principal activities*

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

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

the development and sale of residential properties,

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

the acquisition and operation of luxury hotels,

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

selected real estate investments outside Argentina.

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

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

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

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

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

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

*Development and sale of properties.* The acquisition and development of residential apartment complexes and other residential communities for sale is another of our core activities. Our development of residential apartment complexes consists of the construction of high-rise towers or the conversion and renovation of existing structures, such as factories and warehouses. For the development of residential communities in general, we acquire vacant land, develop infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. Our Development and sale of properties segment had assets of Ps. 507.8 million as of June 30, 2009 and Ps. 657.6 million as of June 30, 2010, representing 10.3% and 11.7%, respectively, of our consolidated assets at such dates, and generated operating income of Ps. 19.3, Ps. 121.2 million and Ps. 139.5 million during our 2008, 2009 and 2010 fiscal years, respectively, representing 7.6%, 41.0% and 25.8%, respectively, of our consolidated operating income/(loss) for such years.

*Office and Other Non-Shopping Center Rental Properties.* As of June 30, 2010, we directly and indirectly owned a majority interest in 14 office buildings and Other Non-Shopping Center Rental Properties in Argentina that in the aggregate represented 237,188 square meters of gross leaseable area. Our Offices and Other Non-Shopping Center Rental Properties segment had assets of Ps. 1,014.9 million as of June 30, 2009 and Ps. 1,088.8 million as of June 30, 2010, representing 20.6% and 19.3%, respectively, of our consolidated assets at such dates, and generated operating income of Ps. 52.9, Ps. 76.5 million and Ps. 73.5 million during our 2008, 2009 and 2010 fiscal years, respectively, representing 20.8%, 25.9% and 13.6%, respectively, of our consolidated operating income for such years.

*Hotels.* We own a 50% equity interest in Hotel Llao Llao, located in the outskirts of Bariloche, and a 76.34% in the Hotel Intercontinental in the City of Buenos Aires and an 80% equity interest in Hotel Sheraton Libertador in Buenos Aires. Our Hotels segment (which consists of our investments in these three hotels), had assets of Ps. 246.4 million as of June 30, 2009 and Ps. 248.3 millions of June 30, 2010, representing 5.0% and 4.4%, respectively, of our consolidated assets at such dates, and generated income of Ps. 18.0 million, Ps. 8.6 million and Ps. 5.4 million during our 2008, 2009 and 2010 fiscal years, representing 7.1%, 2.9% and 1.0%, respectively, of our consolidated operating income for such years.

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

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

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

### *Business Strategy*

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

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

*Development and Sale of Properties.* We seek to purchase undeveloped properties in densely-populated areas and build apartment complexes offering greenspace for recreational activities. We also seek to develop residential communities by acquiring undeveloped properties with convenient access to the City of Buenos Aires, developing roads and other basic infrastructure such as power and water, and then selling lots for the construction of residential units. After the economic crisis in 2001 and 2002, the scarcity of mortgage financing restricted the growth in middle class home purchases, and as a result, we mainly focused on the development of residential communities for middle and high-income individuals, who do not need to finance their home purchases. In addition, we seek to develop residential properties for other segments of the residential market in Argentina and during the first quarter of the fiscal year ended June 30, 2008, we entered into a partnership with Cyrela Empreendimentos e Participações, a leading Brazilian residential real estate developer, to penetrate in new market segments.

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

*Hotels.* We believe our portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and business travel in Argentina. We seek to continue with our strategy to invest in high-quality properties which are operated by leading international hotel companies to capitalize on their operating experience and international reputation. We also seek to continue to invest in improvements for our hotels, to maintain a high level of service in the hotel competitive sector.

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

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

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

### *Shopping Centers*

#### ***Overview***

We are engaged in purchasing, developing and managing shopping centers through our subsidiary, Alto Palermo. As of June 30, 2010, Alto Palermo operated and owned majority interests in eleven shopping centers, six of which are located in the City of Buenos Aires (Abasto, Paseo Alcorta, Alto Palermo, Patio Bullrich, Buenos Aires Design and Dot Baires Shopping), one of which is located in the greater Buenos Aires (Alto Avellaneda) metropolitan area and the other four of which are located in the Argentine provinces: Alto Noa in the City of Salta, Alto Rosario in the City of Rosario, Mendoza Plaza in the City of Mendoza and Córdoba Shopping Villa Cabrera in the City of Córdoba.

As of June 30, 2010, we owned 63.35% of Alto Palermo and Parque Arauco S.A. owned 29.55%. The remaining shares are held by the investor public and traded on the *Bolsa de Comercio de Buenos Aires* and the related GDSs are listed and traded on the Nasdaq National Market (USA) under the symbol APSA . In addition, as of June 30, 2010, we owned US\$31.7 million of Alto Palermo s convertible notes due July 2014. If we, and all the other holders of such convertible Notes were to exercise their options to convert the convertible notes into shares of Alto Palermo s common stock, our shareholding in Alto Palermo would increase to 97.5% of its fully diluted capital. For more information please see *Recent Developments* and *Significant Changes* .

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

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

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

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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, 2010:

**Shopping Centers**

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

**Notes:**

- (1) Total leaseable area in each property. Excludes common areas and parking spaces.-
- (2) Calculated dividing occupied square meters by leaseable area on the last day of the period.-
- (3) APSA's effective interest in each of its business units. we have a 63.35% interest in APSA.-
- (4) Corresponds to total leases, consolidated as per the RT21 method.-
- (5) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment in value, plus recovery of allowances, if applicable.-
- (6) Through Alto Palermo S.A.
- (7) Excludes Museo de los Niños (3,732 in Abasto and 1,261 in Alto Rosario).-
- (8) Includes revenues from Fibesa S.A., Comercializadora Los Altos S.A. (merged with Fibesa S.A.), and others.
- (9) Land for the development of a shopping center.
- (10) During May 2009, a shopping center, a hypermarket and a movie theater complex were opened. Still pending is the completion of an office building.
- (11) Corresponds to the shopping center business unit mentioned in Note 6 to the Consolidated Financial Statements; includes revenues from Credit Cards (Tarshop and Metroshop).-

**Tenant Retail Sales**

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

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

Notes:

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

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

*Lease Expirations*

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

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

(1) Includes vacant stores as of June 30, 2010. A lease agreement may be linked to one or more premises.

(2) Includes the basic rental income amount. Does not give effect to our ownership interest in each property.

*Occupancy Rate*

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

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

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

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

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

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

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

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

**Depreciation**

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

**Principal Terms of Alto Palermo's Leases**

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

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

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

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

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

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

Alto Palermo charges its tenants a rent which consists of the higher of (i) a monthly base rent (Fixed Monthly Minimum Rent) and (ii) a specified percentage of the tenant's monthly gross sales in the store (the Variable Rent Dependent on Sales) (which generally ranges between 4% and 10% of tenant's gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant's Base Rent generally increases between 7% and 12% each year on an annual and cumulative basis as from the thirteenth (13<sup>th</sup>) month of the lease effective term. Although many of our lease agreements contain readjustment clauses, these are not based on an official index nor do they reflect the inflation index. In the event of litigation, no assurance can be given that Alto Palermo may be able to enforce such clauses contained in its lease agreements. See Risk Factors for a detailed analysis.

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

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

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

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

**Table of Contents****Sources of Shopping Center Revenues**

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

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

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

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

**Alto Palermo Shopping, City of Buenos Aires.** Alto Palermo Shopping is a 145-store shopping center that opened in 1990 and is located in the densely populated neighborhood of Palermo in the City of Buenos Aires. Alto Palermo Shopping is located only a few minutes from downtown Buenos Aires and with nearby subway access. Alto Palermo Shopping has a total constructed area of 65,029 square meters that consists of 18,629 square meters of gross leaseable area. The shopping center has a food court with 19 stores. Alto Palermo Shopping is spread out over four levels and its parking lot may accommodate 654 cars. In the fiscal year ended on June 30, 2010, the public visiting the shopping center generated nominal retail sales totaling approximately Ps. 879.7 million, which represents annual sales for approximately Ps. 47,223.3 per square meter. Principal tenants currently include Zara, Garbarino, Sony Style, Frávega and Just For Sport. Alto Palermo Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 15.1% of its gross leaseable area at June 30, 2010 and approximately 8.8% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

**Alto Avellaneda, Avellaneda, Greater Buenos Aires.** Alto Avellaneda is a 142-store shopping center that opened in October 1995 and is located in the densely populated neighborhood known as Avellaneda, on the southern border of the City of Buenos Aires. Alto Avellaneda has a total constructed area of 108,598.8 square meters that includes 36,579 square meters of gross leaseable area. Alto Avellaneda has a six-screen multiplex movie theatre, a Wal-Mart megastore, an entertainment center, an 18-restaurant food court and starting in April 28, 2008, it also hosts a Falabella department store. Wal-Mart (not included in the gross leaseable area) acquired the space it occupies, but it pays a share of the common expenses of Alto Avellaneda's parking lot. This shopping center offers free-of-charge parking space for 2,700 cars over an area of 47,856 square meters. In the fiscal year ended June 30, 2010, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 885.2 million, which represents annual revenues for approximately Ps. 24,199.5 per square meter. Principal tenants currently include Falabella, Garbarino, Frávega, Compumundo and Musimundo. Alto Avellaneda's five largest tenants (in terms of sales in this shopping center) accounted for approximately 36.8% of its gross leaseable area at June 30, 2010 and approximately 22.3% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

**Paseo Alcorta, City of Buenos Aires.** Paseo Alcorta is a 111-store shopping center that opened in 1992 and is located in the residential neighborhood of Palermo Chico, one of the most exclusive areas in the City of Buenos Aires, within a short drive from downtown Buenos Aires. Paseo Alcorta has a total constructed area of approximately 87,553.8 square meters that consists of 14,390 square meters of gross leaseable area. The three-level shopping center includes a four-screen multiplex movie theatre, a 17-restaurant food court, a Carrefour hypermarket, and a parking lot with approximately 1,300 spaces. Carrefour purchased the space it now occupies but it pays a share of the expenses of the shopping center's parking lot. In the fiscal year ended

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

**Abasto Shopping, City of Buenos Aires.** Abasto Shopping is a 173-store shopping center located in the City Buenos Aires. Abasto Shopping is directly accessible by subway, railway and highway. Abasto Shopping opened in November 1998. The principal building is a landmark building, which during the period 1889 to 1984 operated as the primary fresh produce market for the City of Buenos Aires. The property was converted into a 116,646 square meter shopping center, with approximately 37,603 square meters of gross leaseable area (41,335sqm including Museo de los Niños). The shopping center includes a food court with 27 stores covering an area of 8,021 square meters, a 12-screen multiplex movie theatre, entertainment facilities and the Museo de los Niños Abasto, a museum for children. Abasto Shopping is spread out over five levels and has a 1,200-car parking lot. In the fiscal year ended June 30, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 926.4 million, which represents annual sales for approximately Ps. 24,635.5. Principal tenants currently include Hoyts General Cinema, Garbarino, Zara, Frávega and Compumundo. Abasto Shopping Center's five largest tenants (in terms of sales in this shopping center) accounted for approximately 30.8% of its gross leaseable area and approximately 10.7% of the Fixed Monthly Minimum Rent for the fiscal year ended on June 30, 2010.

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

**Alto Noa, City of Salta.** Alto Noa is an 90-store shopping center located in the City of Salta, the capital of the Province of Salta. The shopping center consists of approximately 30,876 square meters of total constructed area that consists of 18,869 square meters of gross leaseable area and includes a 14-store food court, an entertainment center, a supermarket, an eight-screen movie theatre and parking facilities for 551 cars. In the fiscal year ended June 30, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 280.2 million, which represents annual sales for approximately Ps. 14,852.1 per square meter. Principal tenants currently include Supermercado Norte, Garbarino, Boulevard Casino, Y.P.F., and Frávega. Alto Noa's five largest tenants (in terms of sales in this shopping center) represented approximately 32.4% of Alto Noa's gross leaseable area as of June 30, 2010 and approximately 15.3% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

**Buenos Aires Design, City of Buenos Aires.** Buenos Aires Design is a 63-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. Alto Palermo owns Buenos Aires Design through a 53.68% interest in Emprendimiento Recoleta S.A., which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta, one of the most popular tourist zones in Buenos Aires City. Buenos Aires Design has a total constructed area of 26,131.5 square meters that consists of 13,786 square meters of gross leaseable area and 8 restaurants. It is divided into two floors and has a 174-car parking lot. In the fiscal year ended June 30, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 140.9 million, which represents annual sales for approximately Ps. 10,225.7 per square meter. Principal tenants currently include Morph, Hard Rock Café, Barugel Azulay, Bazar

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

**Alto Rosario, City of Rosario.** Alto Rosario is a shopping center of 144 stores, located in City of Rosario, Province of Santa Fe. It was inaugurated in November 2004 and has 100,750 square meters of fully covered surface, and 28,650 square meters of gross leaseable area. This center is primarily devoted to clothing and entertainment and includes a food court with 17 stores, a children's entertainment area, a 14-screen cinema complex and parking lot for close to 1,736 vehicles. In the fiscal year ended June 30, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 491.1 million, which represents annual sales for approximately Ps. 14,629.6 per square meter. Principal tenants are Frávega, Showcase, Sport 78, Red Megatone and Compumundo. Alto Rosario's five largest tenants (in terms of sales in this shopping center) accounted for approximately 37.0% of Alto Rosario's gross leaseable area as of June 30, 2010 and 10.8% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

**Mendoza Plaza, City of Mendoza.** Mendoza Plaza Shopping is a 151-store shopping center located in the City Mendoza in the Province of Mendoza. It consists of 40,651 square meters of gross leaseable area. Mendoza Plaza has a multiplex movie theatre covering an area of approximately 3,659 square meters, the Chilean department store Falabella, a food court with 22 stores, an entertainment center and a supermarket which is also a tenant. In the fiscal year ended June 30, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 559.4 million, which represents annual sales for approximately Ps. 13,760.1 per square meter. Principal tenants currently include Falabella, Super Plaza Veá, Garbarino, Frávega and Village Cines. Mendoza Plaza Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 44.3% of Mendoza Plaza Shopping's gross leaseable area at June 30, 2010, and approximately 23.2% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

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

**Dot Baires Shopping, City of Buenos Aires.** Dot Baires Shopping is a shopping center that was opened in May 2009. It has 4 floors and 3 underground levels, a covered surface area of 173,000 square meters, of which 49,750 constitute Gross Leasable Area, 153 retail stores, a hypermarket, a 10-screen multiplex movie theater and parking space for 2,200 vehicles. Alto Palermo is owner of Dot Baires Shopping through an 80% ownership interest in this shopping center. For the fiscal year ended on June 30, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 763.5 million, which represents annualized sales for approximately Ps. 15,347.4 per square meter. The main tenants include Falabella, Wal-Mart, Zara, Garbarino and Frávega. Dot Baires Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 46.3% of Dot Baires Shopping's gross leaseable area and approximately 23.3% of its Fixed Monthly Minimum Rent for the fiscal year ended on June 30, 2010.

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

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

***Control Systems***

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

***Related Business***

***Consumer financing segment***

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

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

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

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

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

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

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

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

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

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

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

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

**Purchase and credit card**

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

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

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

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

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



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

Tarshop's loans business operates through two distinct modalities:

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

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

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

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

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

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

### ***Distribution Network***

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

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

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

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

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

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

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

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

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

***Portfolio Analysis and Maintenance***

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

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

***Collection Process***

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

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

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

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

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

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

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

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

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

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

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

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

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

**Funding**

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

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

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

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

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

**Technology**

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

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

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



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

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

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

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

### *Development and Sale of Properties*

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

In our fiscal year ended June 30, 2010, revenues from our Development and sale of properties segment were Ps. 225.6 million, compared to Ps.280.4 million in the fiscal year ended June 30, 2009. Construction and renovation works on our residential development properties are currently performed, under our supervision, by independent Argentine construction companies that are selected through a bidding process. We enter into turnkey contracts with the selected company for the construction of residential development properties pursuant to which the selected company agrees to build and deliver the development for a fixed price and at a fixed date. We are generally not responsible for any additional costs based upon the turnkey contract. All other aspects of the construction, including architectural design, are performed by third parties.

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

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

IRSA-CYRELA's first project, which has been developed in a plot made up by two adjacent blocks in the Vicente López neighborhood, was launched in March under the name Horizons. It is one of the most significant developments in the greater Buenos Aires area and it will entail a new concept in residential complexes given its emphasis on the use of common spaces. This project includes two complexes with a total of six buildings; one of them facing the river with three 14-floor buildings (the River complex) and the other on Avenida del Libertador with three 17-floor buildings (the Park complex), totaling 59,000 sqm of constructed surface area for sale distributed in 467 units (to the exclusion of the units to be delivered in exchange for the acquisition of land). With its unique and innovating style in residential complexes, Horizons

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has 32 amenities, including a meeting room; a work zone; indoor swimming pools; club house and spa, sauna, gym, children room, teen room; theme-park areas; and aerobic trail, to name but a few. The showroom was opened to the public in March 2008 with immediate success. As of the date of these financial statements, preliminary sales agreements had been executed for 100% of our own units on sale, and the results will be reflected as the works make progress, proportionally consolidated at 50%.

