

IRSA INVESTMENTS & REPRESENTATIONS INC

Form 6-K

September 21, 2009

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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN ISSUER**

**PURSUANT TO RULE 13a-16 OR 15b-16 OF**

**THE SECURITIES EXCHANGE ACT OF 1934**

For the month of September, 2009

**Irsa Inversiones y Representaciones Sociedad Anónima**

(Exact name of Registrant as specified in its charter)

**Irsa Investments and Representations Inc.**

(Translation of registrant's name into English)

**Republic of Argentina**

(Jurisdiction of incorporation or organization)

**Bolívar 108**

**(C1066AAB)**

**Buenos Aires, Argentina**

(Address of principal executive offices)

Form 20-F

Form 40-F

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

Yes

No



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**IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA**

**(THE COMPANY )**

**REPORT ON FORM 6-K**

Attached is an English translation of the Annual Report and Financial Statements corresponding to the fiscal year ended on June 30, 2009 and 2008.

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Inversiones y Representaciones

Sociedad Anónima

Annual Report and Free Translation of the Financial Statements

*For the Fiscal years ended*

*June 30, 2009 and 2008*

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**CORPORATE PROFILE**

Founded in 1943, IRSA Inversiones y Representaciones Sociedad Anónima ( IRSA or the Company ) is Argentina s largest real estate company and the only Argentine real estate company whose shares are listed on the Buenos Aires Stock Exchange ( BASE ) and on the New York Stock Exchange.

We are one of Argentina s leading real estate companies. We are engaged, directly and indirectly through subsidiaries, joint ventures and strategic alliances, in real estate activities in Argentina. We have a range of diversified real estate related activities, including: (i) the acquisition, development and operation of office buildings and other rental properties; (ii) the acquisition, development and operation of shopping centers, (iii) the acquisition and development of residential property, mainly for future sale; (iv) the acquisition and operation of luxury hotels, (v) the acquisition of land reserves in strategic areas for future development and sale, and (vi) consumer finance. We currently own 21.34% of Banco Hipotecario, one of the leading financial institutions in Argentina.

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

This figure does not consider the effect of Banco Hipotecario s treasury shares in its portfolio.

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**LETTER TO SHAREHOLDERS**

To the Shareholders:

Fiscal 2009 has seen the global economy face one of the most challenging financial crisis in the past 80 years. Within this context and given the manifest slow-down in the level of activity, both at the global and local levels, our company is successfully going through this reality and implementing various actions geared towards strengthening and consolidating our business lines in the midst of the prevailing volatility. These actions rely on the support of our company's management, the quality of our tenants and the characteristics and market position of our assets which continue to show high occupancy rates and cash generation, mainly in the real estate rental segments.

This allowed us to consummate the investment projects that are already underway and to support financially our consumer finance segment as the latter's situation had worsened owing to the deterioration in the level of consumption, heightened delinquency levels and intensified scarcity of financing sources for such activity as a result of the growing risk perceptions in the markets in general and the suppression of the system of pension funds that had given momentum to this business through these pension funds' portfolio investments. Specifically, in spite of the tighter financial conditions shown by the environment the Company has raised the necessary resources to complete and open the largest Shopping Mall in our portfolio as well as to provide the Consumer Finance business with a capital base in line with the current market conditions, thus strengthening its balance sheet and reinforcing its financial condition in the light of the very low capitalization that our business showed compared to its competitors.

Besides, the ever-changing financial environment has afforded select and unique opportunities that the Company has taken advantage of in order to strengthen its balance sheet situation. An example of these has been the realization of more than 19,000 square meters of rental office space considered non-strategic at prices close to US\$3,000 per square meter in most cases. These values are in excess of the figures implicit in the valuation of the financial instruments issued by IRSA. On top of the completion of approximately 20,000 square meters of office space in Puerto Madero and also in Saavedra, adjacent to the Dot Baires Shopping Mall, the above shall undoubtedly contribute to improving the mix in our office portfolio, thus strengthening the liquidity and solvency of our assets. Furthermore, by the end of the fiscal year, IRSA and Alto Palermo had acquired more than 37% of the nominal value in US Dollars of the Negotiable Obligations issued by Alto Palermo in May 2007. Through these purchases we have invested our surplus in instruments for which the low prices at the time of acquisition reflected an excessive risk perceived by the market. This has also allowed us to reduce, simultaneously, IRSA's consolidated debt held by third parties. For all the above reasons, these purchases of Notes issued by Alto Palermo clearly contributed to improving IRSA's solvency indicators. Lastly, in the course of this fiscal year, IRSA increased its direct and indirect equity interest in Banco Hipotecario S.A. to 21.34%<sup>§</sup>, and the impact of this decision has been highly favorable in the determination of income for the fiscal year.

The following is a description of performance in each segment for the past year:

**Shopping Center Segment:** Despite the performance shown by the overall economic environment, the total sales of Alto Palermo's tenants in this segment continued to rise compared to the previous fiscal year. The Company's positioning in the Metropolitan area of the City of Buenos Aires and in Greater Buenos Aires continued to strengthen.

The performance in this segment continues to be robust as shown by its cash flow generation levels and its margins expressed as operating income over sales. Occupancy continues to be high at 98.6% levels.

§ This figure does not consider the effect of Banco Hipotecario's treasury shares in its portfolio.

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Regarding our expansion in Buenos Aires and in the provinces, our subsidiary Alto Palermo completed the construction of a new major shopping center, Dot Baires Shopping, in the Saavedra neighborhood in the City of Buenos Aires, at the spot where Av. General Paz meets the Panamerican Highway. This is one of our subsidiary Alto Palermo's most important projects and one of the industry's most significant developments in Argentina in recent years. This new Shopping Center is the eleventh in our portfolio: having started operations in the last quarter of our fiscal year, it showed full occupancy and offers almost 50,000 square meters in gross leasable area for retail stores. These retailers include international and local top brands, an anchor store (Falabella), a hypermarket (Walmart), ten movie theaters (Hoyts) including one Digital 3D movie theater and 2 Premium Class movie theaters, the first of their kind in Argentina and a high-end gym. This offer will allow us to attract public with very good purchasing power from the northern side of the City of Buenos Aires and northern Greater Buenos Aires. Proof of this is the high number of visits and sales shown by Dot Baires in the first months since its opening.

Consumer Financing Segment: The results of the segment have been affected by an increase in delinquency rates caused by the deterioration in the actual salary of our portfolio customers, plus increases in the costs of financing and company structure brought about by the conditions prevailing at this juncture. The suppression of the pension fund management system, which had been giving momentum to this business through the pension funds' portfolio investments in financial trusts whose underlying assets were consumer loans, magnified the impact on this segment, in addition to the reforms in the tax structures that also impacted on the operation of those financial trusts. This prompted Tarshop to review the general economic prospects and the particular features of the activities carried out in this segment and to take steps to strengthen it. Tarshop has been endowed with a capital base in line with the current market conditions through a capital and irrevocable contributions for Ps. 165 million aimed to strengthen its balance sheet, reinforce its financial position and reposition Tarshop in the midst of the complex situation shown by the financial trust market through which Tarshop obtains resources to fund its activities. The capitalization also aimed to put Tarshop capital base in line with that of its competitors. This financial aid was accompanied by steps aimed at streamlining structure costs at the points of sale and at the centralized areas under lease. In addition, actions have been put in place to re-design the structure in distribution channels, to implement changes in the financing plans offered to retailers and to optimize the procedure to grant loans and to make collections, whilst in turn we established stricter allowance policies.

Numbers-wise, the negative financial, operating and delinquency results seen in the first quarters of the fiscal year started to be offset by improved capitalization, a drop in bad loan charges and a decrease in operating expenses posted in the last portion of the fiscal year due to the measures put in place.

The above notwithstanding, we continue to work with a view to optimizing performance at Tarshop, to help it stabilize its operating procedures in the challenging environment envisaged for the future in the Consumer Finance market.

Office and Non-shopping Center Rental Properties Segment: This segment has experienced a major recovery in terms of prices stated in US Dollars and occupancy levels since the 2002 crisis and until late calendar 2008. Since then, a change in trends has been perceived where rental values started to contract and vacancy levels started to rise owing to the international crisis: at that juncture, companies began to postpone decisions as a result of the prevailing uncertainty. Vacancy levels in the class AAA office market are around 6% compared to the 3% vacancy levels posted a year earlier, with rentals ranging from US\$ 30 per square meter to US\$ 35 per square meter.

With respect to our portfolio, although vacancy levels are around 9% as a result of the pace of absorption of the square meters added through the acquisition of the República Building (it is to be noted here that a major portion of the 64% of its occupied surface area was leased in the course of this fiscal year at values ranging from US\$ 37 per square meter to US\$ 40 per square meter), the rates established in the lease agreements have not yet been marked up to the market values noted in the preceding paragraph in a significant portion of the properties making up our portfolio of assets. Therefore, we consider that the performance shown by income in this business segment should be very favorable in the coming fiscal years, in so far as they are marked to market at values that are not lower than the current ones. Let us bear in mind that our company relies on a unique and unrepeatable portfolio of rental properties, with first-rate lessees, all of which has a bearing on cash flow generation capacity in this segment.



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As a result of a more conservative assessment of the market prospects, throughout the fiscal year we decided to optimize the mix in our rental office portfolio. Almost simultaneously with the completion of the AAA office building at Dock IV in Puerto Madero, for which we have secured leases for approximately 90% of its surface area at US\$ 30 per square meter, and with the completion of the construction works pertaining to the office building adjacent to Shopping Dot Baires (which will be in operational conditions in early calendar 2010), we have sold more than 19,000 square meters of gross leasable area in properties that we consider to be non-strategic in terms of the positioning of our portfolio. Amongst the sales closed, we can highlight: office building at Reconquista 823, 100% of our ownership interest in Laminar Plaza in the Catalinas neighborhood (5 stories), about 30% of the square meters we owned in Libertador 498 and about 50% of the square meters we owned in Dock del Plata. With this re-distribution we seek to attain a more solid positioning in our office assets while increasing solvency and liquidity to tap into opportunities that may arise in the future.

Development and Sale of Properties Segment: In the course of this fiscal year, we moved forward with the works pertaining to projects that were underway at the end of the previous fiscal year and with the sale and execution of deeds for units completed in other undertakings. We completed the execution of deeds for the units in Torre Renoir I and made headway with the sales of lots in Abril-Hudson. In December we started with the pre-sales of units in Caballito Nuevo: completion of these works is at 80%. Also, we have already signed preliminary bills of sale for 99% of the units to be constructed in the Horizons Project in Vicente Lopez, in partnership with Cyrela: they are estimated to be completed in fiscal 2011. Additionally, in this period, the income shown by this segment reflects the amounts resulting from the realization of office assets as mentioned above.

Within an increasingly volatile international context, opportunities have arisen for the acquisition or development of real estate outside Argentina that the Company has been analyzing and executing when these opportunities were appealing. We believe that the know-how in real estate gained by the Company throughout the years as well as its access to capital markets will allow the Company to successfully face the challenges envisaged. In this respect, during the fiscal year we have acquired a minority interest in a company organized in the State of Delaware, US, whose main asset consists in a highly distinctive office building in New York that is considered an architectural icon in the midst of Midtown Manhattan.

In view of the strong cash generation that the Company has been showing, the quality of its assets, its franchise to access the capital markets and the agility to tap into market opportunities and to adapt to circumstances, we are confident that we will continue to strengthen each one of our business lines and that this will lead to the formation of a unique Real Estate portfolio in Argentina while safeguarding the solvency and liquidity of our Company.

The potential wielded by IRSA can only materialize through the joint efforts of our Shareholders, Creditors, Directors, Tenants, Customers, Suppliers, Employees and the Community at large as they also play the lead role in our current performance. It is to them that I wish to extend our gratefulness for their permanent efforts and commitment to the objectives of the organization.

Saúl Zang  
**Vice-president I**  
**Acting as President**

City of Buenos Aires, September 8, 2009

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### **MACROECONOMIC CONTEXT**

#### **International Context**

The global economy has been severely affected by the financial crisis and the slow-down in the level of global activity. According to IMF estimates, the actual GDP of the developed economies shrank by 7.5% in the fourth quarter of 2008 and it is estimated that in the first quarter of 2009 GDP continued to decrease at a similar rate, which would turn this into the most severe global recession in five decades.

Since the beginning of the financial crisis until June 2009, the IMF calculates that GDP per capita at the global level has decreased by 3.68% on a weighted basis, industrial production fell by 6.23%, total imports and exports shrank by 11.75%, the consumption of oil shrank by 1.5%, that unemployment (in percentage changes and only in the developed economies) rose by 2.56%, that capital flows (as a percentage of GDP) diminished by 6.18%, consumption per capital fell by 1.11% and that there has been an 8.74% decrease in investments.

With the global economic activity cooling fast, inflationary pressures sustained an equally rapid dissipation. The prices of raw materials fell considerably compared to the peaks posted in mid-2008, which brought about a loss of revenues in the economies that export these products, mainly in Latin America and Africa. At present, and despite a recovery, the prices have not yet returned to the peaks reached in the year 2008.

Although this recession is driven by a major drop in the level of activity in the developed economies, emerging economies have sustained its impact as well due to the high degree of contagiousness and synchronicity that prevails in today's world.

Most probably, it is the US economy that has taken the hardest blow from the financial strains and the deceleration in the home sector. However, Western Europe and the developed economies of Asia have been seriously affected by the collapse in global trade and their worsening financial difficulties. The economies in the emerging markets have also encountered problems and in aggregate numbers, they have shrunk by 4% in the fourth quarter of 2008.

The varying policy measures adopted in connection with this situation range from expansive monetary measures, capital injections by some governments and a broad range of liquidity supply services to fiscal stimulus programs. Although they have not been entirely efficacious for stabilizing the financial markets and curbing the drop in production in the short term, they would seem to be yielding a positive outcome in stabilizing the situation in the medium term.

Existing prospects are uncertain. The main concern is to elucidate whether the policies were insufficient to tackle the current global recession or if the fiscal policies currently in force will effectively restart the global economic activity in the medium term.

Even though trust in the financial markets is still scarce, since the G-20 meeting in early April 2009, there have been encouraging signs of economic recovery. Both France and Germany have recently announced that they are no longer in recession as GDP had grown by 0.3% in the second quarter of 2009 whereas China announced that its industrial production had grown by 8.9% in May compared to 7.3% in April.

Subsequent to the close of the fiscal year, signs of recovery such as increases in the level of economic activity started to show in some developed economies, a decrease in the unemployment rate in the US and improvements in the prices of homes in the US.

#### **The Argentine Economy**

Within this international context, Argentina's GDP has succeeded in maintaining favorable performance during the year 2008, with 6.8% economic growth according to official sources. In the year 2009 to date, however, a slow-down has been perceived in the level of activity: the EMAE indicator, a monthly estimate of economic activity, has picked up that May 2009 did not show variations compared to May 2008, which is read as a sign of recession. Besides, Estudio Broda & Asoc. forecasts negative growth, at 4%, for the whole calendar 2009.

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As regards the Aggregate Demand, Total Consumption continues to be its main component. In this respect, during the first 3 months of calendar 2009, the relative weight of Total Consumption was about 70%.