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

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

**Sales and Development Properties**

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



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- (2) Total area devoted to sales upon completion of the development or acquisition and before the sale of any of the units (including parking and storage spaces though not including common areas). In the case of Land Reserves the land area was considered.
- (3) Represents the total units or plots upon completion of the development or acquisition (excluding parking and storage spaces).
- (4) The percentage sold is calculated dividing the square meters sold by the total saleable square meters, including sales transactions instrumented by preliminary sales agreements for which no title deed has been executed yet.
- (5) Includes only the cumulative sales consolidated by the RT21 method adjusted for inflation as of 02/28/03.
- (6) Corresponds to the company's total sales consolidated by the RT4 method adjusted for inflation as of 02/28/03. Excludes turnover tax deduction.
- (7) Cost of acquisition plus improvements, plus capitalized interest of consolidated properties in portfolio at June 30, 2010, adjusted for inflation as of 02/28/03.
- (8) Through Alto Palermo S.A.
- (9) Includes the following properties: Torres de Abasto and Plot of land Mendoza through APSA (fully sold), Abasto Project through Cyrsa, Torres Jardín, Edificios Cruceros (fully sold), San Martín de Tours, Rivadavia 2768, Alto Palermo Park (fully sold), swap over Renoir II tower (fully sold), Minetti D (fully sold), Dorrego 1916 (fully sold), Padilla 902 (fully sold) and Pereiraola lots, through IRSA.
- (10) Includes sales of shares in Abril.
- (11) Includes the following land reserves: Pontevedra lot, Isla Sirgadero, San Luis lot, Mariano Acosta, Merlo and Intercontinental Plaza II through IRSA, Zetol and Vista al Muelle through Liveck and C. Gardel 3134, C. Gardel 3128, Agüero 596 (totally sold), Zelaya 3102, Conil and others APSA (through APSA).
- (12) Includes the following properties: Puerto Madero Dique XIII (fully sold). It also includes income from termination and income from expenses recovered in connection with common maintenance fees, stamp tax and associated professional fees.
- (13) Corresponds to the Development and sale of properties business unit mentioned in Note 6 to the Consolidated Financial Statements.
- (14) Corresponds to swap receivables disclosed as Inventories in the Consolidated Financial Statements.
- (15) Owned by CYRSA S.A.
- (16) Corresponds to amounts receivable on swaps disclosed as Inventories in the Consolidated Financial Statements for parcels G and H. The degree of physical progress with parcel G at June 30, 2010 is 100% and with parcel H is 45%.

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

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

*Projects Under Development*

**Torre Caballito, City of Buenos Aires.** This property, with a surface of 8,404 square meters, is situated in the northern area of Caballito's residential neighborhood in the City of Buenos Aires. On May 4, 2006, we and Koad S.A. (Koad), an Argentine developer, entered into an asset exchange agreement valued at US\$7.5 million pursuant to which sold to Koad plot number 36 of Terrenos de Caballito whereby Koad S.A. has agreed to develop a residential complex called Caballito Nuevo, at its costs, consisting of two 34-story towers containing 220 apartments each, consisting of one, two and three bedroom residential units with surface areas ranging from 40 to 85 square meters, totaling approximately 28,000 saleable square meters. The project will offer a wide variety of amenities and services. As a result of this transaction, Koad promised to deliver to us 118 apartments and 55 parking lots in the first tower, representing 25% of the total square meters for sale, expecting to conclude the construction of Tower 1 during the first semester of 2011 as well as the execution of the deeds of sale of the units involved. Accordingly, Koad granted to us a first lien mortgage on the property to secure up to US\$7.5 million of its obligations to us and posted a surety bond in our favor supporting an additional US\$2.0 million of Koad's obligations to the company. As of June 30, 2010, the degree of completion was 98% in Tower I. As of June 30, 2010, 61 apartments and 28 parking lots were sold for an amount of US\$ 5.44 million. Additionally, preliminary sales agreements were signed over 61 functional units to be received. These units have been accounted for net realizable value, which generated income for Ps. 4,829 during fiscal year ended June 30, 2010.

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

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

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

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

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

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

### *Completed Apartment Projects*

**Torres Jardín, City of Buenos Aires.** Torres Jardín is a high-rise residential complex located in the Buenos Aires neighborhood of Villa Crespo, approximately five minutes from Abasto Shopping. Torres Jardín I, II and III have been completed and consist of 490 one, two and three-bedroom residential apartments. The complex also includes 295 spaces of underground parking. As of June 30, 2010, 2 parking spaces and 4 spaces for motorcycle parking were pending sale.

**Edificios Cruceros, City of Buenos Aires.** Edificios Cruceros is a project located in the Puerto Madero area. This dwelling building covers 6,400 square meters of surface area, and it is close to the Edificios Costeros office building. This project targets the high-income segment of the population and all its common areas have views to the river. This development was partially financed through the anticipated sale of its apartments. Works have been completed and at June 30, 2010 are fully sold.

**Barrio Chico, City of Buenos Aires.** This is a unique Project located in Barrio Parque, an exclusive residential zone in the City of Buenos Aires. During May 2006 the successful marketing of this project was launched. The image of the product was previously developed with the name of Barrio Chico with advertisements in the most important media. As of June 30 2010, the project is finished and only 5 parking spaces remain to be sold.

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

**Concepción Arenal 3000, City of Buenos Aires.** Concepción Arenal 3000 is a 70-loft residential property located in the north-central area of the City of Buenos Aires. Each loft unit has a salable area of 86 square meters and a parking space. Lofts in this building are targeted towards the middle-income market. As of June 30, 2010, the project had been completed and fully sold.

**Alto Palermo Park and Plaza, City of Buenos Aires.** Alto Palermo Park is one of two 34-story apartment buildings located two blocks from Alto Palermo Shopping in the exclusive neighborhood of Palermo. Apartments in this building are targeted primarily towards the upper-

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income market. Alto Palermo Park is located next to its twin building, Alto Palermo Plaza. Both buildings are comprised of three- and four-bedroom apartments with an average area of 158 square meters in the case of Alto Palermo Park and of 294.5 square meters, in the case of Alto Palermo Plaza. Each unit includes an average of 18 and 29 square meter parking/storage space, respectively. These buildings were included with the assets that the Company acquired in November 1997 from Pérez Companac. As of the date of this report, 100% of Alto Palermo Plaza was sold and there was only one unit with deed of sale to be executed in Alto Palermo Park.

***Villa Celina, Province of Buenos Aires.*** Villa Celina is a 400-plot residential community for the construction of single-family homes located in the residential neighborhood of Villa Celina on the southeastern edge of the City of Buenos Aires. We have been developing this property in several stages since 1994. The first three stages involved 219 lots, each measuring on average 347 square meters and the last two stages involve 181 lots. As of June 30, 2010, 100% of the project had been sold.

***Torres Renoir, Dique III.*** During fiscal year 2006 we closed swap agreements that allowed us to start the construction of these two exclusive residential buildings of 37 and 40 stories. As of June 30, 2010, the works were completed and the units were fully sold.

### *Residential Communities*

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

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

As of June 30, 2010, our residential communities for the construction of single-family homes for sale in Argentina had a total of 9,816.07 square meters of saleable area in Abril, and 116,501 sqm of saleable area in El Encuentro (Benavidez). Both residential communities are located in the province of Buenos Aires.

***Abril, Hudson, Greater Buenos Aires.*** Abril is a 312-hectare private residential community located near Hudson City, approximately 34 kilometers south of the City of Buenos Aires. We have developed this property into a private residential community for the construction of single family homes targeting the upper-middle income market. The project includes 20 neighborhoods subdivided into 1,273 lots of approximately 1,107 square meters each. Abril also includes an 18-hole golf course, 130 hectares of woodlands, a 4,000-square meter mansion and entertainment facilities. A bilingual school, horse stables and sports centers and the construction of the shopping center were concluded in 1999. The neighborhoods have been completed, and as of June 30, 2010, 99.4% of the property had been sold for an aggregate of Ps. 237.1 million, with 9,816.07 square meters available for sale.

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

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610,785.15 square meters with two privileged front accesses: the main one to Vía Bancalari and the service one to Highway No. 9, allowing an easy way to and from the city. On May 21, 2004 an exchange deed was signed for the original lot whereby DEESA agreed to pay US\$ 4.0 million to our subsidiary Inversora Bolívar, of which US\$ 1.0 million were paid in cash and the balance of US\$3.0 million was paid on December 22, 2009, with the transfer of 110 residential plots already chosen, totaling a saleable area of 116,501 square meters. The development of the project is completed and equipped with power supply, water, sewage, effluent treatment plant, public lighting, finished driveways and accesses, buildings, sports facilities, etc.

As of June 30, 2010, after having started commercialization in March 2010, preliminary sales agreements have been signed for 3 units, recognized at net realizable value. This transaction guaranteed income for Ps. 1,044. 11 units have been sold for US\$ 1.1 million and a surface area of 10,211 square meters, and the deeds for 6 additional units

### *Land Reserves*

We have acquired large undeveloped properties as land reserves located in strategic areas for the future development of office and apartment buildings, shopping centers and single family housing. We have acquired what we believe to be two of the largest and most important undeveloped river front plots in Buenos Aires, Puerto Retiro and Santa María del Plata, for the future development of residential and office spaces. In addition, we have benefited from the improvement of land values during periods of economic growth. As of June 30, 2010, our land reserves totaled 27 properties consisting of approximately 2,084 hectares (including Torres de Rosario, Beruti lot, Caballito, and the air space over Coto C.I.C.S.A. - Coto - where we hold interests through our subsidiary Alto Palermo).

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

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

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

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

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

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

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

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

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

***Caballito plot of land, Ferro Project.*** This is a property of approximately 23,389 square meters in the City of Buenos Aires, neighborhood of Caballito, one of the most densely populated of the city, which Alto Palermo purchased in November 1997. This plot would allow developing a shopping center having 30,000 square meters, a hypermarket, a cinema complex, and several recreation and entertainment activity areas. We are currently working to define the commercial project. At present, the legislature of the City of Buenos Aires has received a legislative bill to approve the zoning parameters corresponding to this property. This already has the consent of the Executive Branch.

***Beruti plot of land.*** During June 2008, APSA acquired a plot of land situated at Berutti 3351/3359, between Bulnes and Avenida Coronel Díaz in Palermo, a neighborhood in the City of Buenos Aires quite close to our Shopping Center known as Alto Palermo Shopping. The transaction involved a surface area of 3,207 square meters for a price of US\$ 17.8 million. This has been a significant acquisition because of the strategic location of the property, in the immediate vicinity of our main shopping center. On October 13, 2010, APSA and TGLT, entered into an agreement to barter this plot of land. For more information, please see *Recent Developments* and *Significant changes*.

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

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***Caballito Plot of Land, CYRSA.*** During fiscal 2008, we and CYRSA Sociedad Anónima executed a barter deed pursuant to which we transferred to CYRSA under a swap agreement the property detailed in the deed as described below, which has a total surface area of 9,784 square meters: plot of land, designated as Parcel ONE L, in block 35, facing Méndez de Andes street between Rojas and Colpayo streets in the Caballito neighborhood.

In turn, CYRSA agreed to carry out in the property a real estate development for residential use, which shall comprise a first stage of two towers and a third building to be developed in a second stage at the option of CYRSA. In exchange for the transfer of the property, CYRSA paid to us US\$ 0.1 million and agreed to tender certain non-cash considerations such as transferring under barter to us certain home units in the buildings to be built which will represent 25% of the meters. Furthermore, as security for the performance of its obligations, CYRSA has created a security interest over the property by mortgaging it in favor of us in the amount of US\$ 12.6 million.

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

***Coto Residential Project.*** Alto Palermo owns approximately 24,000 sqm in air space over the top of the Coto hypermarket that is close to the Abasto Shopping Center in the heart of the City of Buenos Aires. Alto Palermo and Coto Centro Integral de Comercialización S.A. (Coto) executed and delivered a deed dated September 24, 1997 whereby APSA acquired the rights to receive parking units and the rights to build on top of the premises located in the block formed by the streets Agüero, Lavalle, Guardia Vieja and Gallo, in the Abasto neighborhood. In the course of fiscal 2009, a conditional barter agreement was executed, pursuant to which APSA would transfer to CYRSA S.A. (CYRSA) 112 parking units and the rights to erect on top of the hypermarket two building towers in so far as a number of conditions are met. In exchange, CYRSA would deliver to APSA an as of yet undefined number of units in the building to be erected equivalent to 25% of the square meters that as a whole do not total less than four thousand and fifty-three square meters, with fifty square centimeters of own square meters to be built on the whole. Additionally, in the event there were any, CYRSA would deliver to APSA a number of storage spaces equivalent to 25% of the storage spaces in the building to be erected. In addition, in the event of meeting the conditions precedent applicable to the transaction, CYRSA would pay to APSA US\$ 88,815 and would proceed with the works in the parking lots that APSA would receive from Coto. This payment would be made within 30 running days as from the execution of the barter deed. For this barter to be consummated, the conditions precedent require Coto, the current owner of the real estate mentioned above that currently hosts a hypermarket, retail stores and parking spaces, to provide certain essential services. Possession over the real estate shall be conveyed upon executing the title deed, scheduled to take place within 30 days counted as from the date on which APSA notifies CYRSA of compliance with the conditions precedent. The transaction between CYRSA and APSA totals US\$ 5.9 million.

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

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

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

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

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

On June 25, 2010, we accepted a purchase bid for US\$ 11.8 million, to be paid partly in cash and partly in kind. For the cash-based payment, the buyer has paid us US\$ 1.9 million. The US\$ 7.8 million balance will be paid in four semi-annual, equal and consecutive installments of US\$ 1.9 million each. On September 30, 2010, we received US\$ 1.05 million as an advance on the first installment. As to the non-monetary part of the purchase price, the buyer will transfer ownership to us over certain lots within 36 months starting on the date its bid was accepted.

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

**Pilar.** Pilar is a 74-hectare undeveloped land reserve property located close to the city of Pilar, 55 kilometers northwest of downtown Buenos Aires. The property is easily accessible due to its proximity to the Autopista del Norte highway. Pilar has become one of Argentina's fastest developing areas. We are considering several alternatives for this property including the development of a residential community or the sale of this property in its current state and, therefore, we do not have a cost estimate or financing plan. The plot's book value is estimated to be Ps.3.4 million as of June 30, 2010.

### *Land Reserves in Other Provinces*

**Torres Rosario Project, City of Rosario, Province of Santa Fe.** APSA owns a block of land of approximately 50,000 square meters divided into 8 smaller plots, in the City of Rosario, near the Alto Rosario Shopping Center. At June 30, 2010, 2 of the plots had been bartered (plots 2-G and 2-H). During fiscal year 2010, APSA sold the lots designated as 2A and 2E. For more information please see *Recent Developments* and *Significant changes*.

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

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

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

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

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

On June 12, 2009, a new agreement was executed with the Municipality of Neuquén whereby we were required to submit the blueprints of the new Road Project (including the additions to the project agreed upon) and the blueprints of the Modified General Project.

The required modifications to the blueprints were filed on October 19, 2009. Then, the Municipality of Neuquén raised some observations that were duly responded. On January 18, 2010, the Municipality of Neuquén requested corrections to the blueprints filed and imposed a 30-day term for filing them. Finally, APSA was notified that the architectural project had been registered, which triggered, on April 8, 2010, the commencement of a term of 90 days for the start of the shared works. APSA submitted the mandatory working plans for the first stage of the works (which contemplates the construction of the Shopping Center and the Hypermarket) and was granted the authorizations necessary to start working. On July 5, 2010, well within the 90- day term , APSA started the shared works.

The first stage of the works is to be finished within 22 months counted as from the date of commencement of the construction works. In the event of a breach of the terms and conditions agreed upon, the Municipality of Neuquén is entitled to terminate the agreement and proceed as necessary, which means that the Municipality of Neuquén is entitled to demand that the parcels it sold to the Company be returned. See *Recent Developments* .