In late 2008, consumption showed to be growing at slower rates, driven mainly by Private Consumption. According to Centro de Economía Regional y Experimental (CERX), in the first quarter of 2009 consumption dropped by 1.4% year-on-year and it is estimated that for calendar year 2009, private consumption would drop by 2.2% as a consequence of the reduction in actual salaries, the difficulties encountered by borrowers to honor their debts and the existence of uncertainty.

The drop in actual salaries would be due to an inflation rate that according to private sources would exceed the 16.43% salary raise in the course of fiscal year 2009. It is worth noting that a comparison of March 2009 to December 2008 points to a 15% increase in unemployment. However, it is important to note that this increase was due to the rise in the Economically Active Population (PEA, in Spanish) as the level of activity remained constant during the period under consideration.

Gross Domestic Fixed Investment (IBIF, in Spanish) appears to be one of the components of demand that shrank the most during the period (it posted a 14.2% drop in the first quarter of 2009) according to official sources. This decrease is explained by the reduction in investments in construction and the drop in durable production equipment (mainly imported components).

The use of installed capacity in the industrial sector stood at 70.8% in June 2009. This entails a 1.4% reduction compared to the situation a year earlier. The sectors that were most adversely affected were the basic metal industries and the car-making, textile and oil refining sectors. Despite the drop in the general level, there were sectors that performed favorably, including chemical substances and products, rubber and plastics production, tobacco and the food and beverages sectors.

As regards constructions, according to the Summary Indicator of Construction Activities (ISAC, in Spanish), this sector has accumulated a 2% decrease year-on-year during the first six months of the year.

In spite of the international crisis, during the first six months of this year the external sector showed a USD 9,861 million surplus in the trade balance, with a 93% positive variation year-on-year, according to official sources, continuing with the trend shown in 2008. Total exports amounted to USD 27,250 million compared to the USD 17,389 million disbursed in exchange for imports. This means that during the first six months of 2009 exports fell by 19% year-on-year whereas imports fell by 38%.

As regards exports, the decrease in their amount would be explained by a drop in the export prices that could not be offset by the increase in the quantities sold. As regards imports, the decline would be explained by a decrease in the prices and the quantities imported.

As regards public finances, according to the Ministry of Economy, in the year 2008 the primary result yielded by the Public Sector was Ps. 28,148 million, i.e., 33% above the figure posted for 2007.

In November 2008 and as set forth in Section 1 of Law No. 26,245, the Comprehensive Pension and Retirement System was unified into a single government-run social security system that has been named Argentine Integrated Social-Security System (SIPA, in Spanish) to be funded through a solidarity-based pay-as-you-go system that guarantees that the members and beneficiaries of the capitalization system that had been in place until the enactment of Law No. 26,245 will receive identical coverage and treatment as that afforded by the government-run social security system. With this reform, the privately-run pension fund management system disappeared and the funds accumulated by the pension fund managers have been transferred to Argentina's social security authorities (*Administración Nacional de Seguridad Social - ANSeS*), an autarchic government agency that has been entrusted with managing the balances previously held by pension fund managers.

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According to Estudio Broda & Asoc., in the year 2009 to date, tax collections have been adversely affected and surpluses have shrunk. From a year-on-year 34.8% growth in the first half-year of 2008, tax collections only grew by 8% year-on-year in the same period of 2009 without considering the effect of the transfer of pension fund managers; if this effect were considered, the growth in tax revenues would be 14.6%. The growth in tax revenues in this six-month period was driven by the Social Security revenues. The Government has not significantly curbed its Primary Expenditures in the period (they grew by 30.9% year-on-year).

In connection with inflation, it is to be noted that there are discrepancies amongst analysts and pundits as regards the criteria used to measure the Consumer Price Index as published by the Argentine Institute of Statistics and Censuses (INDEC).

According to INDEC, the Consumer Price Index for Greater Buenos Aires would show inflation at approximately 2.17% in the period January through June 2009, whereas the Consumer Price Index for the rest (INDEC's approach to underlying inflation excluding prices that are regulated and prices that vary according to the season, such as food, apparel, tourism and education) showed a 1.5% increase. Likewise, there are discrepancies as regards the set of available indicators, as follows: Wholesale Domestic Price Indices (IPIM) (3.1% since December 2008) and Production Cost Index (ICC) (4.4% since December 2008).

For the year 2008, the Consumer Price Index for Greater Buenos Aires would show a year-on-year variation at December 2008 of 7.23%. Besides, the Consumer Price Index for the rest shows an 8.69% increase for the same period. The other indicators show again major discrepancies, as follows: Wholesale Domestic Price Indices (IPIM) (8.4% for 2008), Production Cost Index (ICC) (20.71% for 2008) and Index of GDP Implied Prices (IPI) (19.1% for 2008).

Finally, it is worth noting that amongst private estimates, the Consumer Price Index for 7 Provinces which had been showing significant correlation to the Consumer Price Index for Greater Buenos Aires until the year 2007, is now at around 20%. Other private consultants estimated prices to have risen by no less than 13% in the year to date and there were some others that calculated inflation to be about 23% for the year 2008 on the basis of their own surveys.

Closely related to monetary decisions is the Country Risk issue. In the year 2009 to date, Argentina exhibited the greatest volatility as measured by this indicator compared to the other countries in the region. As a result, access to external financing has been restricted during the past year. Towards the end of 2008 and as a result of the domestic and international contexts, this indicator skyrocketed due to the scarcely favorable expectations for Latin America as a whole. However, during the last quarter of fiscal 2009, the indicator pointed to a downward trend, particularly in Argentina, as a result of expectations that already assumed that the international financial crisis would adversely affect the region.

### **Country Risk in Latin America**

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As a result of Country Risk volatility in October and November 2008, there was no access to external financing. On top of the heavy restrictions upon liquidity in the domestic market, the situation described exerted pressure on the interest rate applied to deposits held at private banks at 30 days, which exhibited major peaks in October and November 2008 and hit all-time highs close to 25% thus placing severe limitations on local funding during fiscal 2009. This notwithstanding, the BCRA's strategy consisted in allowing the rate to fluctuate until it reached the levels fixed by market expectations and by the end of fiscal 2009 rates were close to 13%.

As concerns the currency and terms of deposits, in the last month of fiscal 2009 a preference was perceived for assets with higher liquidity and for deposits in foreign currency. The latter rose by 77.06% during fiscal 2009.

As a consequence of the symptoms of the international financial crisis, the remittance of foreign currency abroad amounted to US\$ 11,195 million for the first six months of calendar 2009.

Besides, in connection with the nominal foreign exchange rate, the policy that entailed a preventative accumulation of foreign currency, which reached US\$ 46,026 million as of June 30, 2009, dispelled any doubts about the ability of the Central Bank to maintain the value of the currency.

During fiscal 2009 the actual multilateral exchange rate was also affected by the decrease in the level of exports discussed above. However, the index started to recover in December and reached the end of fiscal 2009 with a value that was 2.5% higher than the index at June 30, 2008.

Within this context, the monetary policy implemented by the Central Bank consisted in using the money in circulation plus deposits in checking accounts and savings accounts (which represent the monetary aggregate known as M2) to exert indirect influence on the interest rate. In the year 2009 to date, the Central Bank attained the objectives established in its Monetary Program 2009 exerting influence over the level of money in circulation through purchases and sales of treasury securities, purchases and sales of foreign currency, transactions with the public sector and repo transactions.

The following table shows the main indicators that summarize the performance of the Argentine economy since the 2001 crisis.

## Main Indicators

	2001	2002	2003	2004	2005	2006	2007	2008
Actual GDP Growth (in %)	-4.40%	-10.90%	8.80%	9.00%	9.20%	8.50%	8.50%	7.00%
Inflation (Combined prices) in % *	-1.70%	49.40%	16.00%	5.90%	9.10%	9.80%	8.50%	6.80%
Unemployment Rate ***	20.50%	20.70%	14.50%	13.00%	10.10%	8.70%	7.60%	7.30%
Primary Surplus (w/o privatizations) in % of GDP	0.50%	0.70%	2.30%	3.90%	3.70%	3.50%	3.20%	3.10%
Exports - FOB (US\$ million)	26,610	25,710	29,565	34,550	40,107	46,569	55,779	70,021
Imports - CIF (US\$ million)	20,320	8,991	13,834	22,447	28,688	33,500	44,706	57,423
Trade balance (US\$ million)	6,289	16,719	15,731	12,103	11,419	12,410	11,073	12,598
Balance of Payments Current Account (US\$ billion)**	-3,291	8,673	7,659	3,349	5,705	8,053	7,466	7,034

Source: INDEC

(\*) Consumer Price Index Greater Buenos Aires - INDEC

(\*\*) On an accrual basis

(\*\*\*) Country average (as a % of Economically Active Population)

Our Segments

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As regards performance in the shopping center market, we can assert that although certain signs have pointed to a slow-down in consumption in the economy overall, sales in shopping centers continued to perform favorably during the last fiscal period. Based on the most recent data available at INDEC, the first quarter of calendar 2009 showed a new improvement in total consumption which translates into a positive 1.5% year-on-year change in the private component and a 6.8% positive change in the public component.

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Evidence of the rise in retail consumption, according to official data, can be found in the increased volumes of sales posted as regards shopping centers. In June this year, shopping center sales without the seasonality effect pointed to a positive year-on-year 16.2% change whereas total sales as posted in the first half of calendar 2009 show a 3% year-on-year increase compared to the same period in the previous year.

Since the 2002 crisis and until the end of calendar 2008, the office rental market showed a major recovery in terms of rental value denominated in US Dollars and occupancy levels. However, according to a report prepared by Colliers, this sector has started to show a change in trends. At the end of the second quarter, according to the report, the vacancy rate is 6.2% and there has been a 15% drop in values compared to December 2008. These changes are mainly due to changes in the economic outlook: in view of the prevailing uncertainty, companies postponed their decisions in this respect.

The construction industry, though still expanding, has sustained a deceleration. According to the data compiled by the Argentine Institute of Statistics and Censuses (INDEC) in its Summary Indicator of Construction Activities (ISAC in Spanish), activities in the first half of 2009 have increased by 2% compared to the same period a year earlier.

Inflationary pressures have been affecting construction costs: the margins obtained by constructors are shrinking and thus a reduction is expected in the number of works to be carried out. According to INDEC, during the first half of the year 2009 the surface to be constructed, measured in terms of the permits issued for private works, fell by 19.3% compared to the same period of the previous year. According to data compiled by the Argentine Real Estate Chamber, the offerings of home rentals in the City of Buenos Aires rose by 50% in recent months and thus monthly lease prices decreased by close to 10%. It is to be noted that there are no expectations in Argentina pointing to a sub-prime mortgage loan crisis affecting the price of homes as has been the case in other economies because in Argentina mortgage loans to be applied to homes still represent less than 2% of GDP.

The hotel sector, particularly five-star hotels, was favored in these past years by the increase in the inflows of tourists with high purchasing power. However, according to the Secretariat of Tourism, during the first half of 2009, the number of non-resident tourists arriving in Argentina has been estimated to show a negative 13.13% variation compared to the same period a year earlier due to the slow-down in global growth.

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**BUSINESS**

**Overview**

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

the acquisition, development and operation of shopping centers,

the origination, securitization and management of credit card receivables,

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

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

the acquisition and operation of luxury hotels.

As of June 30, 2008 and 2009, we had total assets of Ps. 4,472.0 million and Ps. 4,936.0 million, respectively and shareholders' equity of Ps. 1,924.2 million and Ps. 2,095.7 million, respectively. Our net income/(loss) for the fiscal years ended June 30, 2007, 2008, and 2009 was Ps. 107.1 million, Ps.54.9 million, and Ps. 158.6 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 21.34%\*\* of Banco Hipotecario, one of the leading financial institutions in Argentina.

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

*Shopping centers.* We are engaged in purchasing, developing and managing shopping centers through our subsidiary Alto Palermo S.A. Alto Palermo operates and owns majority interests in eleven shopping centers, seven of which are located in the Buenos Aires metropolitan area, and the other four are located in the Provinces of Mendoza, Rosario, Córdoba and Salta. Our Shopping center segment had assets of Ps. 1,705.0 million as of June 30, 2008 and Ps. 2,016.9 as of June 30, 2009, representing 38.1% and 40.9%, respectively, of our consolidated assets at such dates, and generated operating income of Ps.182.3 million and Ps. 214.9 million during our 2008 and 2009 fiscal years respectively, representing 71.5% and 72.7%, respectively, of our consolidated operating income for such years.

*Consumer Finance.* We are engaged in the consumer finance business through our majority-owned subsidiary, Tarshop S.A. Tarshop'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 finance segment had assets of Ps. 134.1 million as of June 30, 2008, and Ps. 178.6 million as of June 30, 2009, representing 3.0% and 3.6%, respectively, of our consolidated assets at such dates, and generated an operating loss of Ps.17.7 million and an operating loss of Ps. 125.4 million for our 2008 and 2009 fiscal years, respectively, representing (6.9)% and (42.4)%, respectively, of our consolidated operating income/(loss) for such years.

*Residential developments.* The acquisition and development of residential apartment complexes and residential communities for sale is another of our core activities. Our development of residential apartment complexes consists of the construction of high-rise towers or the conversion and renovation of existing structures, such as factories and warehouses. In residential communities, we acquire vacant land, develop infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. Our Development and sale of properties



segment had assets of Ps. 462.9 million as of June 30, 2008,

§§ This figure does not consider the effect of Banco Hipotecario's treasury shares in its portfolio.

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and Ps. 507.8 million as of June 30, 2009, representing 10.4% and 10.3%, respectively, of our consolidated assets at such dates, and generated operating income of Ps. 19.3 million and Ps. 121.2 million during our 2008 and 2009 fiscal years, respectively, representing 7.6% and 41.0%, respectively, of our consolidated operating income/(loss) for such years.

*Office buildings.* In December 1994, we launched our office rental business by acquiring three prime office towers in Buenos Aires: Libertador 498, Maipú 1300 and Madero 1020. As of June 30, 2009, we directly and indirectly owned a majority interest in 17 office buildings and other non-shopping center rental properties in Argentina that in the aggregate represented 156,000 square meters of gross leaseable area. Our Offices and other non-shopping center rental properties segment had assets of Ps. 1,056.5 million as of June 30, 2008, and Ps. 1,014.9 million as of June 30, 2009, representing 23.6% and 20.6%, respectively, of our consolidated assets at such dates, and generated operating income of Ps.52.9 million and Ps. 76.5 million during our 2008 and 2009 fiscal years, respectively, representing 20.8% and 25.9%, respectively, of our consolidated operating income for such years.

*Hotel operations.* In 1997, we acquired the Hotel Llao Llao and an indirect controlling interest in the Hotel Intercontinental in Buenos Aires. In March 1998, we acquired the Hotel Sheraton Libertador in Buenos Aires, and later, we sold a 20% interest to an affiliate of Hoteles Sheraton, and during the fiscal year 2000, we sold 50% of our interest in the Hotel Llao Llao to the Sutton Group. Our Hotel operations segment, which consists of these three hotels, had assets of Ps. 252.0 million as of June 30, 2008, and Ps. 246.4 million as of June 30, 2009, representing 5.6% and 5.0%, respectively, of our consolidated assets at such dates, and generated income of Ps.18.0 million and Ps. 8.6 million during our 2008 and 2009 fiscal years, representing 7.1% and 2.9%, respectively, of our consolidated operating income for such years.