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

### *Arcos de Gourmet*

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

### *Soleil Factory shopping center business*

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

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

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

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

*Other Land Reserves*

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

**Hotels**

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

The following chart shows certain information regarding our luxury hotels:

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

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

**Hotel Llao Llao, San Carlos de Bariloche, Province of Rio Negro.** In June 1997 we acquired the Hotel Llao Llao from Llao Llao Holdings S.A. 50% is currently owned by the Sutton Group. The Hotel Llao Llao is located on the Llao Llao peninsula, 25 kilometers from San Carlos de Bariloche and is one of the most important tourist hotels in Argentina. Surrounded by mountains and lakes, this hotel was designed and built by the famous architect Bustillo in a traditional alpine style and first opened in 1938. The hotel was renovated between 1990 and 1993 and has a total constructed surface area of 15,000 square meters and 158 rooms. The hotel-resort also includes an 18-hole golf course, tennis courts, health club, spa, game room and swimming pool. The hotel is a member of The Leading Hotels of the World, Ltd., a prestigious luxury hospitality organization representing 430 of the world's finest hotels, resorts and spas. The Hotel Llao Llao is currently



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being managed by Compañía de Servicios Hoteleros S.A., which manages the Alvear Palace Hotel, a luxury hotel located in the Recoleta neighborhood of Buenos Aires. During 2007, the hotel was subject to an expansion and the number of suites in the hotel rose to 201 rooms.

***Hotel Intercontinental, City of Buenos Aires.*** In November 1997, we acquired 51% of the Hotel Intercontinental from the Pérez Compan S.A. During fiscal year 2007 we increased our share in Inversora Bolivar by 100% and obtained an indirect share in the Hotel Intercontinental of 76.34%. The Hotel Intercontinental is located in the downtown City of Buenos Aires neighborhood of Monserrat, adjacent to the Intercontinental Plaza office building. Intercontinental Hotels Corporation, a United States corporation, currently owns 24% of the Hotel Intercontinental. The hotel's meeting facilities include eight meeting rooms, a convention center and a divisible 588 square meter ballroom. Other amenities include a restaurant, a business center, a spa and a fitness facility with swimming pool. The hotel was completed in December 1994 and has 309 rooms. The hotel is managed by the Intercontinental Hotels Corporation.

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

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

### *Other Investments in Argentina and Abroad*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**Investment in Hersha Hospitality Trust.** On August 4, 2009, through REIG, a company indirectly controlled and managed by us, together with other minority investors, we acquired 5.7 million common shares of Hersha, a leading company in the hotels segment in the United States, for a total purchase price of US\$ 14.2 million. Accessorily to the initial acquisition of our equity interest in Hersha, we acquired an option to buy up to 5.7 million additional common shares in Hersha at a price of US\$ 3.00 per share; exercisable at any time prior to August 4, 2014 subject to certain conditions. In addition, as a part of the investment agreements, our Board Chairman and CEO, Mr. Eduardo S. Elsztain, has been appointed member of the board of trustees of Hersha.

In January 2010, we acquired 4.8 million additional Class A Common Shares for a price per share of US\$ 3.00 and total price of US\$ 14.4 million, increasing our stake in Hersha to 10.3%. In turn, on March 24, 2010, Hersha resolved upon a capital increase whereby it issued 27.6 million Class A common shares. In connection with this increase we exercised our preemptive subscription rights granted under the initial transaction and acquired 3.8 million additional Class A common shares for a price per share of US\$ 4.25, for a total amount of US\$ 16.4 million. Therefore, as of June 30, 2010, our interest in Hersha amounted to 10.9% of its capital stock. For more information about Hersha, see *Recent Developments* and *Significant Changes* .

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

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

As of June 30, 2010, Hersha's portfolio of hotels comprises majority stakes in 62 hotels and ownership interests in a further 15 hotels through joint ventures. These hotels are all within the select service and upscale hotels categories. In the aggregate, Hersha's 77 hotels represent over 9,951 rooms and are located in Arizona, California, North Carolina, Connecticut, Delaware, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island and Virginia. The properties are operated under highly prestigious, leading franchises (such as Marriott (r), Courtyard by Marriott (r), Residence Inn (r), Fairfield Inn (r), Springhill Suites (r), TownePlace Suites (r), Hilton (r), Hilton Garden Inn (r), Hampton Inn (r), Homewood Suites (r), Hyatt Summerfield Suites (r), Holiday Inn (r), Holiday Inn Express (r), Comfort Inn (r), Mainstay Suites (r), Sleep Inn (r), Sheraton Hotel (r), and Hawthorn Suites (r)). Hersha also operates some of its hotels through independent boutique hotel chains.

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

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

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

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

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

*Office and Other Non-shopping Center Rental Properties*

***Overview***

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

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

*Management.*

We generally act as the managing agent of the office properties in which we own an interest. These interests consist primarily of the ownership of entire buildings or a substantial number of floors in a building. The buildings in which we own floors are generally managed pursuant to the terms of a condominium agreement that typically provides for control by a simple majority of the interests (based on the area owned) in the building. As the managing agent of

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

*Leases.*

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

*Properties.*

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

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

## Notes:

- (1) Total leaseable area for each property as of June 30, 2010. Excludes common areas and parking.
- (2) Calculated dividing occupied square meters by leaseable area as of June 30, 2010.
- (3) Agreements in force as of 06/30/10 for each property were computed.
- (4) Total leases consolidated by application of the method under Technical Resolution RT21.
- (5) Cost of acquisition, plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment.
- (6) Includes the following properties: Madero 942 (fully sold), Av. de Mayo 595, Av. Libertador 602 (fully sold), Rivadavia 2768 and Sarmiento 517.
- (7) Includes the following properties: Constitución 1111, Crucero I (fully sold); Retail stores in Abril (wholly assigned) and Casona in Abril.
- (8) Includes the following properties: 1 unit of Alto Palermo Park, Constitución 1159 and Dique III (fully sold) and Canteras.

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

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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, 2010, assuming that none of the tenants exercise renewal options or terminate their lease early. Most tenants have renewal clauses in their leases.

Fiscal year of lease expiration	Number of leases expiring	Square meters subject to expiring leases (sqm)	Percentage of total square meters subject to expiration (%)	Annual rental income under expiring leases (Ps.)	Percentage of total rental income under expiring leases (%)
2010	25	61,778	32%	4,540,039	3%
2011	54	48,332	25%	48,711,626	32%
2012	51	41,343	21%	55,444,927	36%
2013+	46	42,509	22%	43,630,088	29%
<b>Total</b>	<b>176</b>	<b>193,962</b>	<b>100%</b>	<b>152,326,680</b>	<b>100%</b>

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

\* Does not include vacant leased square meters.

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

The following table shows our offices occupancy percentage during fiscal years ended June 30, 2010, 2009 and 2008:

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

Notes:

- (1) Leased square meters in accordance with agreements in effect as of June 30, 2010, 2009 and 2008 considering the total leaseable office area for each year.
- (2) Includes the following properties: Madero 942 (fully sold), Av. de Mayo 595, Av. Libertador 602 (fully sold), Rivadavia 2774 and Sarmiento 517.
- (3) This property was fully sold.



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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, 2010, 2009 and 2008:

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

## Notes:

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

*Properties*

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

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

**Torre BankBoston.** The Bank Boston tower is a modern office building in Carlos Maria Della Paolera 265 in the City of Buenos Aires. Having been designed by the renowned architect Cesar Pelli, it has 31,670 square meters in gross leaseable area. We have a 48.5% ownership interest in the building. At present, its main tenants are Standard Bank, BankBoston N.A. Suc. Bs. As., Exxon Mobile, Kimberley Clark de Argentina and Hope, Duggan & Silva S.C.

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

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smaller as it goes higher up to 900 square meters approximately, and parking for 177 units. We have approximately 23,000 leasable square meters in the building. and our main tenants include La Nación S.A., Price Waterhouse & Co., AS. EM. S.R.L, Maersk Argentina S.A and Regus Business Centre S.A.

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

***Juana Manso 295-Dique IV, Puerto Madero, City of Buenos Aires.*** About mid-May 2009 we completed an office building located in Puerto Madero s Dock IV. It is a luxury building with a leasable area of approximately 11,298 square meters composed of large and versatile spaces. The building has nine office stories and retail stores in the first story. The main tenant in the building is Exxon Mobile.

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

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

***Libertador 498, City of Buenos Aires.*** Libertador 498 is a 27-story office tower at the intersection of three of the most important means of access to the city. This location allows for easy access to the building from northern, western and southern Buenos Aires. We are owners of 6 stories with an average area per floor of 620 square meters and of 153 parking spaces. This building features a unique design in the form of a cylinder and a highly visible circular lighted sign at the top which turn it into a landmark in the Buenos Aires skyline. The main tenants include Sideco Americana S.A., Goldman Sachs Argentina LLC, Japan Bank for the International Cooperation, Gates Argentina S.A., Kandiko S.A., LG Electronics Argentina S.A., Allergan Productos Farmacéuticos S.A. and Dak Americas Argentina S.A.

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

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

***Other office properties.*** We also have interests in other office properties, all of which are located in the City of Buenos Aires. These properties are either entire buildings or portions of buildings, none of which contributed more than Ps. 1.8 million in annual rental income for fiscal year 2010. Among these properties are Madero 942 (sold in October 2008), Libertador 602(sold), Av. de Mayo 595, Rivadavia 2768 and Sarmiento 517.

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***Retail and other properties.*** Our portfolio of rental properties as of June 30, 2010 includes four leased properties that are leased as street, a lot in industrial premises, two undeveloped plots of land and other properties for various retail uses. Most of these properties are located in the City of Buenos Aires, although some are located in other cities in Argentina. These properties include Constitución 1111, Museo Renault, Thames and Solares de Santa María.

***Catalinas Norte Plot of land.*** On May 26, 2010, jointly with the Government of the City of Buenos Aires, we executed a deed of conveyance of title whereby we acquired a property located at Avenida Eduardo Madero 150, between Av. Córdoba and San Martín. The total price of the transaction was fixed in the amount of Ps. 95.0 million, Ps. 19.0 million of which were paid upon the execution of the preliminary sales agreement (on December 17, 2009), whereas the balance of Ps. 76.0 million was paid upon the execution of the deed on May 26, 2010.

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

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

### ***Our Investment in Banco Hipotecario***

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

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

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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, 2010, its portfolio of non-mortgage loans represented 61.3% of its total loan portfolio, compared to 53.7% as of June 30, 2009

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

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

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

*Seasonality*

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

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

Substantially all of our office and other non-shopping center rentals are located in developed urban areas. There are many office buildings, shopping malls, retail and residential

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premises in the areas where our properties are located. This is a highly fragmented market, and the abundance of comparable properties in our vicinity may adversely affect our ability to rent or sell office space and other real estate and may affect the sale and lease price of our premises.

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

***Shopping centers***

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

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

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

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

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

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

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

Source: Argentine Chamber of Shopping Centers.

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### *Consumer Financing*

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

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

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

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

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

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

### *Regulation and Government Supervision*

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

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

### ***Leases***

Argentine law imposes certain restrictions on landlords, including:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

warranty and liability disclaimers;

waiver of consumer rights;

extension of seller rights; and

shifting of the burden of proof against consumers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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***C. Organizational Structure***

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

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

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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, 2010.

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

Notes:

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

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

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

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

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

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

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

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

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

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### *Insurance*

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

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

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

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

None.

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

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

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

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

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### *Our Results of Operations*

#### **Overview**

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

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

In response to the political and economic crisis, the Argentine government undertook a number of far-reaching initiatives that significantly changed the monetary and foreign exchange regime and the regulatory framework for conducting business in Argentina. Between December 2001 and January 2002, Argentina abolished the fixed parity between the Peso and the U.S. dollar, rescheduled bank deposits, converted dollar denominated debts into pesos, and suspended payment on a significant portion of its public debt.

Most sectors of the Argentine economy were severely affected by the crisis and regulatory changes. In April 2002, the economy started its path to stabilization and realized a clear improvement of economic variables during the second half of the year, mainly as a result of expanding exports and decreasing imports. While the devaluation of the Peso had significant adverse consequences, it resulted in a positive balance for Argentina's current account, which fostered a reactivation of domestic production. The sharp decline in the Peso's value against foreign currencies, together with a decline in production costs in U.S. dollar terms, made Argentine products relatively inexpensive in the export markets. At the same time, the costs of imported goods increased significantly due to the devaluation of the Peso, forcing Argentine consumers to substitute their purchase of foreign goods with domestic products, substantially boosting domestic demand for domestic products.

During the second half of 2002, Argentina's Gross Domestic Product (GDP) increased 4.4%, and the consumer price index inflation was 8.0% for the six-month period ended December 31, 2002, compared to 30.5% for the six-month period ended June 30, 2002. The improving economic conditions, particularly the reduction of capital outflows from the Argentine economy and the banking system, allowed the government to begin lifting restrictions on bank withdrawals in November 2002.

Despite the improvement in economic conditions during the second half of 2002, Argentina's overall GDP contracted 10.9% for the full year, receding to 1993 values, investment collapsed (with, for example, negative growth of 43% in the second quarter compared to the second quarter of 2001), and inflation increased sharply. The main impact of the crisis was the tremendous social hardship. Unemployment rose from 12.9% to 19.7% between 1998 and 2002, real wages declined 24% in 2002, and the poverty index increased from 29% of the population in 2000 to 52% in 2002.

In May 2003, Argentina's political environment was reorganized when Néstor Kirchner took office as president. The economy continued to show indications of recovery, as GDP grew 8.8% in 2003. A combination of sound fiscal and monetary policies kept consumer price inflation

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under control at 3.5% in 2003. During 2003, Argentina moved towards normalizing its relationship with the IMF, withdrew all the national and provincial governments' quasi-money securities from circulation (amounting to Ps.7.8 billion), and eliminated all deposit restrictions. The trade balance experienced a sustained surplus, aided by the rise in commodity prices and export volumes. Social indicators also improved. The unemployment rate decreased to 17.3% in 2003 and real wages began to recover.

During 2004 and 2005, the Argentine economy continued to grow. GDP grew 9.0% in 2004 and 9.0% in 2005 according to the Central Bank's survey of independent forecasting firms. Inflation remained relatively low in 2004 although it almost doubled to 6.1% from 2003, and it increased to 12.3% during 2005, 9.8% during 2006, 8.5% during 2007 and 4.7% as of the first semester of 2008.

In June 2005, the Argentine government completed a restructuring of a substantial portion of the federal government's public debt, which had been in default since December 2001. Argentina reduced the outstanding principal amount of its public debt from US\$191.3 billion to US\$126.6 billion and negotiated lower interest rates and extended payment terms.

During 2008, the global economy deteriorated significantly as a consequence of the subprime mortgage crisis. Therefore, Argentina was faced with a global economic downturn and a drop in the level of activity that delayed the pace of growth.

There were encouraging signs of a local economic recovery in 2009 and the first semester of 2010 in which the economy grew more than expected. Most of the currencies have appreciated against the US dollar, particularly our commercial partners, and the capital flows have turned to developing countries which gives a good scenario for the Argentinean balance of payments. Besides, local consumption has grown in this period, reinforced by local credit.

Although Argentina's economy has recovered significantly from the crisis of 2002, the effects of the global economic slow-down on Argentina cannot be predicted. We cannot assure you that the favorable economic conditions that Argentina has experienced in recent years will continue. *See Risk Factors Risks Related to Argentina.*

### *Effects of inflation*

From 1997 until the end of year 2001, the Argentine government's policies substantially reduced the level of inflation. Therefore, during that period inflation did not significantly affect our financial condition and results of operations. The following are annual inflation rates since 2002 published by the Argentine Ministry of Economy and Production:

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Year ended June 30,	Consumer Price Index	Wholesale Price Index
2002	28.4%	88.2%
2003	10.2%	8.1%
2004	4.9%	8.6%
2005	9.0%	7.7%
2006	11.0%	12.1%
2007	8.8%	9.4%
2008	9.3%	13.8%
2009	5.26%	5.4%
2010	11.0%	15.5%

The increase in inflationary risk may erode our present macroeconomic stability, causing a negative impact on our operations.

The Wholesale Price Index ( IPIM ) increased by 12.5% in the first ten months of 2010, and the consumer price index increased 9.2% in the first ten months of 2010.

*Effects of interest rate fluctuations*

Most of our U.S. dollar denominated debt accrues interest at a fixed rate. An increase in interest rates will not necessary result in a significant increase in our financial costs and may not materially affect our financial condition and our results of operations.

*Effects of Foreign Currency Fluctuations*

A significant portion of our financial debt is denominated in U.S. dollars. Therefore, a devaluation of the Argentine Peso against the U.S. dollar would increase our indebtedness measured in Pesos and materially affect our results of operations. Foreign currency exchange rate fluctuations significantly increase the risk of default on our mortgages and lease receivables. Due to the fact that many of our customers have their cash flows in Pesos, a fluctuation of exchange rate may increase their U.S. dollar-denominated liabilities. Foreign currency exchange restrictions that may be imposed by the Argentine Government could prevent or restrict our access to U.S. dollars, affecting our ability to service our U.S. dollar denominated liabilities.

*Evolution of our Business Segments**Shopping centers*

The profitability of our shopping center business is highly sensitive to consumer spending, overall GDP growth in Argentina and availability of financing. The contraction in consumer spending and the greater reliance on informal and low quality products that characterized the Argentine economy during the crisis has been significantly lessened along with an increase in GDP growth. This economic reactivation has significantly increased the revenues of APSA, our subsidiary engaged in shopping center ownership and operation. During the fiscal years ended June 30, 2008, 2009 and 2010, our shopping center revenues were Ps.345.4 million, Ps.396.7 million and Ps.518.4 million, respectively.

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### ***Consumer financing***

We operate a Consumer financing business through our majority-owned subsidiary, Tarshop and jointly controlled subsidiary Metroshop. Our Consumer financing segment consists primarily of lending and servicing activities relating to credit cards and personal loans products we offer to consumers at shopping centers, hypermarkets and street stores. We finance a substantial majority of our credit card and personal loan activities through securitization of the receivables underlying the accounts we originate. Our revenues from the consumer financing transactions are primarily comprised of (i) merchant discount fees which are recognized when transactional information is received and processed by us; (ii) data processing services which consist of processing and printing cardholders statement of accounts, and which are recognized as services are provided; (iii) life and disability insurance charges to cardholders which are recognized on an accrual basis, and (iv) interest income generated by financing and lending activities.

In December 2009, we entered into an agreement for the sale of 80% of our shareholding in Tarshop to Banco Hipotecario. On May 21, 2010, and as part of the above mentioned agreement, we and Tarshop entered into an agreement pursuant to which Tarshop sold us 50% of Metroshop's capital stock. On August 30, 2010, the Central Bank notified Banco Hipotecario of the approval of the transaction. Consequently, on September 13, 2010, the transaction closed.

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

Demand for new residential units is influenced by a number of factors, including employment rates, short-term and long-term interest rates, availability of government-sponsored and private mortgage financing programs and products, consumer confidence, governmental policies, demographic factors and, to a lesser extent, changes in property taxes, energy costs and federal income tax rates. In addition, the feasibility of developing and marketing new residential units depends on a number of factors such as the inventory of existing units, zoning restrictions, government policies, cost and availability of land, construction and sales costs and the availability of financing on reasonable terms, among other factors. At the time of the crisis, residential sales came to a virtual standstill and real estate prices fell sharply. During the last five years, the market has begun to recover, making gradual progress. This continuing market stabilization accounts for much of the revenue increase in our Development and sale of properties segment. During the fiscal years ended June 30, 2008, 2009 and 2010, our Development and sale of properties segment had revenues of Ps.196.8 million, Ps.280.4 million and Ps. 225.6 million, respectively.

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

The profitability of Office and other non-shopping center rental properties segment is similarly affected by the macroeconomic factors described above. Favorable market conditions and the incidence of bankruptcy are also closely related to levels of vacancy and to the price at which we can lease our premises which in turn adversely affect our revenues in this segment. During the 2001 Argentine economic crisis and its aftermath, few development projects were built in Argentina. However, demand for office space and rental properties has increased substantially during the last five years, significantly raising prices. During the fiscal years ended June 30, 2008, 2009 and 2010, our Offices and Other Non-Shopping Center Rental Properties segment had revenues of Ps.102.2 million, Ps.147.7 million and Ps. 154.2 million, respectively.

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### ***Hotels***

The revenues from our hotel business are also highly sensitive to market conditions. For example, the devaluation of the Peso following the repeal of the Convertibility Law made Argentina a less expensive, and therefore a more attractive, tourist destination, significantly increasing the influx of foreign tourists. The appreciation of foreign currency also rendered domestic travel destinations more appealing to the Argentinians, many of whom replaced foreign travel with local travel. During fiscal years ended June 30, 2008, 2009 and 2010, our Hotels segment had revenues of Ps.148.8 million, Ps.158.8 million and Ps. 159.9 million, respectively.

### ***Factors Affecting Comparability of Results of Operations***

Described below are certain considerations that will facilitate an understanding of our overall operating results. These factors are based upon the information which is currently available to us and do not represent all of the factors that are relevant to an understanding of our current and future results of operations.

### ***Recent results on equity investees***

As of June 30, 2010 we owned 28.03% of Banco Hipotecario (without considering treasury shares), Argentina's leading mortgage lender and provider of mortgage-related insurance and mortgage loan services. Banco Hipotecario restructured its financial debt in 2004 and has recorded attractive results from its operations since then. For the fiscal years ended June 30, 2008, 2009 and 2010, our investment in Banco Hipotecario generated a loss of Ps.12.4 million, and a gain of Ps.142.1 million and a gain of Ps.151.6, respectively. The results we recorded in our 2008, 2009 and 2010 fiscal years represented (22.6%), 89.6% and 45.3%, respectively, of our consolidated net income for such years, but we cannot assure that the investment in Banco Hipotecario will generate similar gains, if any, in the future.

### ***Variability of results due to substantial property acquisitions and dispositions***

The development and sale of large residential and other properties does not yield a stable, recurring stream of revenue. On the contrary, large acquisitions and sales significantly affect revenues for a reporting period, making it difficult to compare our year-to-year results. For example, the Ps.68.6 million sale of building Costeros Dique II and the Ps.46.3 million sale of Pereiraola undeveloped parcel of land have significantly impacted our results for our 2010 fiscal year. Our historical revenues have varied from period to period depending upon the timing of sales of properties, and our future period-on-period results of operations are likely to continue to vary, perhaps significantly, as a result of periodic acquisitions and dispositions of properties.

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

In connection with the preparation of our Consolidated Financial Statements included in this annual report, we have relied on variables and assumptions derived from historical experience and various other factors that we deemed reasonable and relevant. Although we review these estimates and assumptions in the ordinary course of business, the portrayal of our financial condition and results of operations often requires our management to make judgments regarding the effects of matters that are inherently uncertain on the carrying value of our assets and liabilities. Actual results may differ from those estimated under different variables, assumptions or conditions. In order to provide an understanding about how management forms our judgments about future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, we have included comments related to each critical accounting policy described as follows:

revenue recognition;

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investments in Certificates of Participation ( CPs );

business combinations;

fixed assets, net;

provision for allowances and contingencies;

impairment of long-lived assets;

debt restructuring;

deferred income tax;

minimum presumed income tax ( MPIT ); and

negative goodwill, net.

***Revenue recognition***

We primarily derive our revenues from domestic office space and shopping center leases and services operations, from the development and sale of properties, from consumer financing operations and from Hotels. See *Note 6 of our Consolidated Financial Statements* for more details on our Business Segments.

**Accounting for real estate barter transactions.** We have entered into certain non-monetary transactions with third parties pursuant to which we sold plots of land in the ordinary course of business in exchange for cash and/or other real estate properties. Under Argentine GAAP, these transactions were recorded based on the fair value of the assets involved and, as a result, a gain or loss was recognized at the time of the exchange. We believe that this accounting policy is a critical accounting policy because the impact of accounting for real estate barter transactions under this method could have a material effect on our consolidated balance sheet as well as on our results of operations.

**Recognition of inventories at net realizable value.** Inventories, on which we receive advance payments to secure the sale price and the terms and conditions of guarantee and closing the achievement of profit, are valued at net realizable value. As of June 30, 2010 and 2009, we recognized a result of Ps.33.8 million and Ps.12.1 million respectively in accordance with the aforementioned criteria, applied mainly to the following real estate developments: in the year 2010, Horizons by Ps.26.4 million and Torres Caballito for Ps.4.8 million and in 2009, Torre Renoir Ps.5.5 million, Dock III, Ps.5.0 million, Torres Caballito Ps. 5.0 million and Dock 13 Ps. 1.3 million. We believe that the accounting policy related to the recognition of inventories at net realizable value is a critical accounting policy because the impact of accounting under this method could have a significant effect on our consolidated balance sheet and on the results of our operations.

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**Leases and services from shopping center operations.** We account for our leases with tenants as operating leases. We generally charge tenants a rent which consists of the higher of (i) a monthly base rent (the **Base Rent** ) and (ii) a specified percentage of the tenant's monthly gross retail sales (the **Percentage Rent** ) (which generally ranges between 4% and 10% of tenant's gross sales). Furthermore, pursuant to the rent escalation clause in most leases, the tenant's Base Rent generally increases between 7% and 12% each year during the term of the lease. Certain of our lease agreements contain provisions which provide for rents based on a percentage of sales or based on a percentage of sales volume above a specified threshold. We determine the compliance with specific targets and calculate the additional rent on a monthly basis as provided for in the contracts. Thus, we do not recognize contingent rents until the required thresholds are exceeded.

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

We charge our tenants a monthly administration fee relating to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the overall shopping centers' operations. The administration fee is prorated among the tenants according to their leases, which varies from shopping center to shopping center. Administration fees are recognized monthly when earned.

In addition to rent, tenants are generally charged **admission rights** , a non-refundable admission fee that tenants may be required to pay upon entering into a lease and upon lease renewal. An admission right is normally paid in one lump sum or in a small number of monthly installments. Admission rights are recognized using the straight-line method over the life of the respective lease agreements.

We also derive revenues for parking lot fees charged to visitors. Parking revenues are recognized as services are performed.

Fibesa acts as the leasing agent for us bringing together the Company and potential lessees for the retail space available in certain of our shopping centers. Fibesa's revenues are derived primarily from success fees paid by tenants calculated as a percentage of the final rental income value for both the lessee and us. Revenues related to success fees are recognized at the time that the transaction is successfully concluded. A transaction is considered successfully concluded when both parties have signed the related lease contract.

**Leases and services from office and Other Non-Shopping Center Rental Properties.** We account for our leases with tenants as operating leases. We charge tenants a base rent on a monthly basis. We recognize rental income on a straight-line basis over the term of the leases and unpaid rents are included in accounts receivable in the Consolidated Financial Statements.

**Sale and Development of properties.** We record revenue from the sale of properties when all of the following criteria are met: (a) the sale has been consummated (a sale is not considered consummated until (i) the parties are bound by the terms of a contract, (ii) all consideration has been exchanged, (iii) any permanent financing for which the seller is responsible has been arranged and (iv) all conditions precedent to the closing have been performed); (b) we determine that the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property (the adequacy of a buyer's initial investment is measured by (i) its

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composition and (ii) its size compared with the sales value of the property); (c) our receivable is not subject to future subordination (our receivable will not be placed in or occupy a lower rank, class or position with respect to other obligations of the buyer); and (d) we have transferred to the buyer the risk and rewards of ownership and do not have a continuing involvement in the property.

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

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

We use the percentage-of-completion method of accounting with respect to sales of development properties under construction affected under contracts. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs applied to the total contract price. We do not commence revenue and cost recognition until such time as significant construction activities have begun and substantial advance payments have been received according to parameters estimated by us.

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

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

**Consumer financing.** Our subsidiary APSA is engaged, through its subsidiaries Tarshop and Metroshop, in the origination of consumer loans and credit card transactions and securitization of corresponding receivables. Revenues from credit card transactions are primarily comprised of (i) merchant discount fees which are recognized when transactional information is received and processed by the Company; (ii) data processing services which consist of processing and printing cardholders statement of accounts, and which are recognized as services are provided; (iii) life and disability insurance charges to cardholders which are recognized on an up-front basis, and (iv) interest income generated by financing and lending activities. Revenue from financing and lending activities are comprised of interest income which is recognized on an accrual basis. After the sale of 80% of Tarshop in September 2010, our subsidiary APSA maintained a 20% interest in the company's business.

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**Hotels.** We recognize revenues from occupation of rooms, catering, and restaurant services as earned at the close of each business day.

### ***Investments in Certificates of Participation ( CPs )***

APSA enters into ongoing revolving-period securitization programs, through which Tarshop, a majority-owned subsidiary of APSA, transfers credit card receivables to the trust in exchange for cash and retained interests in the trust.

CPs are carried at their equity value based on financial statements issued by the trusts, less allowances for impairment if the carrying value exceeds their estimated recoverable value and classified as investments.

We believe that this accounting policy is a critical accounting policy because fair values are based on estimates using other valuation techniques, such as discounting estimated future cash flows using a rate commensurate with the risks involved or other acceptable methods. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding prepayments, discount rates, estimates of future cash flows and future expected loss experience. Changes in these assumptions could significantly affect these estimates. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair value, APSA's fair values should not be compared to those of other companies.

### ***Business combinations***

Acquisitions are accounted for under the purchase method of accounting. Under the purchase method, the purchase price is allocated to tangible and intangible assets and liabilities based on their respective fair values in accordance with the provisions of RT No. 18. In making estimates of fair values, management utilizes a number of various sources.

When we acquire properties, for fair value estimation purposes, we also consider information about each property obtained as a result of pre-acquisition due diligence, marketing and leasing activities. We allocate a portion of the purchase price to tangible assets including the fair value of the building on an as-if-vacant basis and to land determined either by real estate tax assessments, third-party appraisals or other relevant data. Generally we determine the as-if-vacant value by using a replacement cost method. Also, a portion of the purchase price is allocated to above-market and below-market in-place lease values for acquired properties based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining noncancelable term of the lease. The capitalized above-market and below-market lease values are amortized as a reduction of or an addition to rental income over the remaining noncancelable terms of the respective leases. Should a tenant terminate its lease, the unamortized portion of the lease intangibles would be charged or credited to income. A portion of the purchase price is also allocated to the value of leases acquired and management utilizes independent sources or management's determination of the relative fair values of the respective in-place lease values. Our estimates are made using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods, considering current market conditions and costs to execute similar leases. In estimating carrying costs,

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management includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. We also estimate costs to execute similar leases including leasing commissions, legal expenses and other related costs. Other intangible assets acquired may include tenant relationships which are valued based on management's evaluation of the specific characteristics of each tenant's lease and our overall relationship with the respective tenant. We have not identified any lessee with whom it has developed a type of relationship allowing the recognition of an intangible asset.

**Fixed assets, net**

Fixed assets, net are comprised primarily of rental properties (including shopping centers), hotels and other property and equipment held for use by us.

**Rental properties (including shopping centers)**

Rental properties are carried at cost (adjusted for inflation as described in Note 2.c. to the Consolidated Financial Statements), less accumulated depreciation and allowances for impairment. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, which are estimated between 10 to 30 years for office buildings and related improvements and between 26 and 39 years for shopping centers. Expenditures for maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are capitalized and depreciated over their estimated remaining useful lives. At the time depreciable assets are retired or otherwise disposed of, the cost and the accumulated depreciation and allowances for impairment of the assets are removed from the accounts and any profit or loss is recognized. We capitalize financial costs (interest and foreign exchange differences) on long-term construction projects. Capitalized financial costs amounted to Ps. 5.3 million, Ps. 86.5 million and Ps.10.5 million for the years ended June 30, 2010, 2009 and 2008, respectively, mainly in connection with the construction of the Dot Building, Horizons, the Dot Baires Shopping, Shopping Alto Rosario and Dique IV.

During the year ended June 30, 2002, 2003 and 2005 we recognized significant impairment losses. As permitted by Argentine GAAP, due to increases in fair market values, these impairment charges were subsequently reversed partially during the years ended June 30, 2003 through the current fiscal year. Impairment charges and subsequent reversals are included in the line item Gain from operations and holdings of real estate assets, net in the Consolidated Statements of Income. The balance of allowance for impairment of fixed assets amounts to Ps. 3.5 million, Ps. 3.9 million and Ps.5.0 million for the years ended June 30, 2010, 2009 and 2008, respectively.

**Other property and equipment**

Other property and equipment are carried at cost (adjusted for inflation as described in Note 2.c.), less accumulated depreciation at the end of the year. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, as specified below:

Asset	Estimated useful life (years)
Leasehold improvements	Lesser of lease term or asset useful life
Facilities	Between 10 and 20
Machinery and equipment	10
Vehicles	5
Software	3
Computer equipment	3
Furniture and fixtures	Between 5 and 10
Other	10

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### ***Provisions for allowances and contingencies***

We provide for losses relating to mortgage and accounts receivables. The allowance for losses is based on the management's evaluation of various factors, including the customers' credit risk, historical trends and other information. While management uses the information available to make evaluations, future adjustments to the allowances may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluations. Management has considered all events and/or transactions subject to reasonable and normal methods of estimations, and the consolidated financial statements reflect that considerations.

We have certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor and other matters. We accrue liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, our estimate of the outcomes of these matters and our lawyers' experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs, which could have material effect on our future results of operations and financial condition or liquidity.

We believe that this accounting policy is a critical accounting policy because if the future conditions differ substantially from the assumptions used in making the evaluations, this could have a material effect on our consolidated balance sheet as well as our results of operations.