*Banco Hipotecario.* We currently own 21.34% of Banco Hipotecario, Argentina's leading mortgage lender. We acquired 2.9% of Banco Hipotecario for Ps.30.2 million when it was privatized in 1999. During 2003 and 2004, we increased our investment in Banco Hipotecario to 11.8% by acquiring additional shares, and by acquiring and exercising warrants, for an aggregate purchase price of Ps.33.4 million. In May 2004, we sold Class D shares representing 1.9% of Banco Hipotecario to IFISA, for Ps.6.0 million, generating a loss of Ps.1.6 million. During fiscal year 2009, IRSA and its subsidiaries increased their interest in Banco Hipotecario by acquiring 143,627,987 shares representative of 9.58% of its capital stock for Ps. 107.5 million, equivalent to a 21.34% investment in Banco Hipotecario held in the form of Class D shares, which are currently entitled to three votes per share, affording us a right to 33.30% of the total votes that can be cast at Banco Hipotecario's shareholders' meetings. As of June 30, 2009, our investment in Banco Hipotecario represented 10.9% of our consolidated assets, and during our fiscal years ended June 30, 2006, 2007, 2008 and 2009, this investment generated income for Ps.47.0 million, Ps.41.4 million, losses for Ps. 12.4 million, and income for Ps. 142.1 million, respectively.

**Business Strategy**

We seek to take advantage of our position as a leading company in Argentina dedicated to owning, developing and managing real estate. Our business strategy seeks to (i) generate stable cash flows through the operation of our real estate rental assets (shopping centers, office buildings, hotels), (ii) achieve long-term appreciation of our asset portfolio by 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.* In recent years, the Argentine shopping center industry has benefited from improved macroeconomic conditions and a significant expansion in consumer credit. We believe that the Argentine shopping center sector offers attractive prospects for long-term growth due to, among other factors, (i) a continuing evolution of consumer preferences in favor of shopping malls (away from small neighborhood shops) and (ii) a level of shopping center penetration that we consider low compared to many developed countries. We seek to improve our leading position in the shopping center industry in Argentina by taking advantage of economies of scale to improve the operating margins of our diversified portfolio of existing shopping centers and by developing new properties at strategic locations in Buenos Aires and other important urban areas, including in Argentine provinces and elsewhere in Latin America. The shopping center business is at present the strongest source of cash generation of our subsidiary Alto Palermo.

This figure does not consider the effect of Banco Hipotecario's treasury shares in its portfolio.

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*Consumer finance.* We have developed a credit card consumer finance business through Tarshop S.A., our controlled subsidiary. Tarshop's operations consist primarily of lending and servicing activities relating to the credit card products we offer to consumers at shopping centers, supermarkets and street stores.

*Residential properties.* During the economic crisis in Argentina in 2001 and 2002, a scarcity of mortgage financing restrained growth in middle class home purchases. As a result, in recent years, we focused on projects for affluent individuals who did not need to finance their home purchases, by concentrating on the development of residential properties for medium- and high-income individuals. In urban areas, we seek to purchase undeveloped properties in densely-populated areas and build apartment complexes offering greenspace for recreational activities. In suburban areas, we seek to develop residential communities by acquiring undeveloped properties with convenient access to Buenos Aires, developing roads and other basic infrastructure such as power and water, and then selling lots for the construction of residential units. During fiscal year 2008, we entered into a partnership with Cyrela Empreendimentos e Participações, a leading Brazilian residential real estate developer, to penetrate in other market segments left unattended until now. In this sense, IRSA-CYRELA will develop residential real estate projects in Argentina for purposes of increasing our presence in this business, by offering own financing to its customers.

*Office buildings.* During the Argentine economic crisis in 2001 and 2002, little new investment was made in high-quality office buildings in Buenos Aires and, as a result, we believe there is currently substantial demand for desirable office space in Buenos Aires. We seek to purchase, develop and operate premium office buildings in strategically-located business districts in the City of Buenos Aires and other locations that we believe offer potential for rental income and long-term capital gain. We expect to continue our focus on attracting premium corporate tenants to our office buildings and will consider opportunities to acquire existing properties or construct new buildings depending on the location and circumstances.

*Hotel operations.* We believe our portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and business travel in Argentina. Our strategy has been to invest in high-quality properties which are operated by leading international hotel companies to capitalize on their operating experience and international reputation. The rooms we have in Hotel Sheraton Libertador, Hotel Liao Liao and Hotel Inter Continental when taken as whole amount to 710.

*Banco Hipotecario.* 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. Among these services, mortgage loans stand out as Banco Hipotecario is leader in this segment in Argentina. Since 1999, Banco Hipotecario's shares have been listed on the Buenos Aires Stock Exchange, and since 2006 it has obtained the Level 1 ADR program of the Bank of New York. We believe that our 21.34%<sup>§§</sup> investment in Banco Hipotecario is interesting in the long-term. Unlike other countries, Argentina has a low level of mortgages outstanding measured in terms of GDP; accordingly, a significant potential growth is expected for this sector in the future.

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

*International.* In the past, we have made significant real estate investments outside of Argentina, including investments in Brazil Realty S.A. in Brazil and Fondo de Valores Inmobiliarios in Venezuela which we disposed of in 2002 and 2001, respectively. According to our business strategy, the company will be able to make future real estate investments inside and outside Argentina as long as we identify investment and development attractive opportunities.

<sup>§§</sup> This figure does not consider the effect of Banco Hipotecario's treasury shares in its portfolio.

**Table of Contents****Description of Operations****Offices and other non-shopping center rental properties**

We are engaged in the acquisition, development and management of Offices and other non-shopping center rental properties in Argentina. As of June 30, 2009, we directly and indirectly owned interests in 24 office and other rental properties in Argentina which comprised 252,949 square meters of gross leaseable area. Of these properties, 17 were office properties which comprised 156,000 square meters of gross leaseable area. For fiscal year 2009, we had revenues from Offices and other non-shopping center rental properties of Ps.147.7 million.

All our office rental property in Argentina is located in Buenos Aires City. For the year ended June 30, 2009 the average occupancy rate for all our properties in the Offices and other non-shopping center rental properties segment was approximately 94.0%. Eight different tenants accounted for approximately 38.0% of our total revenues from office rentals for fiscal year 2009: Exxon Mobile Business, Price Waterhouse, Unilever Argentina, 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 operations, we are responsible for handling services, such as security, maintenance and housekeeping. These services are generally contracted to third party providers. The cost of the services are passed-through and paid for by the tenants, except in the case of our units not rented, in which case we absorb the cost. Our leaseable space is marketed through commissioned brokers, the media and directly by us.

*Leases.* We lease our offices and other properties pursuant to 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 additional years at the tenant's option. Contracts for the rental of office buildings and other commercial properties are generally stated in U.S. dollars, and in accordance with Argentine law they are not subject to inflation adjustment. Rental rates for renewed periods are negotiated at market value.

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

**Offices and other non-shopping center rental properties**

	Date of Acquisition	Leasable Area Sqm (1)	Occupancy rate (2)	IRSA's effective interest	Monthly rental income Ps./000 (3)	Accumulated Annual Rental Income for the fiscal periods (in Ps./000) (4)			Book value Ps./000 (5)
						2009	2008	2007	
Edificio República	04/28/08	19,884	64%	100.0%	1,686	17,114	203		224,478
Torre Bankboston (6)	08/27/07	15,891	100%	100.0%	1,522	19,670	15,688		157,894
Bouchard 551	03/15/07	23,378	96%	100.0%	1,803	20,342	12,678	3,925	152,898
Intercontinental Plaza (7)	11/18/97	22,535	100%	100.0%	1,994	18,372	12,496	10,977	86,517
Dique IV (8)	12/02/97	11,298	89%	100.0%	1,151	1,743			66,984
Bouchard 710	06/01/05	15,014	100%	100.0%	1,628	17,379	12,931	8,900	66,283
Maipú 1300	09/28/95	10,280	100%	100.0%	998	9,890	8,107	6,006	39,670
Libertador 498 (9)	12/20/95	7,433	100%	100.0%	748	9,285	8,551	6,307	27,199
Costeros Dique IV	08/29/01	5,437	90%	100.0%	449	5,056	4,603	1,987	19,699
Edificios Costeros	03/20/97	6,389	59%	100.0%	303	4,082	3,896	3,124	17,373
Dock Del Plata (10)	11/15/06	3,985	80%	100.0%	320	6,083	6,945	3,103	12,691
Suipacha 652/64	11/22/91	11,453	100%	100.0%	531	3,820	2,480	1,398	11,388
Madero 1020 (11)	12/21/95	114	100%	100.0%	2	32	89	97	269
Laminar Plaza (12)	03/25/99		N/A	100.0%		5,327	5,607	4,631	
Reconquista 823/41 (12)	11/12/93		N/A	100.0%		2,087	2,256	1,139	



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Offices - other (13)	N/A	2,909	89%	N/A	89	1,189	1,385	1,289	7,954
<b>Subtotal Offices</b>		<b>156,000</b>	<b>91%</b>	<b>N/A</b>	<b>13,224</b>	<b>141,471</b>	<b>97,915</b>	<b>52,883</b>	<b>891,297</b>
<b>Other Non-Shopping Center Rental Properties</b>									
Commercial Properties (14)	N/A	312		N/A		209	188	242	3,626
Museo Renault	12/06/07	1,275	100%	100.0%	30	356	204		4,877
Santa María del Plata	07/10/97	60,100	100%	90.0%	84	959	958	1,043	12,496
Thames (7)	11/01/97	33,191	100%	100.0%	51	607	607	607	3,899
Other properties (15)	N/A	2,072	100%	N/A	6	2,207	220	168	5,721
<b>Subtotal Other Rental Properties</b>		<b>96,950</b>	<b>100%</b>	<b>N/A</b>	<b>171</b>	<b>4,338</b>	<b>2,177</b>	<b>2,060</b>	<b>30,619</b>
<b>Related fees (16)</b>		<b>N/A</b>	<b>N/A</b>	<b>N/A</b>		<b>1,940</b>	<b>2,067</b>	<b>740</b>	<b>N/A</b>
<b>TOTAL OFFICES AND OTHER NON-SHOPPING CENTER RENTAL PROPERTIES (17)</b>		<b>252,950</b>	<b>94%</b>	<b>N/A</b>	<b>13,395</b>	<b>147,749</b>	<b>102,159</b>	<b>55,683</b>	<b>921,916</b>

## Notes:

- (1) Total leaseable area for each property as of June 30, 2009. Excludes common areas and parking.
- (2) Calculated dividing occupied square meters by leaseable area as of June 30, 2009.
- (3) Agreements in force as of 06/30/09 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) 472 leaseable square meters were sold in December 2008.
- (7) Through Inversora Bolivar S.A..
- (8) The building was occupied on May 15, 2009.
- (9) In the period January through March 2009, the square meters sold amounted to 3,099.
- (10) In the period December 2008 through April 2009, 3,937 leaseable square meters were sold.
- (11) In the period February through April 2009 26 parking spaces were sold.

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- (12) The property was completely sold in April 2009.
- (13) Includes the following properties: Madero 942 (fully sold as of June 30, 2009), Av. de Mayo 595, Av. Libertador 602, Rivadavia 2768 and Sarmiento 517 (through IRSA).
- (14) Includes the following properties: Constitución 1111, Crucero I (fully sold as of June 30, 2009); Retail stores in Abril (wholly assigned) and Casona in Abril (through IRSA and IBSA).
- (15) Includes the following properties: one unit in Alto Palermo Park (through IBSA), Constitución 1159 and Torre Renoir I (through IRSA) and others.
- (16) Revenues from building management fees.
- (17) Corresponds to the Offices and other non-shopping center rental properties business unit mentioned in Note 4 to our Consolidated Financial Statements.

The following table shows a schedule of the lease expirations of our office and other properties for leases outstanding as of June 30, 2009, 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 (m2)	Percentage of total square meters subject to expiration (%)	Annual rental income under expiring leases (Ps.)	Percentage of total rental income under expiring leases (%)
2010	55	61,995	61%	52,856,655	33%
2011	51	52,510	22%	51,100,596	32%
2012	42	37,159	16%	51,857,814	32%
2013+	4	3,155	1%	4,005,146	3%
<b>Total</b>	<b>152</b>	<b>154,819</b>	<b>100%</b>	<b>159,820,211</b>	<b>100%</b>

Includes Offices which contract has not been renewed as of June 30, 2009.

Does not include vacant leased square meters.

Does not include square meters or revenues from parking spaces.

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The following table shows our offices occupancy percentage during fiscal years ended June 30, 2009, 2008 and 2007:

Offices	Occupancy Percentage		
	Fiscal year ended June 30, <sup>(1)</sup>		
	2009 (%)	2008 (%)	2007 (%)
Intercontinental Plaza	100	100	100
Bouchard 710	100	100	100
Bouchard 551	96	100	100
Dock del Plata	80	100	100
Libertador 498	100	100	100
Maipu 1300	100	100	100
Laminar Plaza (3)	N/A	100	100
Madero 1020	100	100	100
Reconquista 823/41 (3)	N/A	100	100
Suipacha 652/64	100	100	100
Edificios Costeros	59	89	96
Costeros Dique IV	90	100	96
Torre Bankboston	100	100	N/A
República	64	19	N/A
Dique IV	89	N/A	N/A
Other (2)	89	100	100

(1) Leased square meters in accordance with lease agreements in effect as of June 30, 2009, 2008 and 2007 considering the total leaseable office area for each year.

(2) Includes the following properties: Madero 942 (sold in October 2008), Av. de Mayo 595, Av. Libertador 602, Sarmiento 517 and Rivadavia 2768.

(3) This property was fully sold in April 2009.

The following table sets forth the annual average income per square meter for our offices during fiscal years ended June 30, 2009, 2008 and 2007:

Offices	Annual average income per square meter		
	Fiscal year ended June 30, <sup>(1)</sup>		
	2009 (Ps/ sqm)	2008 (Ps/ sqm)	2007 (Ps/ sqm)
Intercontinental Plaza	717	555	487
Bouchard 710	1,158	861	623
Bouchard 551 (2)	870	458	118
Dock del Plata (3)	908	877	392
Libertador 498 (4)	1,005	812	634
Maipu 1300	962	789	597
Laminar Plaza (5)	817	860	710
Madero 1020	281	414	450
Suipacha 652/64	416	217	123
Reconquista 823/41 (5)	334	450	236



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Edificios Costeros	639	610	504
Costeros Dock IV	930	847	387
Torre Bankboston (6)	1,238	992	N/A
República	861	55	N/A
Dique IV (7)	154	N/A	N/A
Other (8)	326	448	429

- (1) Calculated considering annual leases to total leaseable office area, in accordance with our percentage of ownership in each building.
- (2) Lease agreement beginning in the third quarter of fiscal year ended June 30, 2007, consequently income is for only three months of that fiscal year. In the third quarter of fiscal year 2008, 9,946 sqm were sold.
- (3) 3,937 leaseable square meters were sold in the period December 2008 through April 2009.
- (4) 3,099 leaseable square meters were sold in the period January through March 2009.
- (5) The property was fully sold in April 2009.
- (6) The property was acquired on 08/27/07, consequently income is for only ten months of fiscal year ended June 30, 2008.
- (7) The property was acquired on 04/28/08 and construction works were in progress, consequently income is for only 1 month of the fiscal year ended June 30, 2008.
- (8) Includes the following properties: Madero 942 (sold in October 2008), Av. de Mayo 595, Av. Libertador 602, Sarmiento 517 and Rivadavia 2768.