### ***Impairment of long-lived assets***

We periodically evaluate the carrying value of our long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We consider the carrying value of a long-lived asset to be impaired when its recoverable value (the value in use or its net realizable value, whichever is greater), is less than its carrying value. Value in use is determined by the expected cash flows from the assets discounted at a rate commensurate with the risk involved. Net realizable value is determined by the selling price of the assets less costs to sell.

Under Argentine GAAP a previously recognized impairment loss is reversed when there is a subsequent change in estimates used to compute the recoverable value of the asset. In that event, the new carrying value of the asset is the lower of its fair market value or the net carrying value the asset would have had if no impairment had been recognized. Both the impairment charge and the impairment reversal are recognized in earnings. U.S. GAAP prohibits the reversal of a previously recognized impairment charge.

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We believe that the accounting estimate related to asset impairment is a critical accounting estimate because:

it is highly susceptible to change from period to period because it requires company management and/or independent appraisers to make assumptions such as, future sales and cost of sale, future vacancy rates and future prices, which requires significant adjustments because actual prices and vacancy rates have fluctuated in the past and are expected to continue to do so; and

the impact that recognizing an impairment would have on assets reported on our balance sheet as well as on the results of our operations could be material.

As of June 30, 2002, we had revised our assets in all segments to detect impairments resulting from the continued deterioration of the Argentine economy. Therefore, as of June 30, 2002 we had recognized an impairment of Ps.140.6 million. During the years ended June 30, 2003, 2005, and 2008 we recognized impairment losses for a total of Ps.14.0 million, Ps.0.2 million and Ps.0.03 million, respectively. As a result of the increase in the market values of assets for which we had recognized impairment losses, during the fiscal years ended June 30, 2004, 2005, 2006, 2007, 2008, 2009 and 2010 we partially reversed impairment losses, and recognized gains for Ps.63.0 million, Ps.28.2 million, Ps.12.6 million, Ps.2.6 million, Ps.2.7 million, Ps.1.1 million and Ps.0.4 million, respectively.

The fair market value of our office and rental properties was determined following the rent value method, taking into consideration each property's current cash flow, our vacancy amounts and tax impact, and the cash flow was projected for the remaining useful life of each property considering a lease growth rate ranging from 6% to 8% per annum and a projected stable vacancy of 5%. In addition, comparability with other properties in the market and our historic vacancy rates were considered. The price per square meter of our properties varies according to the category and type of building, and to each property's idiosyncratic traits. Vacancy rates continue to be extremely low, with rates of 2% over the stock. Moreover, we currently believe that a significant amount of new office space, comparable to our existing buildings, is not likely to become available in the City of Buenos Aires during the next two or three fiscal years. All discounted cash flow exercises were made considering the impact of depreciation and income tax, i.e., net of taxes. For buildings we consider to be Class A (those having the best location and condition) the average price per square meter used was between Ps.83 and Ps.135 per square meter per month, while for buildings we consider to be Class A/B (having very good location and/or condition) the average price was between Ps.55 and Ps.72 per square meter per month, and for buildings we consider Class B/C (those having good location and/or condition) it was Ps.37 per square meter per month.

With respect to our Hotels segment, the discounted cash flows methodology was applied by taking the forecasts of each hotel's cash flow over our remaining useful life and discounting such estimated amounts at rates according to risk, location and other relevant factors. The cash flows to be discounted considered revenues per room, per guest, per additional charge as well as the fixed and variable expenditures related to the transaction. Rate increases and occupancy variations were estimated based on the information supplied by each hotel's management and comparing them to industry-specific data in the local market. We believe that tourism activities and related industries in Argentina have increased at a lower rate than in previous years, by 8% to 12% over the last 12 months, yet above worldwide figures, according to inbound traveling and spending statistics provided by the National Tourism Agency. Seasonal or exceptional issues that adversely impacted on the result of hotel occupancy rates for the last year were not considered in the analyses.

Shopping centers were valued according to the rent value method. We calculated discount rates considering each property's location, the comparability with other properties in the market, our historic rental income, vacancy rates and cash flow. The average discount rates we used

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ranged between 14.5% and 16.5%, the average price per leasable square meter was Ps.7,043 and the average vacancy rate was calculated taking into consideration a permanent vacancy rate of 5%. As in the case of offices, cash flows of results after income taxes and depreciation were considered, analyzing the periods for the remaining useful life of each asset.

We used the open market method for determining the fair market value of our land reserves and inventories. We estimated the value of each site by taking into consideration the value of the property according to its surface area and location and construction potential, as well as the availability of inventory less cost to sale.

### ***Debt restructuring***

*Extension of the Alto Palermo's Convertible Notes' maturity date.* On July 19, 2002, Alto Palermo issued an aggregate amount of US\$50.0 million of uncollateralized convertible notes (the Convertible Notes) in exchange for cash and the settlement of certain liabilities. The Convertible Notes accrue interest at a fixed annual interest rate of 10% (payable semiannually), are convertible at any time at the option of the holder into common shares (at a conversion rate that consists in the higher of the result of dividing the Company shares' par value (Ps.0.1) by the exchange rate and US\$0.0324) and originally matured on July 19, 2006. On May 2, 2006 a Meeting of Alto Palermo's Noteholders resolved to extend the maturity date of the Convertible Notes through July 19, 2014, leaving the remaining terms and conditions unchanged.

Argentine GAAP requires that an exchange of debt instruments between, or a modification of a debt instrument by, a debtor and a creditor shall be deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10% different from the present value of the remaining cash flows under the terms of the original instrument. The new debt instrument should be initially recorded at fair value, and that amount should be used to determine the extinguishment gain or loss to be recognized.

Fair value should be determined by the present value of the future cash flows to be paid under the terms of the new debt instrument discounted at a rate commensurate with the risks of the debt instrument and time value of money. If it is determined that the original and new debt instrument are not substantially different, then a new effective interest rate is to be determined based on the carrying amount of the original debt instrument and the revised cash flows. Based on the analysis performed, we concluded that the instruments were not substantially different and accordingly the original Convertible Notes were not considered to have been extinguished.

We believe that the accounting policy related to the extension of Alto Palermo's Convertible Notes' maturity date is a critical accounting policy because it required us to make an estimate of the present value of the future cash flows, using an estimated discount rate which is highly susceptible to changes from period to period, and as a result the impact on the fair market value of our debt instruments could be material.

### ***Deferred income tax***

We recognize income tax using the liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or

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settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Technical Resolution No. 17 requires companies to record a valuation allowance for that component of net deferred tax assets which is not recoverable.

We believe that the accounting estimate related to deferred income tax is a critical accounting estimate because:

it is highly susceptible to change from period to period because it requires company management to make assumptions, such as future revenues and expenses, exchange rates and inflation among others; and

the impact that calculating income tax using this method would have on assets or liabilities reported on our consolidated balance sheet as well as on the income tax result reported in our consolidated statement of income could be material.

### ***Minimum presumed income tax***

We calculate the minimum presumed income tax provision by applying the current 1% rate on computable assets at the end of the year. This tax complements the income tax. Our tax obligation each year will coincide with the highest amount due under either of these two taxes. However, if the minimum presumed income tax provision exceeds income tax in a given year, the amount in excess of income tax can be offset against income tax arising in any of the following ten years.

We have recognized the minimum presumed income tax provision paid in previous years as a credit as we estimate that it will offset future years income tax.

We believe that the accounting policy relating to the minimum presumed income tax provision is a critical accounting policy because it requires management to make estimates and assumptions with respect to our future results that are highly susceptible to change from period to period, and as such the impact on our financial position and results of operations could be material.

### ***Negative goodwill, net***

Negative goodwill, net represents the net effect of goodwill and negative goodwill arising out of business combinations.

#### ***(i) Negative goodwill:***

Negative goodwill represents the excess of fair market value of net assets acquired over cost. Under Argentine GAAP, when negative goodwill exists, acquired intangible assets are assigned a zero value. Negative goodwill is accounted for as follows: (i) the portion of negative goodwill related to future expected losses is recognized in income in the same periods losses are incurred; (ii) the amount exceeding the interest over the non monetary assets is recognized in income at acquisition date; and (iii) the amount not in excess of the equity interest over the non monetary assets is recognized as negative goodwill and amortized under the straight line method over the weighted average useful lives of the identifiable assets of the acquiree, not exceeding 20 years.

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### *(ii) Goodwill:*

Goodwill represents the difference between the purchase price paid and the fair market value of net assets acquired, adjusted for inflation. Goodwill is amortized by the straight-line method over terms ranging from 10 years to 19 years. The carrying amount does not exceed their respective estimated recoverable values of year-end.

### *Business Segment Reporting*

We have determined that our reportable segments are those based on our method of internal reporting. Accordingly, we have six reportable segments. These segments are Development and sale of properties, Offices and Other Non-Shopping Center Rental Properties, Shopping centers, Hotels, Consumer financing and Financial operations and others.

A general description of each segment follows:

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

*Office and Other Non-Shopping Center Rental Properties.* This segment includes the operating results from our lease and service revenues for office and Other Non-Shopping Center Rental Properties, received from tenants.

*Shopping Centers.* This segment includes the operating results from the shopping center business, principally consisting of lease and service revenues from tenants.

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

*Consumer Financing.* This segment includes the origination of loans and credit card receivables and related securitization programs carried through Tarshop and Metroshop.

*Financial transactions and other.* This segment primarily includes results relating to relating to and/or arising from securities-related transactions and other non-core activities of the company. This segment also includes the results from related companies associated with the banking business. We measure our reportable segments based on operating income. Inter-segment transactions, if any, are accounted for at current market prices. We evaluate performance and allocate our resources to each segment based on operating income. None of our activities is dependent upon a single customer.

### ***Allocation of selling expenses to business segments.***

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

### ***Allocation of administrative expenses to business segments.***

Administrative expenses directly attributable to the Shopping centers, Consumer financing and Hotel. segments are allocated to these segments. These expenses are incurred individually by these segments. All other administrative expenses are prorated among the Development and sale

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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.

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The following tables show certain operating data by business segment:

As of and for year ended June 30, 2010	Development and sale of properties	Office and other non- shopping center rental properties <sup>(1)</sup>	Shopping centers	Hotels	Consumer financing	Financial operations and other	Total
	(in thousand Ps.)						
<b>Income statement data</b>							
Revenues	225,567	154,164	518,355	159,894	265,346		1,323,326
Costs	(83,145)	(30,868)	(158,915)	(102,897)	(99,470)		(475,295)
<b>Gross profit</b>	<b>142,422</b>	<b>123,296</b>	<b>359,440</b>	<b>56,997</b>	<b>165,876</b>		<b>848,031</b>
Gain from recognition of inventories at net realizable value	33,831						33,831
Selling expenses	(2,388)	(4,452)	(37,134)	(16,509)	(124,918)		(185,401)
Administrative expenses	(35,079)	(45,679)	(54,335)	(35,074)	(25,124)		(195,291)
Net gain from retained interest in securitized receivables					37,470		37,470
Gain from operations and holdings of real estate assets, net	730	361					1,091
<b>Operating income, net</b>	<b>139,516</b>	<b>73,526</b>	<b>267,971</b>	<b>5,414</b>	<b>53,304</b>		<b>539,731</b>
	844	863	561		(627)		1,641
Amortization of Goodwill, net Financial results, net	(8,868)		40	5,990		152,479	160,416
Gain on equity investees	1,907	(18,487)	(87,564)	(15,697)	(18,921)	(15,559)	(165,096)
Other income (expenses), net			(1,321)	2,604	(1,984)	(9,610)	(10,311)
<b>Income/(loss) before tax and minority interest</b>	<b>133,399</b>	<b>55,902</b>	<b>179,687</b>	<b>(1,689)</b>	<b>31,772</b>	<b>127,310</b>	<b>526,381</b>
Income tax and MPIT	(45,541)	(15,250)	(68,086)	207	(10,473)	(9,284)	(148,427)
Minority interest	140		(48,373)	4,938	(158)		(43,453)
<b>Net Income</b>	<b>87,998</b>	<b>40,652</b>	<b>63,228</b>	<b>3,456</b>	<b>21,141</b>	<b>118,026</b>	<b>334,501</b>
Gross margin <sup>(2)</sup>	0.63	0.80	0.69	0.36	0.63		0.64
Operating margin <sup>(3)</sup>	0.62	0.48	0.52	0.03	0.20		0.41
Net margin <sup>(4)</sup>	0.39	0.26	0.12	0.02	0.08		0.25
Depreciations and amortizations <sup>(5)</sup>	343	24,535	112,611	16,138	7,994		161,621
<b>Balance Sheet Data</b>							
Operating assets	582,204	991,750	1,780,777	210,675	277,486	204,553	4,047,445
Non-operating assets	75,444	97,002	153,540	37,576	49,785	1,172,649	1,585,996
Total assets	657,648	1,088,752	1,934,317	248,251	327,271	1,377,202	5,633,441
Operating liabilities	36,863	173,187	355,185	38,451	174,254		777,940
Non-operating liabilities	331,373	301,564	802,927	178,211	122,714	152,559	1,889,348
Total liabilities	368,236	474,751	1,158,112	216,862	296,968	152,559	2,067,288

(1) Includes offices, commercial and residential premises.

(2) Gross profit divided by revenues

(3) Operating income/(loss) divided by revenues

(4) Net income for the year divided by revenues

(5) Included in Operating income.

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As of and for year ended June 30, 2009	Development and sale of properties	Office and other non- shopping center rental properties <sup>(a)</sup>	Shopping centers	Hotels	Consumer financing	Financial operations and others	Total
	(in thousand of Ps.)						
<b>Statement of Income Data</b>							
Revenues	280,362	147,749	396,733	158,913	236,827		1,220,584
Costs	(148,318)	(29,330)	(109,275)	(98,889)	(122,694)		(508,506)
<b>Gross profit</b>	<b>132,044</b>	<b>118,419</b>	<b>287,458</b>	<b>60,024</b>	<b>114,133</b>		<b>712,078</b>
Gain from recognition of inventories at net realizable value	12,056						12,056
Selling expenses	(2,115)	(11,460)	(29,308)	(16,546)	(176,772)		(236,201)
Administrative expenses	(20,867)	(31,547)	(43,247)	(34,888)	(16,780)		(147,329)
Net loss from retained interest in securitized receivables					(46,012)		(46,012)
Gain from operations and holdings of real estate assets, net	51	1,073					1,124
<b>Operating income (loss)</b>	<b>121,169</b>	<b>76,485</b>	<b>214,903</b>	<b>8,590</b>	<b>(125,431)</b>		<b>295,716</b>
Amortization of negative goodwill, net	455	1,100	47				1,602
Gain on equity investees	1,974		40			59,528 <sup>(f)</sup>	61,542
Financial results, net	(6,222)	(14,202)	(92,602)	(16,083)	(1,827)	(5,445)	(136,381)
Other income (expenses), net			3,882	127	(606)	(12,258)	(8,855)
<b>Income (loss) before taxes and minority interest</b>	<b>117,376</b>	<b>63,383</b>	<b>126,270</b>	<b>(7,366)</b>	<b>(127,864)</b>	<b>41,825</b>	<b>213,624</b>
Income tax and MPIT	(41,149)	(16,542)	(53,258)	3,233	37,484	(10,102)	(80,334)
Minority interest	61		(22,104)	5,565	41,823		25,345
<b>Net income (loss)</b>	<b>76,288</b>	<b>46,841</b>	<b>50,908</b>	<b>1,432</b>	<b>(48,557)</b>	<b>31,723</b>	<b>158,635</b>
Gross margin <sup>(b)</sup>	0.47	0.80	0.72	0.38	0.48		0.58
Operating margin <sup>(c)</sup>	0.43	0.52	0.54	0.05	(0.53)		0.24
Net margin <sup>(d)</sup>	0.27	0.32	0.13	0.01	(0.21)		0.13
Depreciation and amortization <sup>(e)</sup>	782	23,962	86,643	18,001	5,584		134,972
<b>Balance Sheet Data</b>							
Operating assets	467,808	940,280	1,831,428	219,158	153,892		3,612,566
Non-operating assets	40,020	74,633	189,244	27,231	20,973	971,320	1,323,421
Total assets	507,828	1,014,913	2,020,672	246,389	174,865	971,320	4,935,987
Operating liabilities	25,379	122,869	413,381	31,236	136,853		729,718
Non-operating liabilities	303,808	304,426	672,794	174,765	106,761	83,672	1,646,226
Total liabilities	329,187	427,295	1,086,175	206,001	243,614	83,672	2,375,944

(a) includes offices, commercial and residential premises.

(b) Gross profit divided by revenues.

(c) Operating income (loss) divided by revenues.

(d) Net income (loss) divided by revenues.

(e) Included in operating income (loss).

(f) Includes Ps. 142.1 million gain generated by Banco Hipotecario and Ps. 82.3 million loss generated by Metropolitan.

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As of and for year ended June 30, 2008	Development and sale of properties	Office and other non- shopping center rental properties (a)	Shopping centers	Hotels	Consumer financing	Financial operations and others	Total
(in thousand of Ps.)							
<b>Statement of Income Data</b>							
Revenues	196,811	102,159	345,395	148,847	291,030		1,084,242
Costs	(150,894)	(26,347)	(99,175)	(84,220)	(103,587)		(464,223)
<b>Gross profit</b>	<b>45,917</b>	<b>75,812</b>	<b>246,220</b>	<b>64,627</b>	<b>187,443</b>		<b>620,019</b>
Gain from recognition of inventories at net realizable value	2,832						2,832
Selling expenses	(7,696)	(3,458)	(24,809)	(16,608)	(194,726)		(247,297)
Administrative expenses	(21,849)	(22,028)	(39,150)	(29,979)	(9,115)		(122,121)
Net loss from retained interest in securitized receivables					(1,261)		(1,261)
Gain from operations and holdings of real estate assets, net	66	2,604					2,670
<b>Operating income (loss)</b>	<b>19,270</b>	<b>52,930</b>	<b>182,261</b>	<b>18,040</b>	<b>(17,659)</b>		<b>254,842</b>
Amortization of negative goodwill, net	488	1,782	(390)		(242)		1,638
Loss on equity investees	(1,065)		(33)	(23)		(12,088)	(13,209)
Financial results, net	(8,502)	(10,069)	(23,585)	(5,884)	(375)	(28,327)	(76,742)
Other income (expenses), net			4,975	(5,713)	3,800	(8,704)	(5,642)
<b>Income (loss) before taxes and minority interest</b>	<b>10,191</b>	<b>44,643</b>	<b>163,228</b>	<b>6,420</b>	<b>(14,476)</b>	<b>(49,119)</b>	<b>160,887</b>
Income tax and MPIT	1,820	1,679	(74,992)	(4,010)	(1,522)	(1,087)	(78,112)
Minority interest	1		(36,347)	863	7,458	125	(27,900)
<b>Net income (loss)</b>	<b>12,012</b>	<b>46,322</b>	<b>51,889</b>	<b>3,273</b>	<b>(8,540)</b>	<b>(50,081)</b>	<b>54,875</b>
Gross margin <sup>(b)</sup>	0.23	0.74	0.71	0.43	0.64		0.57
Operating margin <sup>(c)</sup>	0.10	0.52	0.53	0.12	(0.06)		0.24
Net margin <sup>(d)</sup>	0.06	0.45	0.15	0.02	(0.03)		0.05
Depreciation and amortization <sup>(e)</sup>	577	26,274	73,185	13,283	1,888		115,207
<b>Balance Sheet Data</b>							
Operating assets	436,392	999,060	1,642,341	233,613	113,052		3,424,458
Non-operating assets	26,519	57,433	62,649	18,426	21,068	861,419	1,047,514
Total assets	462,911	1,056,493	1,704,990	252,039	134,120	861,419	4,471,972
Operating liabilities	25,530	100,430	250,957	33,115	205,671		615,703
Non-operating liabilities	247,320	209,399	662,174	199,813	75,714	80,956	1,475,376
Total liabilities	272,850	309,829	913,131	232,928	281,385	80,956	2,091,079

(a) Includes offices, commercial and residential premises.

(b) Gross profit divided by revenues.

(c) Operating income (loss) divided by revenues.

(d) Net income (loss) divided by revenues.

(e) Included in operating income (loss).

**Results of our Operations for the Fiscal Years ended June 30, 2010 and 2009****Revenues from Sales, Leases and Services.**

Revenues increased by 8.4%, from Ps. 1,220.6 million for the fiscal year 2009 to Ps. 1,323.3 million in the fiscal year 2010, due to the increases in revenues from all our segments, except for the Development and Sale of Properties segment, as described more fully below.



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*Development and Sale of Properties*

Revenues in this segment often vary significantly from one period to another due to (i) the non-recurrent nature of real estate purchase and sale transactions (and of the price obtained from them), (ii) the number of properties under construction from time to time and (iii) the timing of completion of projects under construction. Revenues from our Development and Sale of Properties segment decreased 19.5%, from Ps. 280.4 million for the fiscal year 2009 to Ps. 225.6 million for the fiscal year 2010.

Revenues from our Development and Sale of Properties segment for fiscal year 2009 included:

Ps. 53.8 million of revenue from our sale of units in the Torre Renoir building ;

Ps. 74.5 million of revenue from our sale of the Laminar Plaza building;

Ps. 42.1 million of revenue from our sale of Dock del Plata finished units;

Ps. 36.4 million of revenue from our sale of four stories at the building located at Avenida del Libertador 498;

Ps. 31.5 million of revenue from our sale of the Reconquista 823 building;

Ps. 9.9 million of revenue from our sale of parcels located in Abril, Province of Buenos Aires;

Ps. 7.6 million of revenue from our sale of the H parcel at the Torres Rosario Project (formerly, Rosario lot );

Ps. 6.9 million of revenue from our sale of one story at Torre Bank Boston storey;

Ps. 6.1 million of revenue from our sale of the building located at Avda. Madero 942.

The revenues from our Development and Sale of Properties segment for fiscal year 2010 included:

Ps. 68.6 million of revenue from our sale of Edificios Costeros (Dock II);

Ps. 46.3 million of revenue from our sale of the Pereiraola property;

Ps. 42.1 million of revenue from our sale of Dock del Plata finished units; and

Ps. 10.9 million of revenue from our sale of Libertador 602 in its entirety; and

Ps. 46.6 million of revenue from our sale of stories at the building located in Av. Del Libertador 498.

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

Revenues from our Office and Other Non-Shopping Center Rental Properties segment increased 4.3%, from Ps. 147.7 million for the fiscal year 2009 to Ps. 154.2 million for the fiscal year 2010. This increase was mainly due to a 1.1% increase in the average price per leasable square meter during fiscal year 2010, a 2% increase in properties' occupancy rates from 91% during fiscal 2009 to 93% during fiscal 2010 and to the addition of 11,298 square meters of new leasable space in our Dique IV office building, located at Juana Manso 295, which was finished in May 2009. These positive factors were partially offset by the 14,777 square meter reduction in the segment's total leasable square meters sustained in fiscal year 2010, primarily as a result of the sale of Edificios Costeros (Dock II) and of units in Dock del Plata, Libertador 498 and in other non-strategic properties, as described above.

### *Shopping centers*

Revenues from our Shopping Centers segment increased 30.7%, from Ps. 396.7 million for the fiscal year 2009 to Ps. 518.4 million for the fiscal year 2010. This increase was mainly due to a Ps. 109.8 million increase in revenues from leases and admission rights, explained in turn by: (i) an increase in Dot Baires Shopping's turnover as a consequence of being operative the whole year, in comparison to the one and a half month operations during fiscal 2009; (ii) a 37.8% increase in our lessees' total sales, which rose from Ps. 4,194.2 million during the fiscal year ended on June 30, 2009 to Ps. 5,778.2 million in the fiscal year ended on June 30, 2010, which resulted in an increase in our revenues earned as a percentage of our tenants' gross sales and (iii) an increase in the average price lease per square meter.

### *Hotels*

Revenues from our Hotel segment increased 0.6% from the Ps. 158.9 million during the fiscal year 2009 to Ps. 159.9 million for the fiscal year 2010, primarily as a result of an increase in the average price per room during fiscal year 2010 as compared to fiscal year 2009, partially offset by a 4.2% decrease in the average occupancy rate, from 69.8% for fiscal year 2009 to 65.6% for fiscal year 2010.

### *Consumer Financing*

Revenues from our Consumer Financing segment increased by 12.0%, from Ps. 236.8 million for the fiscal year 2009 to Ps. 265.3 million for the fiscal year 2010. This increase was mainly due to rises: (i) sales at retail stores and supermarkets; (ii) the loans granted and (iii) cards issued during fiscal year 2010 as compared to fiscal year 2009.

### *Costs*

Costs decreased by 6.5%, from Ps. 508.5 million for the fiscal year 2009 to Ps. 475.3 million for the fiscal year 2010, due to costs reductions in our Development and Sale of Properties and Consumer Financing segments, partially offset by an increase in the costs of our Shopping Centers, Office and Other Non-Shopping Center Rental Properties and Hotels segments. Our consolidated costs, as a percentage of our consolidated income decreased from 41.7% for fiscal year 2009 to 35.9%, for fiscal year 2010.

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*Development and Sale of Properties*

Costs in this segment often vary significantly from one period to another due to (i) the non-recurrent nature of real estate purchase and sale transactions (and of the price obtained from them), (ii) the number of properties under construction from time to time and (iii) the timing of completion of projects under construction. Costs associated with our Development and Sale of Properties segment decreased 43.9%, from Ps. 148.3 million for the fiscal year 2009 to Ps. 83.1 million for the fiscal year 2010.

Costs incurred by our Development and Sale of Properties segment for fiscal year 2009 primarily included:

Ps. 49.4 million of costs related to our sale of units in the Torre Renoir Building ;

Ps. 29.6 million of costs related to our sale of the Laminar Plaza building;

Ps. 18.8 million of costs related to our sale of the building located at Reconquista 823;

Ps. 12.0 million of costs related to our sale of four stories at the building located at Avenida del Libertador 498;

Ps. 5.0 million of costs related to our sale of the H parcel at the Torres Rosario Project (formerly, Rosario lot );

Ps. 5.1 million of costs related to our sale of one story at Torre BankBoston storey;

Ps. 13.3 million of costs related to our sale of Dock del Plata finished units;

Ps. 4.2 million of costs related to our sale of parcels located in Abril;

Ps. 2.3 million of costs related to our sale of the building located at Avda. Madero 942.

Costs incurred by our Development and Sale of Properties segment for fiscal year 2010 primarily included:

Ps. 22.4 million of costs related to our sale of the Pereiraola property;

Ps. 21.4 million of costs related to our sale of Edificios Costeros (Dique II);

Ps. 14.5 million of costs related to our sale of Dock del Plata finished units; and

Ps. 14.1 million of costs related to our sale of stories at the building located in Av. Del Libertador 498.

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

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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.

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### ***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.

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Selling expenses associated with Development and Sale of Properties Segment as a percentage of this segment's revenues increased from 0.8% for fiscal year 2009 to 1.1% for fiscal year 2010.

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

The Selling expenses associated with our Office and Other Non-Shopping Center Rental Properties segment decreased 61.2%, from Ps. 11.5 million for the fiscal year 2009 to Ps. 4.5 million for the fiscal year 2010, primarily due to a Ps. 8.6 million decrease in doubtful accounts, partially offset by a Ps. 0.8 million increase in advertising and promotions and by a Ps. 0.8 million increase in commissions and expenses associated to properties sales.

The Selling expenses associated to our Office and Other Non-Shopping Center Rental Properties segment as a percentage of this segment's revenues decreased from 7.8% for fiscal year 2009 to 2.9% for fiscal year 2010.

### *Shopping Centers*

The Selling expenses associated to our Shopping Centers segment increased 26.7%, from Ps. 29.3 million for the fiscal year 2009 to Ps. 37.1 million for the fiscal year 2010, mainly due to: (i) a Ps. 2.4 million increase in the turnover tax charge; (ii) a Ps. 2.6 million increase in the salaries and social security contributions expenses and (iii) a Ps. 2.4 million increase in expenses associated to courses, exhibitions and events.

The Selling expenses associated to our Shopping Centers segment as a percentage of this segment's revenues decreased from 7.4% for fiscal year 2009 to 7.2% for fiscal year 2010.

### *Hotels*

The Selling expenses associated to our Hotels segment remained stable, in the region of Ps. 16.5 million for both fiscal years.

The Selling expenses associated to our Hotels segment as a percentage of this segment's revenues decreased slightly from 10.4% for fiscal year 2009 to 10.3% for fiscal year 2010.

### *Consumer Financing*

The Selling expenses associated to our Consumer Financing segment decreased Ps. 51.9 million, from Ps. 176.8 million for the fiscal year 2009 to Ps. 124.9 million for the fiscal year 2010, primarily due to: (i) a Ps. 60.1 million decrease in loan losses; (ii) a Ps. 5.5 million decrease in salaries and social security contributions, partially offset by a Ps. 8.0 million increase in fees for services.

Selling expenses associated to our Consumer Financing segment as a percentage of the segment's revenues decreased from 74.6% for fiscal year 2009 to 47.1% for fiscal year 2010.

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### *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.

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### *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.

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### ***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.

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### *Consumer Financing*

The operating income/(loss) from our Consumer Financing segment increased Ps. 178.7 million, from a Ps. 125.4 million loss for the fiscal year 2009, to Ps. 53.3 million income for the fiscal year 2010, as a result of an increase in the net income(loss) from retained interest in securitized receivables of Tarshop, a decrease in selling expenses and in costs and an increase in revenues; which was partially offset by an increase in administrative expenses. Operating income/loss of our Consumer Financing segment when measured as a percentage of this segment's revenues, g increased from (53.0%) for fiscal year 2009 to 20.1% for fiscal year 2010.

### *Amortization of negative goodwill, net*

Amortization of negative goodwill, net primarily includes: (i) the amortization of the goodwill associated to the following Alto Palermo subsidiaries: Tarshop, Fibesa, Empalme S.A.I.C.F.A. y G., Mendoza Plaza Shopping S.A. and Emprendimiento Recoleta S.A., and (ii) the amortization of our negative goodwill arising from the acquisition of shares in Alto Palermo and Palermo Invest S.A. Amortization of negative goodwill remained stable in fiscal year 2010 when compared to the previous fiscal year, around of a Ps.1.6 million gain.

### *Financial results, net*

Our Financial results, net increased Ps. 28.7 million, from a Ps. 136.4 million loss for the fiscal year 2009 to a Ps. 165.1 million loss for the fiscal year 2010, mainly due to: (i) the fact that none of the non-recurring gains recognized in fiscal 2009, which had amounted to Ps. 105.9 million and Ps. 12.0 million and arisen, respectively, from our repurchases of Alto Palermo's notes and hedging transactions, were recognized in fiscal 2010; (ii) a Ps. 25.4 million increase in the financing expenses associated to the payments of interest accrued on our notes, and (iii) a Ps. 115.1 million reduction in the foreign exchange losses, both in fiscal 2010 and compared to the previous fiscal year due to a reduced variation in the US Dollar exchange rate throughout fiscal 2010.

### *Gain on equity investees*

Gain on equity investees increased by Ps. 98.9 million, up from Ps. 61.5 million income for the fiscal year 2009 to Ps. 160.4 million income for the fiscal year 2010. This increase is mainly attributable to (i) the non-recurring Ps. 82.3 million loss recognized during fiscal year 2009 related to our investment in Metropolitan 885 Third Avenue LLC and (ii) the valuation and acquisition of additional shares of Banco Hipotecario S.A., which during fiscal year 2010 generated a gain of Ps. 151.6 million in comparison with a gain of Ps. 142.1 million recognized during fiscal year 2009.

### *Other income and expenses, net*

Other income and expenses, net, increased by Ps. 1.5 million, from a Ps. 8.9 million loss for the fiscal year 2009 to a Ps. 10.3 million loss for the fiscal year 2010, mainly due to (i) a Ps. 3.7 million increase in donations and (ii) a Ps. 1.2 million increase in lawsuit-related contingencies, partially offset by a Ps. 3.8 million decrease in non-computable VAT.Income tax and minimum presumed income tax.

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Gain tax and minimum presumed income tax increased by Ps. 68.1 million, from a Ps. 80.3 million loss for the fiscal year 2009, to a Ps. 148.4 million loss for the fiscal year 2010. We applied the deferred tax method upon assessing income tax for the two fiscal years, thus recognizing temporary differences in the books and in the deferred tax assets and liabilities.

### ***Minority interest***

This line includes the minority shareholders' interests in subsidiaries in which we have effective control. The minority interest decreased by Ps. 68.8 million, from Ps. 25.3 million income for the fiscal year 2009, to a Ps. 43.5 million loss for the fiscal year 2010, mainly on account of the gains generated by the companies in which we have a majority stake during fiscal year 2010.

### ***Net income***

As a result of the factors described in the preceding paragraphs, net income increased Ps. 175.9 million, up from Ps. 158.6 million for the fiscal year 2009 to Ps. 334.5 million for the fiscal year 2010.

## **Results of Operations for the Fiscal Years ended June 30, 2008 and 2009.**

### ***Revenues***

Revenues grew by 12.6%, from Ps. 1,084.2 million for the fiscal year 2008 to Ps. 1,220.6 million in fiscal 2009 as further described below on a segment-by-segment basis.