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

***Edificio República.*** 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 Becar Varela, Federalia S.A. de Finanzas, Enap Sipepetrol Argentina S.A., Infomedia 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 50% 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 we acquired in March 2007, located in the Retiro area close to the intersection of the Leandro N. Alem and Córdoba avenues and opposite Plaza Roma. The building is a 23-story tower covering a surface area of 2,900 square meters in the low floors that becomes smaller as it goes higher up to 900 square meters approximately, and parking for 177 units. We have approximately 23,000 leaseable 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..

***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 and Cognizant Technology Solutions de Arg. S.A..

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

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

***Libertador 498, Ciudad de Buenos Aires.*** Libertador 498 is a 27-story office tower at the intersection of three of the most important means of access to the City of Buenos Aires. This location allows for easy access to the building from northern, western and southern Buenos Aires. We are owners of 12 stories with an average area per floor of 620 square meters and of 209 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 Alfaro Abogados S.C., Sideco Americana 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., Techint Cía. Técnica Internacional S.A.C.I. and Trafigura Argentina S.A.

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***Edificios Costeros, Dique II, City of Buenos Aires.*** Costeros A and B are two four-story buildings developed by us and located in the Puerto Madero area. We own the two buildings which have a gross leaseable area of 6,389 square meters. In September 1999 we completed their construction and in April 2000 began to market the office spaces and 147 parking spaces. The main tenants of these properties are as follows: Leo Burnett Worldwide Invest. Inc., Italcred S.A., Coty Argentina S.A., Olga Cossettini 1545 S.A. and Somos Tres S.R.L.

***Dock del Plata, City of Buenos Aires.*** Dock del Plata is an office building located at Alicia Moreau de Justo 400 in the Puerto Madero area acquired by the Company in November 2006. It is a 4-story building with an average surface per floor of 1,500 square meters and with 309 units of parking space. In the fiscal period ended June 30, 2009 the retail stores and 4 functional units were sold, with the office leaseable area now being 3,985 square meters. At present, the main tenants include AT & T Communications Serv. S.R.L., MCO LEX S.R.L and CA 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 of Buenos Aires. We own the entire building and 70 parking spaces. The building has unusually large floors, most measuring 1,580 square meters. This property underwent substantial renovations shortly after we acquired the deed in 1991 to prepare the building for rental. The building's principal tenants currently include Gameloft Argentina S.A., Monitor de Medios Publicitarios S.A, Organización de Servicios Directos Empresarios (OSDE) and Alto Palermo's subsidiary, Tarshop S.A.

***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. 0.8 million in annual rental income for fiscal year 2009. Among these properties are Madero 942 (sold in October 2008), Libertador 602, Av. de Mayo 595, Rivadavia 2768 and Sarmiento 517.

***Retail and other properties.*** Our portfolio of rental properties as of June 30, 2009 includes 10 non-shopping center leased properties that are leased as shops on streets, a lot in industrial premises, two leased undeveloped plots of land and other properties for various uses. Most of these properties are located in the City of Buenos Aires, although some are located in other cities in Argentina. These properties include Constitución 1111, Museo Renault, Thames and Solares de Santa María.

During fiscal 2009 the Company executed and delivered title deeds for the sale of 19,371 sqm of gross leaseable area corresponding to non-strategic office assets in several transactions totaling approximately US\$ 52 million. These transactions include, though are not limited to, 7 functional units at Edificio Dock del Plata representative of 3,937 sqm of gross leaseable area; a commercial property in Puerto Madero designated as Crucero I representative of 192 sqm of gross leaseable area; 5 functional units at Edificio Libertador 498 representative of 3,099 sqm of gross leaseable area; one functional unit at the property located in Av. Madero 942 representative of 768 sqm of gross leaseable area; 5 floors at Edificio Laminar Plaza, representative of 6,520 sqm of gross leaseable area and a block building along Reconquista street representative of 5,016 sqm of gross leaseable 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 2010.

## **Shopping Centers**

We are engaged in purchasing, developing and managing shopping centers through our subsidiary Alto Palermo. As of June 30, 2009, Alto Palermo operated and owned majority interests in eleven shopping centers, six of which are located in the City of Buenos Aires, one of which is located in the greater Buenos Aires metropolitan area and the other four of which are located in the Argentine provinces, in the cities of Salta, Rosario, Mendoza and Córdoba.

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As of June 30, 2009, we owned 63.3% of Alto Palermo and Parque Arauco S.A. owned 29.6%. The remaining shares are held by the investor public and traded on the *Bolsa de Comercio de Buenos Aires* and the related ADSs are listed and traded on the Nasdaq National Market (USA) under the symbol APSA. In addition, as of June 30, 2009, 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 65.9% of its fully diluted capital.

As of June 30, 2009, Alto Palermo's shopping centers comprised a total of 287,542 square meters of gross leaseable area (excluding certain space occupied by hypermarkets which are not Alto Palermo's tenants). For the period ended June 30, 2009, the average occupancy rate of Alto Palermo's shopping center portfolio was approximately 98.5%.

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.

The following table shows certain information concerning our Alto Palermo subsidiary's shopping centers as of June 30, 2009:

**Shopping Centers**

	Date of Acquisition	Leaseable Area sqm (1)	APSA's Effective Interest (3)	Occupancy rate (2)	Annual Rental Income For the fiscal years (in thousands of Ps.) (4)			Book Value (in thousands of Ps.) (5)
					2009	2008	2007 (12)	
<b>Shopping Centers (6)</b>								
Panamerican Mall (7)	12/01/06	49,731	80.0%	99.9%	8,499			557,852
Abasto (8)	07/17/94	37,604	100.0%	99.8%	77,773	69,639	56,380	172,586
Alto Palermo	12/23/97	18,635	100.0%	100.0%	82,450	69,847	57,345	156,665
Patio Bullrich	10/01/98	11,741	100.0%	99.6%	31,537	28,864	25,368	96,903
Mendoza Plaza Shopping	12/02/04	41,118	100.0%	96.8%	25,478	24,232	18,779	85,294
Alto Avellaneda	12/23/97	37,298	100.0%	100.0%	47,488	39,958	31,249	84,624
Alto Rosario Shopping (8)	11/09/04	28,640	100.0%	95.0%	24,141	20,040	15,464	79,436
Paseo Alcorta	06/06/97	14,385	100.0%	97.9%	39,067	37,293	31,241	74,020
Córdoba Shopping Villa Cabrera	12/31/06	15,789	100.0%	96.4%	11,262	10,577	3,810	69,195
Alto Noa	03/29/95	18,851	100.0%	99.9%	10,838	9,598	6,635	23,081
Proyecto Neuquén (9)	07/06/99	N/A	94.6%	N/A				12,127
Buenos Aires Design	11/18/97	13,750	53.7%	98.8%	12,965	12,020	10,359	11,306
Fibesa and others (10)		N/A	100.0%	N/A	16,431	21,402	13,636	
Comercializadora Los Altos S.A.		N/A	100.0%	N/A	8,804	1,925		
<b>TOTAL SHOPPING CENTERS</b>		<b>287,542</b>	<b>94.9%</b>	<b>98.5%</b>	<b>396,733</b>	<b>345,395</b>	<b>270,266</b>	<b>1,423,089</b>

Notes:

- (1) Total leaseable area in each property. Excludes common areas and parking spaces.
- (2) Calculated dividing occupied square meters by leaseable area.
- (3) Effective interest of Alto Palermo in each business unit. We have a 63.34% in APSA.
- (4) Represents the total leases consolidated by application of 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) Owned through APSA.

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- (7) On May 13, 2009, a shopping center, a hypermarket and a movie theater complex were opened. Still pending is the completion of an office and/or residential building.
- (8) Excludes Museo de los Niños. (Abasto 3,732m2; Rosario 1,261m2)
- (9) Land for the development of a Shopping Center.
- (10) Includes revenues from Fibesa S.A. and others.

**Our Tenants Retail Sales**

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

	Fiscal year ended June 30, (1)		
	2007 Ps.	2008 Ps.	2009 Ps.
Abasto	573,814,588	720,398,373	774,496,092
Alto Palermo	502,220,444	631,821,667	745,008,569
Alto Avellaneda	418,349,117	560,693,754	696,502,305
Paseo Alcorta	321,948,304	385,515,939	374,756,633
Patio Bullrich	226,200,714	271,411,516	274,923,406
Alto Noa	130,318,508	173,998,891	211,353,264
Buenos Aires Design	110,722,931	132,952,563	129,072,350
Mendoza Plaza	337,757,597	433,394,266	436,599,085
Alto Rosario	204,430,069	271,331,827	318,443,541
Cordoba	N/A	120,827,838	133,526,649
Dot Baires Shopping	N/A	N/A	99,478,084
<b>Total retail sales (2)</b>	<b>2,825,762,272</b>	<b>3,702,346,634</b>	<b>4,194,159,978</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 Alto Palermo owns less than 100% of such shopping centers.

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

**Lease Expirations**

The following table shows a schedule of lease expirations for our shopping center properties in place as of June 30, 2009, assuming that none of the tenants exercise renewal options or terminate their lease early.

Lease Expirations as of June 30,	Number of Leases Expiring	Square Meters Subject to Expiring Leases	Percentage of Total Square Meters Subject to Expiration	Annual Base Rent Under Expiring Leases (1)	Percentage of Total Base Rent Under Expiring Leases
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		(sqm)	(%)	(Ps.)	(%)
2010	543	91,548	32%	73,730,303	32%
2011	331	42,251	15%	54,185,002	23%
2012	294	37,483	13%	52,686,545	23%
2013+	196	116,260	40%	52,314,176	22%
<b>Total (2)</b>	<b>1,364</b>	<b>287,542</b>	<b>100%</b>	<b>232,916,026</b>	<b>100%</b>

(1) Includes only the basic rental income amount. Does not give effect to Alto Palermo's ownership interest.

(2) Includes stores which contracts have not been renewed yet and vacant stores at June 30, 2009.

**Table of Contents****Occupancy Rate**

The following table shows the average occupancy rate of each shopping center during fiscal years ended June 30, 2009, 2008 and 2007:

	Occupancy Rate		
	Fiscal year ended June 30,		
	2009	2008	2007
	(%)	(%)	(%)
Abasto de Buenos Aires	99.8	99.6	97.0
Alto Palermo Shopping	100.0	100.0	99.6
Alto Avellaneda	100.0	99.8	95.0
Paseo Alcorta	97.9	99.5	99.0
Patio Bullrich	99.6	100.0	100.0
Alto Noa	99.9	100.0	100.0
Buenos Aires Design	98.8	100.0	100.0
Alto Rosario	95.0	99.2	93.4
Mendoza Plaza Shopping	96.8	97.7	95.9
Córdoba Shopping Villa Cabrera	96.4	97.2	
Dot Baires Shopping	99.9		
Total average	98.5	99.3	97.8

**Rental Price**

The following table shows the annual/period average rental price per square meter for the fiscal years ended June 30, 2009, 2008 and 2007:

	Annual Average Revenue per square meter		
	Fiscal year ended June 30, (1):		
	2009	2008	2007
	(Ps./m2)	(Ps./m2)	(Ps./m2)
Abasto de Buenos Aires	1,711	1,437	1,273
Alto Palermo Shopping	3,581	3,058	2,925
Alto Avellaneda (2)	1,156	972	1,100
Paseo Alcorta	2,409	2,314	2,074
Patio Bullrich	2,255	2,096	2,051
Alto Noa	503	461	344
Buenos Aires Design	731	673	634
Alto Rosario	747	609	484
Mendoza Plaza Shopping	547	537	456
Córdoba Shopping Villa Cabrera (3)	591	558	N/A
Dot Baires Shopping (4)	1,162	N/A	N/A

- (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 decrease in revenues per square meter in fiscal 2008 at Alto Avellaneda is due to the inclusion of 11,600 sqm belonging to Falabella.
- (3) The values for 2008 were modified on the basis of the movie theaters surface areas.



- (4) The values corresponding to Dot have been adjusted and annualized as the actual figures reflect only one month and a half.

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### ***Principal Terms of the Leases***

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

Leaseable space in the shopping centers is marketed through an exclusive arrangement with the real estate broker Fibesa S.A. We have a standard lease agreement, the terms and conditions of which are described below, which we use for most tenants. However, our largest tenants generally negotiate better terms for their respective leases. No assurance can be given that lease terms will be as set forth in the standard lease agreement.

Alto Palermo charges its tenants a rent which consists of the higher of (i) a monthly base rent (the *Base Rent*) and (ii) a specified percentage of the tenant's monthly gross sales in the store (the *Percentage Rent*) (which generally ranges between 4% and 10% of tenant's gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant's Base Rent generally increases between 7% and 12% each year during the term of the lease. 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, there can be no assurance that our subsidiary Alto Palermo may be able to enforce such clauses contained in its lease agreements.

In addition to rent, Alto Palermo charges most of its tenants an admission fee, which is required to be paid upon entering into a lease agreement and upon a lease agreement renewal. 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 the tenant's gross leaseable area and the location of its store. 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 our shopping centers. These activities are paid for with the tenants' contributions to the Common Promotional Fund (*CPF*), which is administered by us. Every month tenants contribute to the CPF an amount equal to approximately 15% of their rent (Base Rent plus Percentage Rent), 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. We may also require tenants to make extraordinary contributions to the CPF to fund special promotional and marketing campaigns or to cover the costs of special promotional events that benefit all tenants. We may require tenants to make these extraordinary contributions up to four times a year provided that each such extraordinary contribution may not exceed 25% of the preceding monthly rental payment of the tenant.

Each tenant leases its rental unit as a shell without any fixtures. Each tenant is responsible for the interior design of its rental unit. Any modifications and additions to the rental units must be pre-approved by us. We have the option to decide tenants' responsibility for all costs incurred in remodeling the rental units and 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 our shopping center revenues for our fiscal years ended June 30, 2007, 2008 and 2009:

	Fiscal Year ended June 30,		
	2009 (Ps.)	2008 (Ps.)	2007 (Ps.)
Fixed monthly minimum rent	196,039,212	159,140,526	129,594,156
Variable rent dependent on prices	70,883,545	73,298,452	51,872,357
Booth and kiosk rentals	31,774,087	27,144,073	21,303,064
Admission fees	47,690,439	40,275,442	34,477,499
Miscellaneous	33,275,688	31,959,152	23,012,445
Parking	17,070,274	13,577,014	9,872,453
Total rentals and services	396,733,245	345,394,659	270,131,974

**Description of each Shopping Center**

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

**Alto Palermo Shopping, City of Buenos Aires.** Alto Palermo Shopping is a 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 18,635 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, 2009, the public visiting the shopping center generated nominal retail sales totaling approximately Ps.745 million, which represents annual sales for approximately Ps. 39,979.0 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 17.3% of its gross leaseable area at June 30, 2009 and approximately 9.5% of its accumulated annual base rent for the fiscal year ended on such date.