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

Revenues of the Development and sale of properties segment increased by 42.5% from Ps. 196.8 million for the fiscal year 2008 to Ps. 280.4 million in fiscal year 2009. Revenues in this segment often vary from period to period due to: (i) the quantity and prices of the properties sold and (ii) the properties being constructed and the degree of progress of said projects.

Revenues for the 2008 fiscal year included (i) the sales of 29.9% over the Bouchard Plaza building, commonly known as Edificio La Nación, for Ps. 108.4 million; (ii) the sale of Parcel Y at Dock III for Ps. 56.6 million; (iii) a barter agreement through which a plot of land in the project known as Terreno Caballito was exchanged for home units and parking lots appraised at Ps. 19.2 million and (iv) a barter agreement through which a plot of land in the project known as Terreno Rosario was exchanged for home units and parking lots appraised at Ps. 3.4 million. During fiscal year 2009, revenues were mainly due to: (i) the sale of all the units in the building Laminar Plaza for Ps. 74.5 million; (ii) the sale of all the units in Torre Renoir building for Ps. 53.8 million; (iii) the sale of 8 functional units at Dock del Plata for Ps. 42.1 million; (iv) the sale of 4 stories at the building located at Av. Del Libertador 498 for Ps. 36.4 million and (v) the sale of Reconquista 823 building for Ps. 31.5 million.

#### ***Offices and other non-shopping center rental properties***

Revenues in the Offices and other non-shopping center rental properties segment grew by 44.6%, up from Ps. 102.2 million for the fiscal year 2008 to Ps. 147.7 million in fiscal year 2009. This increase was mainly due to a Ps. 43.6 million increase in revenues from office rentals from

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Ps. 97.9 million in fiscal year 2008 to Ps. 141.5 million in fiscal year 2009. This Ps. 43.6 million increase in revenues was mainly due to increased leased space in our Class A office buildings (mainly for Edificio República´s Leases) coupled with increased prices per leasable square meter.

### ***Shopping centers***

Revenues in the Shopping centers segment rose by 14.9% from Ps. 345.4 million for the fiscal year 2008 to Ps. 396.7 million in fiscal year 2009. This rise was in turn mainly due to a Ps. 44.3 million increase in revenues from rentals and admission fees owing to: (i) the rise in the average price per square meter, (ii) new revenues due to the opening of the Dot Baires Shopping and (iii) a 13.3% rise in the total sales of our tenants, which rose from Ps. 3,702.3 million during the fiscal year ended on June 30, 2008 to Ps. 4,194.2 million in the fiscal year ended June 30, 2009, which in turn resulted in an increase in percentage leases. The average occupancy rate at our Shopping centers sustained a slight decrease, down from 99.3% during fiscal 2008 to 98.5% during fiscal 2009.

### ***Hotel operations***

Revenues in the Hotel operations segment rose by 6.8% from Ps. 148.8 million for the fiscal year 2008 to Ps. 158.9 million in fiscal year 2009, mainly owing to: an increase in the average price per room at the hotels, offset by a drop in the average occupancy rate which decreased from 76.0% in fiscal 2008 to 69.8% in fiscal 2009.

### ***Consumer financing***

Revenues in the Consumer financing segment diminished by 18.6%, down from Ps. 291.0 million during fiscal 2008 to Ps. 236.8 million during fiscal year 2009. This was due to decreases in: (i) sales at retail stores and supermarkets; (ii) the loans granted; (iii) the cards issued and (iv) the number of statements of account issued.

### ***Costs***

Costs rose by 9.5%, up from Ps. 464.2 million for the fiscal year 2008 to Ps. 508.5 million in fiscal year 2009, due to the increased costs posted by the segments Consumer financing, Hotel operations, Shopping centers and Offices and other non-shopping center rental properties.

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

The costs associated with the Development and sale of properties segment decreased by 1.7% down from Ps. 150.9 million for the fiscal year 2008 to Ps. 148.3 million in fiscal 2009. The costs associated with this segment often reflect significant variations between periods, according to: (i) the number and prices of the properties sold, (ii) the properties being constructed and the degree of progress of said projects.

The costs incurred in fiscal year 2009 were mainly due to: (i) the sale of the Laminar Plaza building, for Ps. 29.6 million; (ii) the sale of all the units at Torre Renoir, for Ps. 49.4 million; (iii) the sale of 8 functional units at Dock del Plata, for Ps. 13.3 million; (iv) the sale in the course of the fiscal year of 4 floors at the building located at Av. Del Libertador 498, for Ps. 12.0 million and (v) the sale of the building located at Reconquista 823, for Ps. 18.8 million.

The costs associated with the Development and sale of properties segment as a percentage of this segment´s revenues decreased from 76.7% during fiscal year 2008 to 52.9% during fiscal year 2009.

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### *Offices and other non-shopping center rental properties*

The costs in the Offices and other non-shopping center rental properties segment rose by 11.3%, from Ps. 26.3 million for the fiscal year 2008 to Ps. 29.3 million in fiscal year 2009. Depreciation constitutes the principal component of cost for this segment.

The increase in costs for the fiscal year 2009 when compared to fiscal year 2008 was mainly due to the increase in real property maintenance expenses which were Ps. 2.4 million and to the increase in depreciation which amounted to Ps. 2.1 million.

The costs associated with the Offices and other non-shopping center rental properties segment as a percentage of this segment's revenues dropped, from 25.8% during fiscal year 2008 to 19.9% during fiscal year 2009.

### *Shopping centers*

The Shopping centers segment's costs rose by 10.2% from Ps. 99.2 million for the fiscal year 2008 to Ps. 109.3 million in fiscal year 2009. This increase is mainly due to: (i) a Ps. 13.5 million increase in the charge for Depreciations and amortizations and (ii) a Ps. 4.2 million increase in the costs associated with parking; which were partially offset by (iii) a Ps. 4.3 million decrease in the costs of unrecovered common maintenance expenses; and (iv) a Ps. 2.5 million decrease in the costs associated with revamping and refurbishment works in leasable areas. The costs associated with our Shopping centers segment as a percentage of this segment's revenues, decreased from 28.7% in the fiscal year ended on June 30, 2008 to 27.5% in the fiscal year ended on June 30, 2009, as costs for this segment, which grew by 10.2%, rose less than revenues, which grew by 14.9%, in the course of this fiscal year.

### *Hotel operations*

The costs in the Hotel operations segment rose by 17.4%, from Ps. 84.2 million for the fiscal year 2008 to Ps. 98.9 million in fiscal year 2009, mainly due to the salary raise and the increase in social security contributions, an increase in depreciations mainly due to the construction of new suites in the Hotel Llao Llao, and amortizations and an increase in the commissions paid.

The costs associated with the Hotel operations segment as a percentage of this segment's revenues increased from 56.6% in fiscal 2008 to 62.2% in fiscal 2009.

### *Consumer financing*

The costs of our Consumer financing segment grew by 18.4%, up from Ps. 103.6 million in the fiscal year ended on June 30, 2008 to Ps. 122.7 million in the fiscal year ended on June 30, 2009. The reasons for this hike were: (i) higher commission and interest costs, (ii) higher costs associated with salaries and social security contributions; (iii) higher public utilities costs; (iv) costs associated with fixed assets depreciations, (v) rentals and common maintenance expenses and (vi) all other costs related to various taxes and rates, partially offset by (vii) a decrease in fees and third parties' services.

The costs associated with the Consumer financing operations as a percentage of this segment's revenues rose from 35.6% during fiscal 2008 to 51.8% during fiscal year 2009.

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### ***Gross profit***

As a result of the above, Gross profit rose by 14.8%, from Ps. 620.0 million for the fiscal year 2008 to Ps. 712.1 million in fiscal year 2009, mainly due to the increase in Gross profit posted by the segments Development and sale of properties, Offices and other non-shopping center rental properties and Shopping centers.

Gross profit, calculated as a percentage of revenues, rose from 57.2% for the fiscal year 2008 to 58.3% for the fiscal year 2009.

### ***Gain from recognition of inventories at net realizable value***

During fiscal year 2009, we recognized gains for Ps. 12.1 on the recognition of inventories at net realizable value, mainly in connection with Torre Renoir for Ps. 5.5 million and Torres Caballito for Ps. 5.0 million; compared to the Ps. 2.8 million gains posted during fiscal 2008, mainly attributable to the Torre Renoir building for Ps. 2.6 million.

### ***Selling expenses***

Selling expenses dropped by 4.5% down from Ps. 247.3 million for the fiscal year 2008 to Ps. 236.2 million in fiscal year 2009, mainly due to the decrease in the selling expenses of the segments Consumer financing and Development and sale of properties and to the slight reduction in the segment Hotel operations. This was partially offset by increases in the Offices and other non-shopping center rental properties and Shopping centers segments.

Selling expenses as a percentage of revenues decreased from 22.8% in fiscal 2008 to 19.4% in fiscal 2009.

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

The Selling expenses in the Development and sale of properties segment consist in turnover tax, commissions and expenses arising from sales deals, advertising and promotion as well as the allowance for doubtful accounts. Selling expenses decreased by 72.5%, from Ps. 7.7 million during fiscal year 2008 to Ps. 2.1 million during fiscal year 2009, mainly due to a Ps. 3.0 million decrease in turnover tax.

The Selling expenses associated with the Development and sale of properties segment as a percentage of this segment's revenues dropped by 3.9% during fiscal year 2008 to 0.8% during fiscal year 2009.

### ***Offices and other non-shopping center rental properties***

The Selling expenses associated with the Offices and other non-shopping center rental properties segment rose by Ps. 8.0 million from Ps. 3.5 million for the fiscal year 2008 to Ps. 11.5 million in fiscal year 2009 mainly owing to the increase in the allowance for doubtful accounts and the increase in turnover tax.

The Selling expenses associated to the Offices and other non-shopping center rental properties segment as a percentage of this segment's revenues rose by 3.4% during fiscal year 2008 to 7.8% during fiscal year 2009.

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### *Shopping centers*

The Selling expenses associated to the Shopping centers segment grew by 18.1% from Ps. 24.8 million for the fiscal year 2008 to Ps. 29.3 million in fiscal year 2009 as a result of: (i) a Ps. 3.8 million increase in the allowance for doubtful accounts; (ii) a Ps. 1.0 million increase in salaries and social security contributions; and (iii) a Ps. 0.6 million increase in advertising expenses; (iv) partially offset by a Ps. 1.0 million decrease in trade fairs and events expenses.

The Selling expenses associated to the Shopping centers segment as a percentage of this segment's revenues rose from 7.2% during fiscal year 2008 to 7.4% during fiscal year 2009.

### *Hotel operations*

The Selling expenses associated to the Hotel operations segment for fiscal year 2009 remained stable compared to fiscal year 2008.

The Selling expenses associated to the Hotel operations segment as a percentage of this segment's revenues dropped by 11.2% during fiscal year 2008 to 10.4% during fiscal year 2009.

### *Consumer financing*

The Selling expenses associated to the Consumer financing segment fell by 9.2%, down from Ps. 194.7 million during fiscal year 2008 to Ps. 176.8 million during fiscal year 2009, mainly due to: (i) a Ps. 10.3 million reduction concerning salaries and social security contributions; (ii) a decrease in advertising expenses in the amount of Ps. 14.2 million; (iii) a Ps. 7.9 million decrease in fees; (iv) all of which were offset by the Ps. 18.9 million increase in the allowance for loan losses.

The Selling expenses associated to the Consumer financing segment as a percentage of this segment's revenues rose from 66.9% during fiscal year 2008 to 74.6% during fiscal year 2009.

### *Administrative expenses*

Administrative expenses rose by 20.6%, from Ps. 122.1 million for the fiscal year 2008 to Ps. 147.3 million in fiscal year 2009, mainly due to an increase in the activities conducted by the Offices and other non-shopping center rental properties, Shopping centers, Hotel operations and Consumer financing segments, offset by a drop in the expenses posted by the Development and sale of properties segment. The main components of the administrative expenses are salaries and social security contributions associated to the administrative personnel, fees and payments for services, directors' fees, banking expenses, fixed asset depreciation and taxes (except for the turnover tax).

The administrative expenses as a percentage of revenues grew from 11.3% in fiscal year 2008 to 12.1% in fiscal year 2009.

### *Development and sale of properties*

The administrative expenses associated to the Development and sale of properties segment dropped by 4.5%, from Ps. 21.8 million for the fiscal year 2008 to Ps. 20.9 million in fiscal year 2009, mainly due to the reductions in fees and payments for services and in salaries and social security contributions, partially offset by an increase in Directors' fees.

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The administrative expenses associated to the Development and sale of properties segment as a percentage of this segment's revenues dropped from 11.1% for fiscal year 2008 to 7.4% in fiscal year 2009.

### *Offices and other non-shopping center rental properties*

The administrative expenses of the Offices and other non-shopping center rental properties segment rose by 43.2%, from Ps. 22.0 million for the fiscal year 2008 to Ps. 31.5 million in fiscal year 2009. The increase is mainly due to an increase in Directors' fees, in salaries and social security contributions and in fees and payments for services.

The administrative expenses associated to the Offices and other non-shopping center rental properties segment as a percentage of this segment's revenues decreased from 21.6% for fiscal year 2008 to 21.4% in fiscal year 2009.

### *Shopping centers*

The administrative expenses associated to the Shopping centers segment rose by 10.5%, from Ps. 39.2 million for the fiscal year 2008 to Ps. 43.2 million in fiscal year 2009 mainly due to (i) a Ps. 2.4 million increase in the expenses related to taxes, rates and contributions attributable mainly to the tax on bank debits and credits and; (ii) a Ps. 1.7 million increase in the charges for fees and services; these increases were partially offset by a Ps. 1.1 million decrease in salaries and social security contributions.

The administrative expenses associated to the Shopping centers segment, as a percentage of this segment's revenues diminished from 11.3% during fiscal year 2008 to 10.9% during fiscal year 2009.

### *Hotel operations*

The administrative expenses associated to the Hotel operations segment rose by 16.4%, from Ps. 30.0 million for the fiscal year 2008 to Ps. 34.9 million in fiscal year 2009. The increase was mainly due to (i) a Ps. 3.5 million increase in salaries and social security contributions; (ii) a Ps. 1.0 million increase in commissions and (iii) depreciations for Ps. 0.8 million.

The administrative expenses associated to the Hotel operations segment as a percentage of this segment's revenues rose from 20.1% for fiscal year 2008 to 22.0% for fiscal year 2009.

### *Consumer financing*

The administrative expenses associated to the Consumer financing segment grew by 84.1%, up from Ps. 9.1 million during fiscal year 2008 to Ps. 16.8 million during fiscal year 2009. This rise was mainly due to: (i) a Ps. 3.5 million increase in salaries and social security contributions; (ii) the Ps. 1.3 million increase in expenses concerning taxes, rates and contributions and (iii) a Ps. 1.1 million increase in the fees for services charge.

The administrative expenses associated to the Consumer financing segment as a percentage of this segment's revenues rose from 3.1% during fiscal year 2008 to 7.1% during fiscal year 2009.

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### ***Net loss from retained interest in securitized receivables***

The net loss from the retained interest in securitized receivables rose by Ps. 44.7 million, from Ps. 1.3 million in the fiscal year ended on June 30, 2008 up to Ps. 46.0 million in the fiscal year ended on June 30, 2009, owing to the gains/losses on the placement of the new issuances related to the credit card trusts and the valuation of our interest in them. As of June 30, 2008, an allowance for impairment had been raised in the amount of Ps. 12.0 million, in order to adjust the book value of our participation certificates to their estimated recoverable value.

### ***Gain from operations and holdings of real estate assets, net***

This line reflects impairment gain associated to the reversal of charges for impairment recognized in the past. Gain from operations and holding of real estate assets, net, decreased by 57.9% from Ps. 2.7 million income for the fiscal year 2008 to Ps. 1.1 million income in fiscal year 2009, mainly recognized for Ps. 1.1 million in the Constitución 1159 building. During fiscal year 2008, the Ps. 2.7 million income had been primarily attributed to the Constitución 1159 building for Ps. 2.1 million, to the Sarmiento 517 property for Ps. 0.3 million and to the Constitución 1111 property for Ps. 0.2 million.

### ***Operating income***

Operating income grew by 16.0% from Ps. 254.8 million for the fiscal year 2008 to Ps. 295.7 million in fiscal year 2009, owing mainly to an increase in the Development and sale of properties, Shopping centers offices and other non-shopping center rental properties which was partially offset by a decrease in the Operating income (loss) of the Consumer financing and Hotel operations segments.

Operating income as a percentage of revenues rose from 23.5% in fiscal year 2008 to 24.2% for fiscal year 2009.