**Alto Avellaneda, Avellaneda, Greater Buenos Aires.** Alto Avellaneda is a 144-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 square meters that includes 37,298 square meters of gross leaseable area. Alto Avellaneda has a six-screen multiplex movie theatre, a Wal-Mart megastore, a bowling alley, 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 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, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 696.5 million, which represents annual revenues for approximately Ps. 18,674.0 per square meter. Principal tenants currently include Falabella, Garbarino, Frávega, Compumundo and Sport Line. Alto Avellaneda's five largest tenants (in terms of sales in this shopping center) accounted for approximately 34.4% of its gross leaseable area at June 30, 2009 and approximately 21.3% of its accumulated annual base 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 square meters that consists of 14,485 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 pays a share of the expenses of the shopping center's parking lot. In the fiscal year ended June 30, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps.

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374.8 million, which represents annual sales for approximately Ps. 26,051.9 per square meter. Principal tenants currently include Zara, Frávega, Rapsodia, Kartun and Etiqueta Negra. Paseo Alcorta's five largest tenants (in terms of sales in this shopping center) accounted for approximately 14.2% of Paseo Alcorta's gross leaseable area at June 30, 2009 and approximately 8.9% of its accumulated annual base 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 by our subsidiary Alto Palermo into a 116,646 square meter shopping center, with approximately 37,604 square meters of gross leaseable area (41,336 sqm if we consider also 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, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 774.5 million, which represents annual sales for approximately Ps. 20,596.1 per square meter. Total revenues from rentals went up from approximately Ps. 70.3 million for the fiscal year ended on June 30, 2008 to Ps. 78.1 million for the fiscal year ended on June 30, 2009 which in turn represents monthly revenues per square meter of gross leaseable area equivalent to Ps. 147.8 in 2008 and Ps. 173.1 in 2009. Principal tenants currently include Garbarino, Zara, Frávega, Mc Donald's and Compumundo. Abasto Shopping Center's five largest tenants (in terms of sales in this shopping center) accounted for approximately 7.2% of the accumulated annual base rent for the fiscal year ended on June 30, 2009.

**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 11,741 square meters of gross leaseable area. The four-story shopping center includes a 13-store food court, an entertainment area, a four-screen multiplex movie theatre and a parking lot with 215 spaces. In the fiscal year ended June 30, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 274.9 million, which represents sales for approximately Ps. 23,415.7 per square meter. Principal tenants currently include Zara, Etiqueta Negra, Rouge International La Martina and Rapsodia. Patio Bullrich's five largest tenants (in terms of sales in the shopping center) accounted for approximately 20.0% of Patio Bullrich's gross leaseable area at June 30, 2009, and approximately 15.7% of its accumulated annual base rent for the fiscal year ended on such date.

**Alto Noa, Salta, Province of Salta.** Alto Noa is an 88-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 18,851 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, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 211.3 million, which represents annual sales for approximately Ps. 11,211.8 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 33.0% of Alto Noa's gross leaseable area as of June 30, 2009 and approximately 16.4% of its accumulated annual base rent for the fiscal year ended on such date.

**Buenos Aires Design, City of Buenos Aires.** Buenos Aires Design is a 64-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. Alto Palermo owns Buenos Aires Design through a 53.64% interest in Emprendimientos Recoleta S.A., which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta, one of the most popular tourist zone in Buenos Aires City. Buenos Aires Design has a total constructed area of 26,131.5 square meters that consists of 13,750 square meters of gross leaseable area and 7 restaurants. It is divided into two floors and has a 174-car parking lot. In the fiscal year ended June 30, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 129.1 million, which represents annual sales for approximately Ps. 9,387.1 per square meter. Principal tenants currently include Morph, Hard Rock Café, Barugel Azulay, Bazar Geo and Kalpakian. Buenos Aires Design's five largest tenants (in terms of sales in this shopping center) accounted for approximately 21.7% of Buenos Aires Design's gross leaseable area as of June 30, 2009 and 18.9% of its accumulated annual base rent for the fiscal year ended on such date.

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***Alto Rosario, Santa Fe, City of Rosario.*** Alto Rosario is a shopping center of 145 stores, located in City of Rosario, Province of Santa Fe. It was inaugurated in November 2004 and has 100,750 square meters of fully covered surface, and 28,640 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, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 318.4 million, which represents annual sales for approximately Ps. 11,118.8 per square meter. Principal tenants are Frávega, Cines Rosario, Sport 78, Red Megatone and Compumundo. Alto Rosario's five largest tenants (in terms of sales in this shopping center) accounted for approximately 37.3% of Alto Rosario's gross leaseable area as of June 30, 2008 and 10.7% of its accumulated annual base rent for the fiscal year ended on such date.

***Mendoza Plaza, Mendoza, Province of Mendoza.*** Mendoza Plaza is a 150-store shopping center located in the City Mendoza in the Province of Mendoza. It consists of 41,118 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 20 stores, an entertainment center and a supermarket which is also a tenant. In the fiscal year ended June 30, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 436.6 million, which represents annual sales for approximately Ps. 10,618.2 per square meter. Principal tenants currently include Falabella, Super Plaza Veá, Garbarino, Frávega and Cines MP. Mendoza Plaza's five largest tenants (in terms of sales in this shopping center) accounted for approximately 43.7% of Mendoza Plaza's gross leaseable area at June 30, 2009, and approximately 23.0% of its accumulated annual base rent for the fiscal year ended on such date.

***Córdoba Shopping, Villa Cabrera, Córdoba.*** Córdoba Shopping is a 106-store commercial center located in Villa Cabrera, Province of Córdoba. It covers 15,789 square meters of gross leaseable area. 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, 2009, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 133.5 million, which represents annual sales for approximately Ps. 8,456.9 per square meter. Principal tenants are Cines Córdoba, Mc Donald's, New Sport, Dexter and Canotier. Córdoba Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 40.8% of Córdoba Shopping's gross leaseable area and approximately 10.6% of its accumulated annual base rent for the fiscal year ended on June 30, 2009.

***Dot Baires Shopping, City of Buenos Aires, Buenos Aires.*** Dot Baires Shopping is a shopping center that was opened in May 2009. It has 4 floors and 3 underground levels, a covered surface area of 173,000 square meters, of which 49,731 constitute Gross Leasable Area, 153 retail stores, a hypermarket, a 10-screen multiplex movie theater and parking space for 2,200 vehicles. At June 30, 2009, APSA had an 80% ownership interest in Panamerican Mall S.A. For the fiscal year ended on June 30, 2009, the public visiting Dot Baires generated, as from its opening, nominal retail sales that totaled approximately Ps. 99.5 million, which represents annualized sales (i.e., averaging the months since the opening) for approximately Ps. 16,002.6 per square meter. The main tenants include Falabella, Wall Mart, Zara, Garbarino and Frávega. Dot Baires Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 46.4% of Dot Baires Shopping's gross leaseable area and approximately 2.8% of its accumulated annual base rent for the fiscal year ended on June 30, 2009.

***Acquisition of Soleil Factory, San Isidro, Province of Buenos Aires.*** On December 28, 2007, Alto Palermo S.A. 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 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.

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### **Consumer Finance**

**Tarshop.** Through Tarshop, a subsidiary in which APSA owns a 93.4% interest, we are engaged in consumer finance operations.

Basically, two major instruments represent the Argentine consumer finance market: 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 Finance 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, 2009, Tarshop had 855,000 customer accounts, 422,000 of which posted balances, with an average outstanding amount of Ps. 1,438 per account. The total portfolio amounted to Ps. 819 million, with 59.3% being securitized through the Tarjeta Shopping Financial Trust Program.

Tarshop's current business network is made up by 22 points of sale scattered throughout the City of Buenos Aires, Greater Buenos Aires, Córdoba, Tucumán, Salta and Jujuy. As of June 30, 2009, the retail stores that accept payments through the Tarshop credit card were more than 40,000, 41% of which post transactions on a regular basis. On the whole, more than 6.6 million transactions have been posted during the year mentioned.

In addition, Tarshop owns a 50% stake in Metroshop S.A., with the remaining 50% being owned by Metronec S.A.. Metroshop S.A. is a company engaged in the commercialization of credit cards with an embedded chip that allows automatic access to the main means of transportation and unsecured loans through an independent distribution network. Tarshop's involvement consists in processing the products commercialized by Metroshop.

In the course of fiscal 2009 and as a result of the international financial context, the need arose for us to review the general and particular economic prospects of the Company's activities, and to take certain measures, all of them aimed at strengthening the business in the face of the prevailing economic conditions.

To face the increasing volatility in the international financial context and to provide Tarshop with a capital base in consonance with the current market conditions, in the first quarter of fiscal 2009 APSA decided to take part in a capital increase for up to the amount of Ps. 60 million, thereby increasing its ownership interest in the company from 80% to 93.4%.

The following are some of the decisions made during fiscal 2009:

- (i) Readjustment of the operational structure to align it to the new business scenario.
- (ii) Adjustments in plans involving both cash and Consumer Finance at retail stores.
- (iii) Changes in Loan Origination Policies.
- (iv) Reinforcement of Collection Management.
- (v) Analysis and implementation of new funding tools.

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- (vi) Adjustment of the uncollectibility provisioning policies through the establishment of a criterion stricter than that suggested by the Central Bank.

In the second quarter of fiscal 2009 our subsidiary Alto Palermo provided financial aid to Tarshop in the amount of Ps. 105 million which was subsequently accepted as irrevocable capital contributions. The adoption of this measure aimed at strengthening s Tarshop s balance sheet and at reinforcing its financial position in the

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face of the delicate situation prevailing in the financial trust market in which a part of Tarshop's businesses are conducted and of Tarshop's very low capitalization compared to its competitors.

As a result of the actions implemented, Tarshop's loan portfolio, net of write-offs and including securitized coupons as of June 30, 2009 stood at Ps. 627 million, 33.9% less than the Ps. 948 million portfolio held a year earlier.

As regards collections, loans overdue for periods ranging from 90 to 180 days as of June 30, 2009 stood at 6.5% of the portfolio net of write-offs.

Finally, starting in the third quarter of fiscal 2009, a drop has been noted in losses, compared to those posted for previous periods, which 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.

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

### **Residential Development Properties**

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

In our fiscal year ended June 30, 2008, revenues from our Development and sale of properties segment were Ps. 280.4 million, compared to Ps. 196.8 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 Greater Buenos Aires 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 has 32 amenities, including a meeting room; a work zone; indoor swimming pools; club house and spa, sauna, gym, children



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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 99% of our own units on sale, and the results will be reflected as the works make progress, consolidated at 50%.

As of June 30, 2009, the degree of progress shown by the works is about 30%. Their completion and delivery are estimated to take place in the year 2011.

The following table shows certain information and gives an overview regarding our sales and development properties as of June 30, 2009, 2008 and 2007:

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**Sales and Development Properties**

DEVELOPMENT	Date of Acquisition	Estimated / Real Cost (Ps. 000) (1)	Area intended for sale (sqm) (2)	Total Units or 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 \$/000 (7)
									Real Jun-09	Real Jun-08	Real Jun-07	
<b>Homes</b>												
Genoir towers (5)	09/09/99	22,861	5,383	28	100.00%	100.00%	99.54%	53,798	53,798			5
Credit on Rosario lot swap (17)	04/30/99		4,692	80	63.34%	66.00%	0.00%					11,02
Taballito lots (6)	11/03/97	42,388	9,784	1	50.00%	0.00%	0.00%					4,42
Credit on Taballito lot swap (Cyrsa) (5)	11/03/97		7,451		100.00%	0.00%	0.00%					15,92
Credit on Taballito lot swap (KOAD) (5)	11/03/97		6,833	118	100.00%	80.00%	31.77%					27,62
Libertador 1703 and 1755 Horizons (16)	01/16/07	396,565	59,000	467	50.00%	30.00%	99.00%					112,75
Other homes (10)	N/A	231,677	116,513	1,437				366,558	3,483	61,133	17,330	3,47
<b>Subtotal homes</b>		<b>693,491</b>	<b>209,656</b>	<b>2,131</b>				<b>420,356</b>	<b>57,281</b>	<b>61,133</b>	<b>17,330</b>	<b>175,28</b>
<b>Residential Communities</b>												
Abrial/Baldovinos (1)	01/03/95	130,955	1,408,905	1,273	100.00%	100.00%	98.91%	231,995	9,904	4,030	1,124	3,67
Credit on Benavidez lot swap (15)	11/18/97		125,889	110	100.00%	97.00%	0.00%	11,830				8,19
Villa Celina I, II III	05/26/92	4,742	75,970	219	100.00%	100.00%	100.00%	14,028	76			
<b>Subtotal Residential Communities</b>		<b>135,697</b>	<b>1,610,764</b>	<b>1,602</b>				<b>257,853</b>	<b>9,980</b>	<b>4,030</b>	<b>1,124</b>	<b>11,86</b>
<b>Land and reserves</b>												
Cuarto Retiro (9)	05/18/97		82,051		50.00%	0.00%	0.00%					54,38
Santa María del Plata	07/10/97		352,403		90.00%	0.00%	10.00%	31,000			31,000	139,74
Chereiraola (11)	12/16/96		1,299,630		100.00%	0.00%	0.00%					21,71
Alcorta lots (8)	07/07/98		1,925		63.34%	0.00%	100.00%	22,969				
Rosario lot (8)	04/30/99		31,000		63.34%	0.00%	19.85%	11,072	7,644	3,428		15,57
Taballito block (5)	11/03/97		9,784		100.00%	0.00%	100.00%	19,152		19,152		
Anteras Natal Respo	07/27/05		4,300,000		50.00%	0.00%	0.00%	252	29	57	91	5,70
Merutti lot (8)	06/24/08		3,207		63.34%	0.00%	0.00%					52,71
Alar	05/29/97		740,237		100.00%	0.00%	0.00%					3,40

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air space over											
oto (8)	09/24/97	21,406		63.34%	0.00%	0.00%					13,18
orres Jardín IV	07/18/96	3,169		100.00%	0.00%	0.00%					3,03
aballito lot (8)	11/03/97	25,539		63.34%	0.00%	0.00%					36,74
atio Olmos	09/25/07	5,147		100.00%	100.00%	0.00%					32,94
ther land											
eserves (12)	N/A	14,476,115						1,041	1,041		25,62
<b>ubtotal land</b>											
<b>eserves</b>		<b>21,351,613</b>						<b>85,486</b>	<b>8,714</b>	<b>22,637</b>	<b>31,091</b>
<b>ther</b>											
ique III	09/09/99	10,474	N/A	100.00%	0.00%	100.00%	91,638				26,206
ouchard 551	03/15/07	9,946	N/A	100.00%	100.00%	100.00%	108,423		108,423		
adero 1020	12/21/95	5,056	N/A	100.00%	100.00%	100.00%	18,777	1,830	476		
ella Paoleras											
55	08/27/07	472	N/A	100.00%	100.00%	100.00%	6,850	6,850			
adero 942	08/31/94	768	N/A	100.00%	100.00%	100.00%	6,137	6,137			
ock del Plata	11/15/06	3,957	N/A	100.00%	100.00%	100.00%	42,070	42,070			
ibertador 498	12/20/95	3,099	N/A	100.00%	100.00%	100.00%	36,350	36,350			
aminar	03/25/99	6,521	N/A	100.00%	100.00%	100.00%	74,510	74,510			
econquista 823	11/12/93	5,016	N/A	100.00%	100.00%	100.00%	31,535	31,535			
rucero I retail											
ores	N/A	192	N/A	100.00%	100.00%	100.00%	2,006	2,006			
ther (13)	N/A	7,017	N/A	100.00%	100.00%	99.22%	24,567	3,099	112		
<b>ubtotal Other</b>		<b>52,518</b>	<b>N/A</b>				<b>442,863</b>	<b>204,387</b>	<b>109,011</b>	<b>26,206</b>	
<b>TOTAL (14)</b>		<b>829,188</b>	<b>23,224,551</b>	<b>3,733</b>			<b>1,206,558</b>	<b>280,362</b>	<b>196,811</b>	<b>75,751</b>	<b>591,93</b>

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Notes:

- (1) Cost of acquisition plus total investment made and/or planned if the project has not been completed, adjusted for inflation as of 02/28/03.
- (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.
- (7) Cost of acquisition plus improvements, plus capitalized interest of consolidated properties in portfolio at June 30, 2008, adjusted for inflation as of 02/28/03.
- (8) Through Alto Palermo S.A.
- (9) Through Inversora Bolívar S.A.
- (10) Includes the following properties: Torres de Abasto through Alto Palermo, Torres Jardín, Edificios Cruceros, San Martin de Tours, Rivadavia 2768, Alto Palermos Park, swap over Renoir II tower, Minetti D, Dorrego 1916 and Padilla 902 through IRSA.
- (11) Directly through IRSA and indirectly through Inversora Bolívar S.A. Includes sales of shares in Abril.
- (12) 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).
- (13) Includes the following properties: Puerto Madero Dique XIII. It also includes income from termination (through IRSA and IBSA) and income from expenses recovered in connection with common maintenance fees, stamp tax and associated professional fees.
- (14) Corresponds to the Development and sale of properties business unit mentioned in Note 4 to the Consolidated Financial Statements.

(15) Corresponds to swap receivables disclosed as Inventories in the Consolidated Financial Statements.

(16) Owed by CYRSA S.A.

(17) 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, 2009 is 66% and with parcel H is 3%

***Residential Apartments and Lofts***

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

***Completed Apartment Projects***

***Torres Jardín, City of Buenos Aires.*** Torres Jardín is a high-rise residential complex located in the Buenos Aires neighborhood of Villa Crespo, approximately five minutes from Abasto Shopping. Torres Jardín I, II and III have been completed and consist of 490 one, two and three-bedroom residential apartments. The complex also includes 295 spaces of underground parking. As of June 30, 2009, 2 parking spaces and 4 spaces for motorcycle parking were pending sale. The project originally included four 23-story towers targeting the middle-income market, but we decided not to construct Torres Jardín IV and may consider a barter transaction with a third party for its construction.

***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, 2009 1 parking space is still on sale.

***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 2009, the project is finished and only 5 parking spaces remain to be sold.

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***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, 2009, the project had been completed and fully sold.

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

***Villa Celina, Province Buenos Aires.*** Villa Celina is a 400-plot residential community for the construction of single-family homes located in the residential neighborhood of Villa Celina on the southeastern edge of the City of Buenos Aires. We have been developing this property in several stages since 1994. The first three stages involved 219 lots, each measuring on average 347 square meters and the last two stages involve 181 lots. As of June 30, 2009, 100% of the project had been sold.

### ***Apartment Projects Currently Under Development***

***Torre Caballito, City of Buenos Aires.*** This property, with a surface of 8,404 square meters, is situated in the northern area of Caballito's residential neighborhood in the City of Buenos Aires. On May 4, 2006, we and Koad S.A. (Koad), an Argentine developer, entered into an asset exchange agreement valued at US\$7.5 million pursuant to which we sold to Koad plot number 36 of Terrenos de Caballito in exchange for Koad's agreement to construct, at its sole expense, a residential complex to be named Caballito Nuevo. Koad S.A. has agreed to develop a residential complex 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. The proposed apartment complex is currently expected to offer a wide variety of amenities and services. The total area of this apartment complex that will be for sale is estimated to be approximately 28,000 square meters. As a result of this transaction, Koad granted to us a first lien mortgage on the property to secure up to US\$7.4 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 us. The degree of completion is presently 80% and sales efforts were launched in December 2008.

***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, 2009, the works were completed and the units were almost totally sold, with 1 parking space still on sale.

***Vicente López, Olivos, Province of Buenos Aires.*** In January, 2007, we acquired the total shares of Rummaala S.A., the main asset of which is a plot of land located in Vicente Lopez, Province of Buenos Aires. The purchase price was US\$21.17 million, payable as follows: (i) US\$4.25 million in cash and (ii) 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.



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To that end, we contributed 100% of the capital stock in Rummaala S.A. and the debt in kind associated to the acquisition of the land to CYRSA for a net amount of \$21.5 million, whereas CYRELA contributed \$21.5 million (an amount equivalent to the value of the shares that we contributed).

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

Cyrsa is presently developing this plot of land. The showroom was opened to the public in March 2008 and it was an immediate success. As of June 30, 2009 preliminary sales agreements representing 99% of the units to be sold were executed, and the results will be reflected according to the work progress, consolidated at 50%. The units will be completed and delivered in the course of fiscal 2011. At June 30, 2009 the degree of progress was about 30.00%.

**PAMSA-Dot Baires Offices.** Panamerican Mall S.A., an Alto Palermo subsidiary, 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 will be operational in early 2010 and it shall mark the entrance by the Company in the booming rental office corridor in the northern area of the City of Buenos Aires.

### ***Private Residential Communities***

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

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

As of June 30, 2009, our residential communities for the construction of single-family homes for sale in Argentina had a total of 53,628 square meters of saleable area in Abril, and 125,889 sqm of saleable area in 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, 2009, 98.91% of the property had been sold for an aggregate of Ps. 231.9 million, with 20,009 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 are developing a 99.8-hectare gated residential complex known as El Encuentro, which will have a privileged front access to Highway No. 9, allowing an easy way to and from the city. On May 21, 2004 an exchange deed was signed whereby DEESA agreed to pay US\$3.98 million to Inversora Bolívar, of which US\$0.98 million were paid and the balance of US\$3.0 million will be paid through the exchange of 110 residential plots already chosen and identified in the option contract signed on December 3, 2003. Furthermore, through the same act, DEESA set up a first mortgage in favor of Inversora Bolívar on the real property amounting to US\$3.0 million as security for compliance with the operation and delivered US\$0.5 million to Inversora Bolívar as security for the performance of the obligations undertaken. As of June 30, 2009, the neighborhood was equipped with all the utilities: power supply, water, sewage, effluent treatment plant, public lighting, finished driveways and accesses, buildings, sports facilities, etc. The works pertaining to the railway tunnel and the Bancalari/Benavidez road have been completed. The degree of progress in these works is 97%.



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### ***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, 2009, our land reserves totaled 27 properties consisting of approximately 2,135 hectares (including Torres de Rosario, Berutti 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 Maria, City of Buenos Aires, (formerly Santa María del Plata).*** Solares de Santa María is a 70-hectare property facing the Río de la Plata in the south of Puerto Madero, 10 minutes from downtown Buenos Aires. This is an urbanization project developed through our subsidiary Solares de Santa María S.A. ( Solares de Santa María ). This project has a residential profile and mixed uses, it is currently expected to have residential complexes as well as offices, stores, hotels, sports and sailing clubs, services areas with schools, supermarkets and parking lots.

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

### ***Background***

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 (former Boca Juniors Football Club sports town). This property is currently owned by our subsidiary Solares de Santa María S.A. From that date onwards, we have brought proceedings for the approval of a mixed-use development project to be built on the site before the governmental authorities of the City of Buenos Aires. A rule passed by the Legislative Branch of the City of Buenos Aires in 1992 (Ordinance 45,665/92), 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 ) (Executive Branch).

### ***Different Instances of Approval***

Since its beginning, the Project has been regularly updated and requests towards final approval have been periodically filed, particularly since the year 2000, pursuant to requirements made by the authorities holding office from time to time and according to the guidelines issued by each competent agency from the beginning of the process. As different authorities have ruled the City, we have been dealing with diverse formal channels aiming at obtaining the final authorization of the Project:

In the year 2000, we filed a master plan for the Santa María del Plata site, which was assessed by COPUA and submitted to the Town Treasurer s Office, which would take part in the entire proceeding to finally approve the project.

In 2002, by Decree 405/02, the Government issued a notice of public hearing to be held in June 2002, which was carried out with the attendance of professional and private entities and assessed by all competent agencies.

In June 2003, by Resolution No. 1004- SSEPyDU-03 the Environmental Impact Statement was issued. On August 12, 2003, we filed an amendment to the original master plan to adjust it to the recommendations made by the Public Hearing. In December 2005, the Hydraulic General Bureau gave its consent to the project.

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, that included the following:

The project met the Guidelines of the Environmental Urban Plan.

The project was comprised within the proposals for the strategic development of the City's Southern Area.

A perimetrical pedestrian lane was designed along the entire site on the Río de la Plata bank.

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Maximum integration with the city was planned, continuing with the surrounding urban landscape, designing a shore park on the Río de la Plata bank and providing vehicle access to the avenues surrounding the site.

Donation of 50% of the site to the City of Buenos Aires was proposed for Public Use and Convenience, which is the maximum amount set forth in the Planning Code.

The specific ruling within the scope of Ordinance N° 45,665/92, Law 23,738/89 and Decree 5783/92 was proposed. On March 29, 2007, COPUAM (Advisory Body of Government composed of Advisors from the Legislative and Executive Branches) in whole session passed the 145-COPUAM-07 REPORT which stated that this Council has no objections whatsoever from the urban point of view to the company's proposal and requested that the General Treasury render a decision concerning the ruling scope proposed.

In May 2007, the Traffic Undersecretary took part at the request of the Treasury and requested a new traffic study for the area. In July and November 2007, the General Town Treasury carried out a comprehensive study of the urban proposal and the bill of Decree submitted to consideration, stating that there is no legal hindrance to continue with the Bill of Decree.

Prior to its execution, the Decree was approved by the Minister of Planning and Public Works, the Traffic and Transport Undersecretary, the Treasury Department and the General Technical Administrative and Legal Bureau of the Ministry of Planning and Public Works. On November 9, 2007, 11 years after the dossier was opened and 15 years after the general ruling on the site was issued by the Town Council, the Government chief of the City of Buenos Aires executed Decree No. 1584/07, which passed the specific ruling. On December 1, 2007 Decree No. 1584 was published in the City Official Gazette No. 2815. The assignment of places for public use and convenience is the maximum one provided for in the Planning Code: 50% of the site is requested to be donated for public use and convenience (357,975 sqm) in which a common recreational area, roads, and pedestrian lanes will be constructed.

Notwithstanding the above, several operational and implementation issues remain to be approved by different areas of the authorities in charge of the urban affairs of the City of Buenos Aires. Without prejudice to the foregoing, the Decree has been judicially objected as regards formal and procedural aspects, but the authorities have not rendered a decision on this matter yet. In that sense, a legislative bill as well as a proposed agreement will be sent to the legislature for approval shortly. Once approved, these regulations will have the hierarchy of a law.

**Puerto Retiro.** Puerto Retiro is an 8.2 hectare undeveloped riverside property bounded by the Catalinas and Puerto Madero office zones to the west, the Retiro railway station to the north and the Río de la Plata to the south and east. One of the only two significant privately owned waterfront properties in the City of Buenos Aires, Puerto Retiro may currently be utilized only for port activities, so we have initiated negotiations with municipal authorities in order to rezone the area. Our plan is to develop a 360,000 square 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 lot, Ferro Project.** This is a property of approximately 25,539 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.

**Berutti lot.** On June 27, 2008, Alto Palermo 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 Shopping Alto Palermo. 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.

**Caballito lot, 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 Colpago 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 IRSA US\$ 0.12 million and agreed to tender certain



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non-cash considerations such as transferring under barter to IRSA 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 IRSA in the amount of US\$12.6 million.

**Coto Residential Project.** Alto Palermo owns approximately 24,000 sqm in air space over the top of the Coto hypermarket that is close to the Abasto Shopping Center in the heart of the City of Buenos Aires. Alto Palermo S.A. and Coto Centro Integral de Comercialización S.A. (Coto) executed and delivered a deed dated September 24, 1997 whereby APSA acquired the rights to receive parking units and the rights to build on top of the premises located in the block formed by the streets Agüero, Lavalle, Guardia Vieja and Gallo, in the Abasto neighborhood. In the course of fiscal 2009, a conditional barter agreement was executed, pursuant to which APSA would transfer to 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.

**Land reserves in the Province of Buenos Aires**

**Pereiraola, Hudson.** Through Inversora Bolivar, we own a 100.0% interest in Pereiraola S.A., a company whose principal asset is a 130-hectare undeveloped property adjacent to Abril, a private residential community developed by IRSA. We intend to use this property to develop a private residential community for the construction of single family homes targeted at the middle-income market. We have not yet established the costs and financing method for this proposed project. The plot's book value is estimated to be Ps.21.7 million as of June 30, 2009.

**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, 2009.

**Land reserves in other provinces**

**Torres Rosario Project, City of Rosario, Province of Santa Fe.** The project, being implemented by our subsidiary Alto Palermo, spans over an entire block, sub-divided into 8 parcels covering approximately 50,000 square meters overall. As of June 30, 2009, a barter was executed over 2 of the 8 parcels with Condominios del Alto S.A. (parcels 2 G and 2 H) with 6 parcels pending sale and amounting to approximately 31,000 square meters of surface area in the aggregate.

**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. Once such blueprints are registered, the Municipality is to render an opinion and as soon as the Parties agree on any potential objections raised against the Projects by the Municipality the Company must start with the works within a 90-day term.

**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

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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 Alto Palermo acts 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. At June 30, 2009 the concession was in its 208<sup>th</sup> month with the royalties in force being Ps. 12,565.

**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 called URBE. Also, preliminary presentations have been submitted to the Municipality of La Calera and to the Provincial Government.

This undertaking is characterized by an attractive and varied residential offer of land, dwelling areas of low and medium density, and commercial and social areas. Each one of the quarters will have a full service 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 Companac 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 Bolivar by 100% and obtained an indirect share in the Hotel Intercontinental of 76.34%.