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

Operating income for the Development and sale of properties segment rose by Ps. 101.9 million up from Ps. 19.3 million for the fiscal year 2008 to Ps. 121.2 million for the fiscal year 2009, due, to a large extent, to the increases in revenues and in the Income/(loss) from recognition of inventories at net realizable value and to a decrease in costs, selling expenses and administrative expenses.

Operating income for the Development and sale of properties segment, as a percentage of this segment's revenues rose from 9.8% during fiscal year 2008 to 43.2% during fiscal year 2009.

### ***Offices and other non-shopping center rental properties***

Operating income for the Offices and other non-shopping center rental properties segment rose by 44.5%, from Ps. 52.9 million for the fiscal year 2008 up to Ps. 76.5 million in fiscal year 2009, due largely to an increase in revenues and a decrease in Selling expenses, partially offset by higher costs and an increase in Administrative expenses.

Operating income for the Offices and other non-shopping center rental properties segment, as a percentage of this segment's revenues remained stable at 51.8% during fiscal year 2009 compared to the previous fiscal year.

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### *Shopping centers*

Operating income for the Shopping centers segment rose by 17.9%, from Ps. 182.3 million for the fiscal year 2008 up to Ps. 214.9 million in fiscal year 2009, largely due to an increase in revenues, partially offset by increases in costs and in administrative and selling expenses.

Operating income for the Shopping centers segment, as a percentage of this segment's revenues rose from 52.8% during fiscal year 2008 to 54.2% during fiscal year 2009.

### *Hotel operations*

Operating income for the Hotel operations segment diminished by 52.4% from Ps. 18.0 million for the fiscal year 2008 down to Ps. 8.6 million in fiscal year 2009, largely due to an increase in revenues and to a decrease in Selling expenses which were partially offset by the increase in costs and in administrative expenses.

Operating income for the Hotel operations segment, as a percentage of this segment's revenues, decreased from 12.1% during fiscal year 2008 down to 5.4% during fiscal year 2009.

### *Consumer financing*

Operating income (loss) for the Consumer financing segment diminished by Ps. 107.8 million, from a Ps. 17.7 million loss for the fiscal year 2008 to a Ps. 125.4 million loss in fiscal year 2009, largely due to a decrease in revenues and an increase in costs and in administrative expenses and the loss on the Company's retained interest in securitized receivables.

The operating loss for the Consumer financing segment, as a percentage of this segment's revenues increased from (6.1%) for fiscal year 2008 to (53.0%) during fiscal year 2009.

### *Amortization of negative goodwill, net*

Amortization of negative goodwill, net, includes: (i) the amortization of the goodwill associated to the following APSA subsidiaries: Shopping Alto Palermo (completed in the course of this fiscal year), Fibesa S.A, Tarshop, Emprendimiento Recoleta S.A. and Empalme and (ii) the amortization of our negative goodwill arising from the acquisition of shares in Alto Palermo and Palermo Invest S.A. Goodwill amortization remained stable in this fiscal year when compared to the previous fiscal year.

### *Gain (loss) on equity investees*

The gain (loss) on equity investees rose by Ps. 74.8 million, from a Ps. 13.2 million loss for the fiscal year 2008 up to Ps. 61.5 million income in fiscal year 2009. This increase was mainly generated by the valuation and acquisition of Banco Hipotecario's shares which went from a loss of Ps. 12.4 million in fiscal year 2008 to a gain of Ps. 142.1 million in fiscal year 2009, mainly related to the gain recognized by the acquisition of additional shares accounted for under the purchase method of accounting, partially offset by a loss of Ps. 82.3 million incurred as a result of our investment in Metropolitan, mainly by the impairment charges in connection with the Lipstick building.

### *Financial results, net*

Financial results, net increased by Ps. 59.6 million, from a Ps. 76.7 million loss for the fiscal year 2008 to a Ps. 136.4 million loss in fiscal year 2009. The main reasons for this loss were: foreign exchange losses for Ps. 166.3 million compared to the fiscal year 2008, caused by a

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significant variation in the selling US Dollar/Argentine Peso exchange rate during the fiscal year herein discussed (it rose from Ps. 3.025 at June 30 2008 to Ps. 3.797 at June 30, 2009), in contrast to the situation a year earlier, when the exchange rate between the Argentine Peso and the US Dollar had remained almost stable (it dropped from Ps. 3.093 at June 30, 2007 to Ps. 3.025 at June 30 2008), partially offset by the income resulting from the repurchases of the notes issued by our subsidiary APSA for Ps. 105.9 million.

### ***Other expenses, net***

The caption Other expenses, net, rose by 57.0% from a Ps. 5.6 million loss in 2008 to Ps. 8.9 million loss in 2009 mainly due to: (i) the increase of Ps. 3.2 million in unrecoverable VAT which rose from a loss of Ps. 1.1 million in 2008 to a loss of Ps. 4.3 million in 2009, (ii) the non recurrence of the gain from cancellation of liabilities and the recovery on fire damages of Ps. 3.0 million and 2.6 million, respectively net of (iii) the decrease of the Ps. 5.0 million in donations which decrease from a loss of Ps. 6.9 million in 2008 to a loss of Ps. 1.9 million in 2009.

### ***Income before taxes and minority interest***

As a result of the foregoing, Income before taxes and minority interest increased by Ps. 52.7 million, from Ps. 160.9 million income for the fiscal year 2008, to Ps. 213.6 million income in fiscal year 2009.

### ***Income tax and MPIT***

Income tax and MPIT remained relatively stable and went from Ps. 78.1 million for the fiscal year 2008 to Ps. 80.3 million in fiscal year 2009. We followed the deferred tax method to calculate our income tax for the two fiscal years, which entails recognizing any temporary differences between the amounts for accounting purposes and tax assets and liabilities.

### ***Minority interest***

This item includes our proportional equity interests in the subsidiaries in which we own a minority interest. The result from third parties' interests in those subsidiaries rose by Ps. 53.2 million from a Ps. 27.9 million loss for the fiscal year 2008 up to Ps. 25.3 million income in fiscal year 2009, mainly due to the losses incurred by the companies in which we hold a Minority interest.

### ***Net income***

As a result of the above, income for the year rose by Ps. 103.8 million from Ps. 54.9 million for the fiscal year 2008 up to Ps. 158.6 million in fiscal year 2009.

## **Banco Hipotecario's Results of Operations**

### ***Overview***

We do not consolidate the consolidated financial statements of our investee Banco Hipotecario. However, according to Rule 3-09 of Regulation S-X, we are required to file separate financial statements of significant investees. This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with Banco Hipotecario's consolidated financial statements contained elsewhere in this annual report. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include, among others, those statements including the words

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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 believes that the following are the critical accounting policies under Argentine Banking GAAP and US GAAP, as they are important to the portrayal of its financial condition and results of operations and require its most difficult, subjective and complex judgment and the need to make estimates about the effect of matters that are inherently uncertain.

### *Allowances for loan and other receivables losses*

Banco Hipotecario allowances for loan losses are maintained in accordance with Argentine Banking GAAP. Under such regulations, a minimum allowances for loan losses is calculated primarily based upon the classification of Banco Hipotecario s commercial loan borrowers and the past due status of Banco Hipotecario s individual loan borrowers, in both cases considering the guarantee of collateral for the loans. Although Banco Hipotecario is required to follow the methodology and guidelines for determining its allowance for loan loss as set forth by the Central Bank, is allowed to provide additional allowances for loan loss.

Banco Hipotecario classifies individual loans based upon their past due status consistently with the requirements of the Central Bank. Minimum loss percentages required by the Central Bank are also applied to the totals in each loan classification. Balances of loans and reserves are charged-off and reflected off its balance sheet three months since the date on which the loans were fully covered by its loan loss allowance.

For commercial loans, the Central Bank required to classify all of Banco Hipotecario s commercial loan borrowers. In order to perform the classification, Banco Hipotecario must consider the management and operating history of the borrower, the present and projected financial situation of the borrower, the borrower s payment history and ability to service the debt, the capability of the borrower s internal information and control systems and the risk in the sector in which the borrower operates. Banco Hipotecario applies the minimum loss percentages required by the Central Bank to Banco Hipotecario s commercial loan borrowers based on the loan classification and the nature of the collateral, or guarantees, of the loan. In addition, based on the overall risk of the portfolio, Banco Hipotecario considers whether or not additional loan loss allowance in excess of the minimum required are warranted.

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Under US GAAP, the allowance for loan losses should be in amounts adequate to cover inherent losses in the loan portfolio at the respective balance sheet dates.

Loans considered impaired in accordance with ASC 310-10 Accounting for Creditors for Impairment of a Loan are valued at the present value of the expected future cash flows discounted at the loan's effective contractual interest rate or at the fair value of the collateral if the loan is collateral dependent. Under ASC 310-10, a loan is considered impaired when, based on current information, it is probable that the borrower will be unable to pay contractual interest or principal payments as scheduled in the loan agreement. ASC 310-10 applies to all loans except smaller-balance homogeneous consumer loans, loans carried at the lower of cost or fair value, debt securities, and leases.

In addition, Banco Hipotecario performs a migration analysis for mortgage, credit cards and consumer loans following the ASC 450-20 and historical loss ratios were determined by analyzing historical losses, in order to calculate the allowance required for smaller-balance impaired loans and unimpaired loans for U.S. GAAP purposes. Loss estimates are analyzed by loan type and thus for homogeneous groups of clients. Such historical ratios were updated to incorporate the most recent data reflecting current economic conditions, industry performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information that may affect the estimation of the allowance for loan losses. Determining the allowance for loan losses requires significant management judgments and estimates including, among others, identifying impaired loans, determining customers' ability to pay and estimating the fair value of underlying collateral or the expected future cash flows to be received. Actual events are likely to differ from the estimates and assumptions used in determining the allowance for loan losses. Additional provisions for loan losses could be required in the future.

### ***Fair Value Estimates***

Banco Hipotecario prepares its financial statements in accordance with the rules of the Central Bank related thereto, which differ from US GAAP in valuing financial instruments.

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10, among other things, requires Banco Hipotecario to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

In addition, ASC 825-10 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments and written loan commitments not previously recorded at fair value. Under ASC 825-10, fair value is used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes on fair value recognized in net income. As a result of ASC 825-10 analysis, Banco Hipotecario has not elected to apply fair value accounting for any of its financial instruments not previously carried at fair value.

### ***Fair Value Hierarchy***

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Inputs include the following:

- (a) Quoted prices for similar assets or liabilities in active markets;
- (b) Quoted prices for identical or similar assets or liabilities in non-active markets;
- (c) Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- (d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means.

Level 3: inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

### *Determination of Fair Value*

Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models that use primarily market-based or independently-sourced market parameters, including interest rate yield curves, option volatilities and currency rates. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, Banco Hipotecario's creditworthiness, liquidity and unobservable parameters that are applied consistently over time.

Banco Hipotecario believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

For a detailed description of the applicable accounting principles, please see Note 5.

### *Government securities BODEN*

#### *Other-than-temporary impairment*

Under U.S. GAAP, Government bonds, including Boden 2012 Bonds, Bonar 2015 Bonds, Discount Bonds and other securities, were classified as available-for-sale securities, and therefore, carried at fair value with changes in the fair value reflected in other comprehensive income.



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Recognition and Presentation of Other-Than-Temporary Impairments ASC 320 establishes a new method of recognizing and reporting other-than-temporary impairments of debt securities. Impairment is now considered to be other than temporary if an entity:

1. intends to sell the security;
2. is more likely than not to be required to sell the security before recovering its cost; or
3. does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell) that is, a credit loss.

This credit loss is based on the present value of cash flows expected to be collected from the debt security. If a credit loss exists but an entity does not intend to sell the impaired debt security and is more likely than not to be required to sell before recovery, the impairment is other than temporary. It should therefore be separated into:

1. the estimated amount relating to the credit loss, and
2. all other changes in fair value.

Only the estimated credit loss amount is recognized in profit or loss; the remaining change in fair value is recognized in other comprehensive income. This approach more closely aligns the impairment models for debt securities and loans by reflecting only credit losses as impairment in profit and loss.

Banco Hipotecario as a result of its analysis has concluded that the securities are not impairment as of June 30, 2010 and 2009. For more detail information see Note 34.d, e. and f. to our audited consolidated financial statements.

### ***Other Receivables from Financial Transactions and Miscellaneous Receivables,***

Banco Hipotecario records other receivables from financial transactions and miscellaneous receivables net of allowances for uncollectible amounts. Its judgment regarding the ultimate recovery is performed on an account-by-account basis and considers its assessment of the borrower's ability to pay based on factors such as the borrower's financial condition, past payment history, guarantees and past-due status.

### ***Deferred Tax Assets and Minimum Presumed Income Tax***

Under U.S. GAAP, deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the carrying amounts of assets and liabilities recorded for accounting and tax reporting purposes and for the future tax effects of net operating loss carryforwards.

As of June 30, 2009 and 2010, and based on the analysis performed on the realizability of the deferred tax assets, Banco Hipotecario believes that is more likely than not that it will recover the net operating tax loss carryforward and all the temporary differences, with future taxable income. Among other factors, Banco Hipotecario considered that as of the date of the issuance of these financial statements, the taxable income, mainly due to the increase in the price of national

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government bonds (classified as available for sale securities for U.S. GAAP purposes), is consuming almost the entire tax loss carryforward, considering that there were no differences between the tax and US GAAP accounting treatment related to available for sale securities.

Management's judgment on the likelihood that deferred tax assets can be realized is subjective and involves estimates and assumptions about matters that are inherently uncertain. This judgment involves estimating future taxable income and the timing at which the temporary differences between book and taxable income will be reversed. Underlying estimates and assumptions can change over time, influencing our overall tax positions, as a result of unanticipated events or circumstances.

Banco Hipotecario has recognized the minimum presumed income tax accrued as of June 30, 2010 and paid in prior years as an asset as of June 30, 2010, because Banco Hipotecario started to generate taxable income and Banco Hipotecario expects to be able to compute it as a payment on account of income tax in future years. Recognition of this asset arises from the ability to generate sufficient taxable income in future years to absorb the asset before it expires. Management's determination of the likelihood that deferred tax assets can be realized is subjective, and involves estimates and assumptions about matters that are inherently uncertain. The realization of deferred tax assets arises from levels of future taxable income and the achievement of tax planning strategies.

Underlying estimates and assumptions can change over time, influencing its overall tax positions, as a result of unanticipated events or circumstances.

**Table of Contents***Twelve month periods ended June 30, 2010 and 2009**General*

The following table sets forth the principal components of its net income for the periods ended June 30, 2010 and 2009.

	<b>Period ended June 30,</b>		<b>% Change</b>
	<b>2010</b>	<b>2009</b>	<b>2010/2009</b>
	<b>(in millions of pesos, except for percentages)</b>		
Financial income	Ps. 1,222.3	Ps. 1,016.2	20.3
Financial expenses	(661.6)	(615.3)	7.5
Net financial income	560.7	400.9	39.9
Provision for loan losses	(100.2)	(209.8)	(52.3)
Net contribution from insurance <sup>(1)</sup>	92.2	97.4	(5.3)
Other income from services	369.4	280.9	31.5
Other expenses for services	(134.3)	(116.7)	15.1
Administrative expenses	(563.4)	(456.3)	23.5
Net income / (loss) from financial transactions	224.5	(3.7)	NM
Miscellaneous income, net <sup>(2)</sup>	0.3	69.2	(99.6)
Non-Controlling interest	(1.5)	(3.5)	(58.2)
Income tax	(24.4)	(11.5)	111.5
Net income	Ps 198.9	Ps 50.5	294.2

(1) Insurance premiums minus insurance claims.

(2) Miscellaneous income minus miscellaneous expenses.

*Net Income*

Banco Hipotecario's net income for the period ended June 30, 2010 of Ps. 198.9 million was higher than Ps. 50.5 for the period ended June 30, 2009, principally due to:

Higher financial income principally as a result of higher income from government and private securities and the increase interest of Overdraft facilities and other loans.

Higher income from services as a result of the activity developed by BHN Inversión and higher commissions derived from credit cards business.

Lower charge of provision for loan losses as a result of an improvement of performing loans portfolio. These factors were partially offset by:

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Higher financial expenses as a result of higher time deposit interest as a consequence of the increase in the average balances on time deposits.

Higher administrative expenses mainly related with salaries and social security contributions, and an increase in advertising and publicity fees related to actions adopted by Banco Hipotecario in developing its retail banking business.

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Higher miscellaneous expenses due to the increase in credit cards and other discount.

*Financial Income*

The following table sets forth the principal components of its financial income for the periods ended June 30, 2010 and 2009.

	<b>Periods ended June 30, 2010</b>	<b>2009</b>	<b>% Change 2010/2009</b>
	<b>(in millions of pesos, except for percentages)</b>		
Mortgage loans and other financial transactions	Ps. 230.2	Ps. 246.2	(6.5)
Buyback of restructured debt			