The following chart shows certain information regarding our luxury hotels:

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 06/30/09 (Ps. 000)
						2009	2008	2007	
Intercontinental (3)	11/97	76	309	71.9%	559	61,367	57,517	45,263	57,109
SheratonLibertador (4)	03/98	80	200	82.8%	449	37,060	34,526	29,338	43,069
Llao Llao (5)	06/97	50	201	53.9%	1,078	60,486	56,804	48,080	86,691
Terrenos Bariloche (5)	12/06	50	N/A	N/A	N/A	N/A	N/A	N/A	21,900
<b>Total</b>			<b>710</b>	<b>69.8%</b>	<b>638</b>	<b>158,913</b>	<b>148,847</b>	<b>122,681</b>	<b>208,769</b>

(1) Accumulated average in the twelve-month period.

(2) Accumulated average in the twelve-month period.

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- (3) Indirectly owned through Nuevas Fronteras S.A.(Subsidiary of Inversora Bolívar S.A.).
- (4) Indirectly owned through Hoteles Argentinos S.A.
- (5) Indirectly owned through Llao Llao Resorts S.A.

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***Hotel Llao Llao, San Carlos de Bariloche, Province of Río Negro.*** In June 1997 we acquired the Hotel Llao Llao from Llao Llao Holdings S.A. 50% is currently owned by the Sutton Group. The Hotel Llao Llao is located on the Llao Llao peninsula, 25 kilometers from San Carlos de Bariloche and is one of the most important tourist hotels in Argentina. Surrounded by mountains and lakes, this hotel was designed and built by the famous architect Bustillo in a traditional alpine style and first opened in 1938. The hotel was renovated between 1990 and 1993 and has a total constructed surface area of 15,000 square meters and 158 rooms. The hotel-resort also includes an 18-hole golf course, tennis courts, health club, spa, game room and swimming pool. The hotel is a member of The Leading Hotels of the World, Ltd., a prestigious luxury hospitality organization representing 430 of the world's finest hotels, resorts and spas. The Hotel Llao Llao is currently being managed by Compañía de Servicios Hoteleros S.A. which manages the Alvear Palace Hotel, a luxury hotel located in the Recoleta neighborhood of Buenos Aires. During 2007, the hotel was subject to an expansion and the number of suites in the hotel rose to 201 rooms.

***Hotel Intercontinental, City of Buenos Aires.*** In November 1997, we acquired 51% of the Hotel Intercontinental from the Pérez Companc S.A. The Hotel Intercontinental is located in the downtown City of Buenos Aires neighborhood of Monserrat, adjacent to the Intercontinental Plaza office building. Intercontinental Hotels Corporation, a United States corporation, currently owns 24% of the Hotel Intercontinental. The hotel's meeting facilities include eight meeting rooms, a convention center and a divisible 588 square 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**

Lipstick Building, New York. On July 2, 2008, we acquired a 30% interest in the company Metropolitan 885 Third Ave. LLC, a company organized in the State of Delaware, USA, whose equity is composed of an office building known as Lipstick Building and debt associated to that asset. This office building is located at 885 Third Avenue between 53th Street and 54th Streets in New York's Manhattan borough. The amount disbursed in this transaction was US\$ 22.6 million. This building, highly distinguishable from the neighboring buildings is a Trophy Building that was awarded a Boma prize in 1987 and 1990. Its leasable area is 59,000 square meters distributed in 34 floors and 2 underground commercial levels. Being about 143-meter tall, and featuring a special design, the building is an architectural icon in the heart of Midtown-Manhattan. It was completed in 1986 and designed by the renowned architects John Burgee and Philip Johnson.

### **Competition**

#### ***Shopping centers***

In the shopping center sector we compete through our subsidiary Alto Palermo. 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> (%)	% Shop <sup>(2)</sup> (%)
<b>APSA</b>						
	Abasto de Buenos Aires	CABA	41,336	173	2.79%	3.19%
	Alto Palermo Shopping	CABA	18,635	145	1.26%	2.68%
	Buenos Aires Design(3)	CABA	13,750	64	0.93%	1.18%
	Dot Baires Shopping	CABA	49,731	153	3.37%	2.82%
	Paseo Alcorta(4)	CABA	53,035	111	3.59%	2.05%
	Patio Bullrich	CABA	11,741	85	0.79%	1.57%
	Córdoba Shopping(4)	Córdoba	22,771	106	1.54%	1.96%
	Alto Avellaneda(4)	GBA	37,298	144	2.52%	2.66%
	Mendoza Plaza Shopping(4)	Mendoza	41,118	150	2.78%	2.77%
	Alto Rosario (4)	Rosario	40,901	145	2.76%	2.68%
	Alto Noa(4)	Salta	18,851	88	1.27%	1.62%
			349,167	1,364	23.60%	25.18%
<b>Cencosud S.A.</b>						
	Portal de Palermo(4)	CABA	32,252	36	2.18%	0.65%
	Portal de Madryn	Chubut	4,100	26	0.28%	0.48%
	Factory Parque Brown(4)	GBA	31,468	91	2.13%	1.68%
	Factory Quilmes(4)	GBA	40,405	47	2.73%	0.87%
	Factory San Martín(4)	GBA	35,672	31	2.41%	0.57%
	Las Palmas del Pilar Shopping(4)	GBA	50,906	131	3.44%	2.42%
	Plaza Oeste Shopping(4)	GBA	41,120	146	2.78%	2.70%
	Portal Canning(4)	GBA	15,114	21	1.02%	0.39%
	Portal de Escobar(4)	GBA	31,995	31	2.16%	0.57%
	Portal Lomas(4)	GBA	32,883	50	2.22%	0.92%
	Unicenter Shopping(4)	GBA	94,279	287	6.37%	5.30%
	Portal de los Andes (4)	Mendoza	30,558	47	2.07%	0.87%
	Portal de la Patagonia(4)	Neuquén	34,230	93	2.31%	1.72%
	Portal de Rosario(4)	Rosario	66,361	182	4.49%	3.36%
	Portal de Tucumán(4)	Tucumán	21,301	94	1.44%	1.74%
	Subtotal		562,644	1,313	38.03%	24.24%
<b>Other Operators</b>						
	Subtotal		567,758	2,740	38.37%	50.58%
<b>Total</b>			<b>1,479,569</b>	<b>5,417</b>	<b>100.00%</b>	<b>100.00%</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 that are members of the Argentine Chamber of Shopping Centers (CASC). Figures may not sum due to rounding.

(3) The effective interest held by Alto Palermo S.A. in ERSA, the company that operates the concession of this building, is 53.7%,.

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

Source: Argentine Chamber of Shopping Centers.

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### **Consumer Finance**

The credit card 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. 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.

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

*Banks:* Columbia, Itaú, Comafi, Privado, Hipotecario, Macro, Standardbank.

*International financial companies:* GE Money, Cetelem and AIG (Efectivo Sí).

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

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

### **Offices and other non-shopping center rental properties**

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

### **Hotel operations**

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

### **Service corporate agreements entered into with CRESUD SACIF y A. and APSA**

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

Within this context, on June 30, 2004, a Framework Agreement for the Exchange of Corporate Services was executed by and between Cresud and APSA, which was subsequently amended on August 23, 2007.

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Then, on August 15, 2008, a Second Shared Services Agreement was executed by and amongst the Company, Cresud y A. and APSA that currently involves the following areas in the exchange of services: Human Resources, Finance, Institutional Relations, Administration and Control, Systems and Technology, Insurance, Purchases and Procurement, Messenger Services, Contracts, Technical,

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Infrastructure and Services, Internal Audit, Planning and Development, Development of Works, Real Estate, Hotels and Tourism, and Risks and Processes. This Agreement for the exchange of Corporate Services does not fall under the provisions of section 73 of Decree 677/01 currently in force.

The exchange of services consists in the provision of services for value in relation to any of the above mentioned areas, carried out by one or more of the parties on behalf of the other party or parties, invoiced and payable primarily through offsetting based on the provision of services in any such areas, and secondarily in cash, in case of a difference in value of the services provided.

Under this agreement, the companies have hired an external consulting company to review and evaluate on a six-month basis the criteria used in the settlement of corporate services, as well as the bases of distribution and supporting documentation used in the process, to be reflected in a report prepared for each six-month period.

Looking forward, and as a continuation of the policy of generating a streamlined distribution of corporate resources amongst the various areas, this agreement could be extended to other areas that the Company shares with IRSA and APSA.

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

### **Compliance with currently applicable environmental rules and regulations**

The Company has assumed a permanent commitment to the sustainable conduct of business in line with currently applicable environmental rules and regulations.

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**RECENT EVENTS**

These events took place subsequent to our year-end date, June 30, 2009:

**ACQUISITION OF OWNERSHIP INTEREST**

On August 4, 2009, through Real Estate Investment Group (REIG), controlled and managed by IRSA, the Company announced the subscription of 5,700,000 ordinary shares which represent, approximately, a 10.5% stake in Hersha Hospitality Trust's capital stock ( Hersha ). The total price to be paid by REIG for such shares was USD 14,250,000. Together with the acquisition of this shareholding, REIG shall be entitled to an option for a 5-year term to purchase a further 5,700,000 ordinary shares at a price of USD 3 per share. Also contemplated in the investment agreements was the appointment of our Chairman and CEO, Mr. Eduardo S. Elsztain to the position of member of Hersha's Board of Directors. As a result of this acquisition, IRSA's total direct and indirect interest in Hersha is 11.33%. Besides, in the event of exercising the options mentioned in this paragraph without any new Class A shares being issued as a result of the exercise by, or conversion in favor of, other option holders, IRSA's direct and indirect interest in Hersha would amount to 19.68%.

Hersha is a Real Estate Investment Trust (REIT) listed in the New York Stock Exchange (NYSE) under the HT symbol that holds majority interests in 73 hotels throughout the United States of America totaling approximately 9,294 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 Marriott International, Intercontinental Hotel Group, Starwood Hotels, Hilton Hotels Corporation, Global Hyatt Corporation and Choice Hotels International.

**Acquisition of shares in Banco Hipotecario S.A.**

In September 2009, Tyrus S.A. (a 100% controlled subsidiary) acquired 4,012,778 ADRs of Banco Hipotecario S.A., representative of 10 class D shares of nominal value \$1 per share, for a total amount of US\$10 million. The Company acted as guarantor for this transaction.

**Table of Contents****SUMMARY SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION]**

The following table shows a summary of our financial and other information as of June 30, 2009 and 2008 and for the fiscal years ended on such dates. This information has been derived from our audited financial statements and their related notes (the Consolidated Financial Statements). As the following information is a summary, it does not include all the information reflected in the Audited Consolidated Financial Statements and in the relevant notes:

	As of June 30 and for the fiscal years ended on such dates, <sup>(1)</sup>	
	2009	2008
	Pesos	Pesos
<b>Information from the Statement of Income</b>		
Sales, leases and services	1,220,584	1,084,242
Cost of sales, leases and services	(508,506)	(464,223)
<b>Gross profit</b>	712,078	620,019
Gain from recognition of inventories at net realizable value	12,056	2,832
Selling expenses	(236,201)	(247,297)
Administrative expenses	(147,329)	(122,121)
<b>Subtotal</b>	(371,474)	(366,586)
Income/(loss) from retained interest in securitized receivables (Tarjeta Shopping)	(46,012)	(1,261)
Income from real estate transactions and holdings	1,124	2,670
<b>Operating income</b>	295,716	254,842
Amortization of goodwill	1,602	1,638
Asset-generated financial income/(loss):		
Interest income	11,813	13,860
Interest on discounting of assets	(13,780)	(4,807)
Gains/(losses) on financial transactions	31,054	(5,710)
Foreign exchange gains/(losses)	50,623	1,386
<b>Subtotal</b>	79,710	4,729
Liabilities-generated financial income/(loss):		
Interest on discounted liabilities	141	(613)
Foreign exchange gains/losses	(196,322)	19,246
Income/(loss) from repurchases of notes	105,850	
Income/(loss) from hedging transactions	9,436	(4,100)
Financing expenses	(135,196)	(96,004)
<b>Subtotal</b>	(216,091)	(81,471)
<b>Total financial results, net</b>	(136,381)	(76,742)
Income/(loss) on equity investees	61,542	(13,209)
Other income and expenses, net	(8,855)	(5,642)
<b>Income before tax and minority interests</b>	213,624	160,887
Income tax and minimum presumed income tax	(80,334)	(78,112)
Minority interest	25,345	(27,900)
<b>Net income</b>	158,635	54,875
Income/(loss) per share - basic	0.27	0.10
Income/(loss) per GDS - basic	2.74	1.00
Income/(loss) per share - diluted	0.27	0.10
Income/(loss) per GDS - diluted	2.74	1.00
<b>Balance Sheet Data</b>		
Cash and Bank and current Investments	401,796	545,192
Inventories	24,899	53,602
Receivables from sales, leases and services	263,471	186,017
Total current assets	891,869	893,842
Long-term investments	1,001,654	833,373
Fixed assets	2,720,506	2,530,141
Total assets	4,935,987	4,471,972
Short-term debt <sup>(2)</sup>	351,173	190,153

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Total current liabilities

974,890

742,267



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	As of June 30 and for the fiscal years ended on such dates, <sup>(1)</sup>	
	2009	2008
	Pesos	Pesos
Long-term debt <sup>(3)</sup>	1,044,725	1,121,264
Total non-current liabilities	1,401,054	1,348,812
Net shareholders' equity	2,095,662	1,924,178
<b>Other accounting information</b>		
EBITDA <sup>(4)</sup>	430,383	366,013
Depreciations and amortizations <sup>(5)</sup>	135,791	113,841
Capital expenditures <sup>(6)</sup>	344,611	752,562
Net cash flows generated by (applied to):		
Operating activities	299,293	319,933
Investing activities	(443,457)	(788,597)
Financing activities	(58,898)	149,145

- (1) In thousands of Pesos, except information per share. Sums may not total due to rounding.
- (2) Includes short-term financial loans and the current portion of mortgages payable.
- (3) Includes long-term financial loans and the non-current portion of mortgages payable.
- (4) EBITDA is equal to consolidated sales, less consolidated costs of sale, consolidated selling expenses, consolidated administrative expenses, plus consolidated depreciation, consolidated amortization of intangibles and gains/(losses) from real estate transactions and holdings.
- (5) Included in operating income
- (6) Includes the acquisition of fixed assets and long-term investments.

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

The following discussion should be read in conjunction with our Company's consolidated financial statements and related notes. For purposes of this discussion, references to "Audited Consolidated Financial Statements" refer to our audited consolidated financial statements and related notes for the fiscal years ended June 30, 2009 and 2008.

**Variability of Results**

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

**Consolidation**

We have consolidated our balance sheets, income and cash flow statements for the fiscal years ended June 30, 2009 and 2008 line by line with the financial statements of our controlled companies in accordance with the procedure set forth in Technical Resolution No. 21 of the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (FACPCE), approved by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* (CPCECABA) and the *Comisión Nacional de Valores* (Argentine Securities Commission). All significant intercompany balances and transactions have been eliminated in consolidation.

Certain reclassifications have been made from the financial statements as of June 30, 2008 originally released for purposes of their comparison with the figures as of June 30, 2009.

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

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

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

**Revenue Recognition**

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

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

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

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

(c) we have a receivable not subject to future subordination (our receivable shall not be subject to a securitization process by the buyer. Neither shall it occupy a rank, class or position junior to the remaining liabilities of the buyer) and

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

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

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

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

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

Under this method of accounting, revenues for work completed may be recognized in the statement of income prior to the period in which actual cash proceeds from the sale are received. In this situation, a deferred asset is recorded. Alternatively, and as 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.

***Offices and other non-shopping center rental properties leases and services.*** We account for our leases with tenants as operating leases. We charge tenants a base rent on a monthly basis. We recognize rental income on a straight-line basis over the term of the leases.

***Shopping center operations, leases and services.*** We account for our leases with tenants as operating income. 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, contingent rents are not recognized 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.

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We also charge our tenants a monthly administration fee, prorated among the tenants according to the amounts established in their leases, which vary from shopping center to shopping center, relating to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the entirety of the shopping centers operations. We recognize administration fees monthly as they accrue. In addition to rent, we generally charge tenants admission rights that they may be required to pay upon entering into a lease or upon lease renewal. An admission right is normally paid in one lump sum or in a small number of monthly installments. We recognize admission rights using the straight-line method over the life of the respective lease agreements. Additionally, lease agreements in general provide for the reimbursement of real estate taxes, insurance, advertising costs as well as certain costs associated to the maintenance of the common areas. These additional rents and tenant reimbursements are accounted for on an accrual basis.

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

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

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

## **Operating Costs and Expenses**

### **Allocation of expenses and other income to business segments**

#### *Allocation of selling expenses to business segments.*

Selling expenses directly attributable to the Shopping centers, Consumer finance and Hotel operations segments are directly allocated to these business units. These are expenses individually incurred 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 finance and Hotel operations segments are directly allocated to these segments. These expenses are incurred individually by these segments. All other administrative expenses are prorated among the Development and sale of properties segment and the Offices and other non-shopping center rental properties segments based on the percentage of the operating assets and revenues generated by each segment. Accordingly, 35.7% and 64.3% of administrative expenses (excluding expenses directly attributable to the Shopping centers, Consumer finance and Hotel operations 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 retained interest in securitized receivables (Tarjeta Shopping).*

Alto Palermo's profits from its interest in Tarshop are allocated to the Consumer finance segment.

#### *Allocation of results from real estate transactions and holdings*

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

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### **Allocation of financial results to business segments**

#### *Financial results, net*

Includes interest income, interest on discounting of assets and liabilities, gain (loss) on financial transactions, financial expenses, exchange gain (loss) and other financial results allocated to each segment, as described below.

#### *Gain (loss) on financial transactions*

Each one of the following segments: Shopping centers, Consumer finance and Hotel operations manages its financial transactions individually. The gains/losses on said transactions are directly allocated to these segments. The financial gains or losses unrelated to these business units are shown in the Financial transactions and other segment as they are not specifically generated by any other segment separately

#### *Interest income, interest on discounting of assets and liabilities and financial expenses*

Only the results generated by APSA, Tarshop and the Hotel operations segments are recorded in the Shopping centers, Consumer finance and Hotel operations segments, respectively. The remaining results are prorated among Development and sale of properties, Offices and other non-shopping center rental properties, Shopping centers, Hotel operations, Consumer finance and Financial transactions and other segments in proportion to the corresponding assets to each segment.

#### *Exchange gain (loss) and other financial results.*

In the case of the Shopping centers, Consumer finance and Hotel operations segments, exchange gains (losses) and other financial results are attributed to the segments giving rise to them. The remaining items are recorded in Financial transactions and other as they are not directly related to any segment.

#### *Allocation of Gains/(Losses) on equity investees*

Gains/(Losses) on equity investees are allocated mainly to the Financial transactions and other segment.

#### *Allocation of other income and expenses, net*

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

#### *Allocation of minority interest*

Minority interests are allocated among our respective segments that generate them.

#### *Allocation of income tax*

The corresponding income tax is allocated to the segment that generates it.

### **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 Shopping centers , Consumer finance , Development and sale of properties, Offices and other non-shopping center rental properties, Hotel operations, and Financial transactions and other.

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A general description of each segment follows:

*Shopping centers.* This segment includes the operating results of our shopping centers principally consisting of lease and service revenues from tenants.

*Consumer finance.* We operate a consumer finance business through Tarshop, our controlled company APSA's majority-owned subsidiary. Consumer finance 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 majority of our consumer finance activities through securitization of the receivables underlying the accounts we originate. Our revenues from credit card transactions are derived from interest income generated by financing and lending activities, merchants' fees, insurance charges for life and disability insurance and fees for data processing which consist of processing and printing cardholder's account statement.

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

*Offices and other non-shopping center rental properties.* This segment includes the operating results from our lease and service revenues for office space and other non-retail building properties.

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

*Financial transactions and other.* This segment primarily includes any income/(loss) arising from sales and holdings of equity securities, other securities-related transactions and other non-core activities.

We measure our reportable segments based on net 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. Almost none of our activities is dependent upon a single customer.

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The following tables contain some operating data by business segment:

As of and for year ended June 30, 2009	Development and sale of properties	Offices and other non- shopping center rental properties (1)	Shopping centers	Hotel operations	Consumer financing	Financial operations and other	Total
			(in thousand Ps.)				
<b>Income statement data</b>							
Revenues	280,362	147,749	396,733	158,913	236,827		1,220,584
Costs	(148,318)	(29,330)	(109,275)	(98,889)	(122,694)		(508,506)
Gross profit	132,044	118,419	287,458	60,024	114,133		712,078
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
Financial results, net	(6,222)	(14,202)	(92,602)	(16,083)	(1,827)	(5,445)	(136,381)
Gain on equity investees	1,974		40			59,528	61,542
Other expenses, net			3,882	127	(606)	(12,258)	(8,855)
Income/(loss) before taxes and minority interest	117,376	63,383	126,270	(7,366)	(127,864)	41,825	213,624
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
Net income/(loss)	76,288	46,841	50,908	1,432	(48,557)	31,723	158,635
Gross margin (2)	0.47	0.80	0.72	0.38	0.48		0.58
Operating margin (3)	0.43	0.52	0.54	0.05	(0.53)		0.24
Net margin (4)	0.27	0.32	0.13	0.01	(0.21)		0.13
Depreciation and amortization (5)	782	24,781	86,643	18,001	5,584		135,791
<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

- (1) Includes offices, retail stores and residential units.
- (2) Gross profit divided by Sales, leases and services.
- (3) Operating income/(loss) divided by Sales, leases and services.
- (4) Income/(Loss) for the year divided by Sales, leases and services.

(5) Included in Operating income/(loss).



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As of and for year ended June 30, 2008	Development and sale of properties	Offices and other non-shopping center rental properties (1)	Shopping centers	Hotel operations	Consumer financing	Financial operations and other	Total
			(in thousand Ps.)				
<b>Income statement 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)
Gross profit	45,917	75,812	246,220	64,627	187,443		620,019
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
Financial results, net	(8,502)	(10,069)	(23,585)	(5,884)	(375)	(28,327)	(76,742)
Loss on equity investees	(1,065)		(33)	(23)		(12,088)	(13,209)
Other expenses, net			4,975	(5,713)	3,800	(8,704)	(5,642)
Income/(loss) before taxes and minority interest	10,191	44,643	163,228	6,420	(14,476)	(49,119)	160,887
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)
Net income (loss)	12,012	46,322	51,889	3,273	(8,540)	(50,081)	54,875
Gross margin (2)	0.23	0.74	0.71	0.43	0.64		0.57
Operating margin (3)	0.10	0.52	0.53	0.12	(0.06)		0.24
Net margin (4)	0.06	0.45	0.15	0.02	(0.03)		0.05
Depreciation and amortization (5)	577	24,908	73,185	13,283	1,888		113,841
<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

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

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As of and for year ended June 30, 2007	Development and sale of properties	Offices and other non-shopping center rental properties (1)	Shopping centers	Hotel operations	Consumer financing	Financial operations and other	Total
			(in thousand Ps.)				
<b>Income statement data</b>							
Revenues	75,751	57,093	270,266	122,681	212,965		738,756
Costs	(57,823)	(17,501)	(91,112)	(68,960)	(59,711)		(295,107)
Gross profit	17,928	39,592	179,154	53,721	153,254		443,649
Gain from recognition of inventories at net realizable value	20,737						20,737
Selling expenses	(12,846)	(4,376)	(22,346)	(12,175)	(117,106)		(168,849)
Administrative expenses	(19,624)	(16,827)	(32,717)	(26,893)	(6,766)		(102,827)
Net income from retained interest in securitized receivables					3,254		3,254
(Loss)/gain from operations and holdings of real estate assets	(18)	1,845	741				2,568
<b>Operating income</b>	<b>6,177</b>	<b>20,234</b>	<b>124,832</b>	<b>14,653</b>	<b>32,636</b>		<b>198,532</b>
Amortization of negative goodwill, net	286	1,044	(2,802)				(1,472)
Financial results, net	(7,088)	(6,256)	(28,190)	(5,268)	825	50,076	4,099
(Loss) gain on equity investees	(491)		(818)	(412)		41,747	40,026
Other expenses, net			(6,382)	160	3,034	(10,912)	(14,100)
(Loss) income before taxes and minority interest	(1,116)	15,022	86,640	9,133	36,495	80,911	227,085
Income tax and MPIT	(11,786)	(1,987)	(40,798)	(3,102)	(15,455)	(14,411)	(87,539)
Minority interest	(4)	(326)	(22,000)	(1,400)	(8,719)		(32,449)
Net (loss) income	(12,906)	12,709	23,842	4,631	12,321	66,500	107,097
Gross margin (2)	0.24	0.69	0.66	0.44	0.72		0.60
Operating margin (3)	0.08	0.35	0.46	0.12	0.15		0.27
Net margin (4)	(0.17)	0.22	0.09	0.04	0.06		0.14
Depreciation and amortization (5)	39	16,256	67,046	12,358	1,297		96,996
<b>Balance Sheet Data</b>							
Operating assets	508,742	675,321	1,336,166	202,113	139,657		2,861,999
Non-operating assets	30,516	24,662	39,073	6,318	18,771	1,163,560	1,282,900
Total assets	539,258	699,983	1,375,239	208,431	158,428	1,163,560	4,144,899
Operating liabilities	31,472	83,073	199,616	23,304	165,713		503,178
Non-operating liabilities	278,615	247,763	734,370	153,117	44,722	86,010	1,544,597
Total liabilities	310,087	330,836	933,986	176,421	210,435	86,010	2,047,775

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

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**Results of IRSA's Operations for the Fiscal Years ended June 30, 2009 and 2008**

**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, owing mainly to an increase in the revenues posted by the segments Offices and other non-shopping center rental properties, Development and sale of properties, Shopping centers and Hotel operations.

*Development and sale of properties*

The revenues of the Development and sale of properties segment rose 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 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.

This increase in revenues was mainly due to the revenues earned during fiscal 2009 on (i) the sale of all the units in the building designated as Laminar Plaza for Ps. 74.5 million; (ii) the sale of all the units in Torre Renoir for Ps. 53.8 million; (iii) the sale of 8 functional units at Dock del Plata for Ps. 42.1 million; (iv) the sale in the course of the fiscal year of 4 stories at the building located at Av. Del Libertador 498 for Ps. 36.4 million and (v) the sale of the building located at Reconquista 823 for Ps. 31.5 million.

*Offices and other non-shopping center rental properties*

The 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 2009. This increase was mainly due to a Ps. 43.6 million increase in revenues from office rentals which rose from 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: (i) increased revenues from leases in our Class A office buildings and (ii) increased rental revenues due to the rise in the price of rentals per square meter.

*Shopping centers*

The 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 IRSA's Shopping centers sustained a slight decrease, down from 99.3% during fiscal 2008 to 98.5% during fiscal 2009.

*Hotel operations*

The 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 went down from 76.0% in fiscal 2008 to 69.8% in fiscal 2009.

*Consumer Financing*

The 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.

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**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 Finance, Hotel operations, Shopping centers and Offices and other non-shopping center rental properties.

*Development and sale of properties*

The costs associated to 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 to 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 to the Development and sale of properties segment as a percentage of this segment's revenues rose from 76.7% during fiscal year 2008 to 52.9% during fiscal year 2009.

*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 to 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 to 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 to revamping and refurbishment works in leasable areas. The costs associated to our Shopping centers segment as a percentage of this segment's revenues, shrank 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 and amortizations and an increase in the commissions paid.

The costs associated to the Hotel operations segment as a percentage of this segment's revenues went up from 56.6% in fiscal 2008 to 62.2% in fiscal 2009.

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### *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 to salaries and social security contributions; (iii) higher public utilities costs; (iv) costs associated to 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 to 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.

### **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, IRSA 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 Finance 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 22.0% 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 shrank 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 to 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 to 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.

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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.

*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 was 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.

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.

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### *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 decreased 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.

### *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

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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/(loss)**

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 and, Offices and other non-shopping center rental properties segment that was partially offset by a decrease in the Operating income/(loss) of the Consumer Finance and Hotel operations segments.

Operating income/(loss) 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, in the region of 51.8% during fiscal year 2009 compared to the previous fiscal year.

#### *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.



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*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 diminished 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 Alto Palermo S.A. subsidiaries: Shopping Alto Palermo S.A. (completed in the course of this fiscal year), Fibesa S.A., Tarshop Sociedad Anónima, Emprendimiento Recoleta S.A. and Empalme S.A.I.C.F.A y G and (ii) the amortization of IRSA's negative goodwill arising from the acquisition of shares in Alto Palermo S.A. and Palermo Invest S.A. Goodwill amortization remained stable in this fiscal year when compared to the previous fiscal year.

**Gain/(loss) on equity investees**

The gain/(loss) on equity investees (companies covered by Section 33 of Law No. 19,550) 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 Ps. 12.4 million loss in fiscal year 2008 to Ps. 142.1 million income in fiscal year 2009, partially offset by a Ps. 82.2 million loss incurred as a result of our investment in Metropolitan 885 Third Ave. LLC.

**Financial results, net**

Financial results, net decreased 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 significant variation in the selling USD/Ar. 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) a Ps. 13.9 million decrease in revenues largely due to the fact that in 2008 the Company had reversed provisions for lawsuits for Ps. 5.5 million and allowance for doubtful accounts for Ps. 4.6 million, but this was not the case in 2009; besides there was also a Ps. 2.9 million variation in the recovery of allowances; (ii) this was partially offset by a Ps. 10.7 million decrease in revenues.

**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.

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### **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. IRSA followed the deferred tax method to calculate IRSA's 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 IRSA's pro rata equity interests in the subsidiaries in which it has 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.

### **Results of Operations for the Fiscal Years ended June 30, 2008 and 2007**

#### **Revenues**

Revenues rose by 46.8%, from Ps. 738.8 million for fiscal year 2007 to Ps. 1,084.2 million in fiscal year 2008, due mainly to an increase in revenues from our segments Development and sale of properties, Consumer Financing, Shopping centers, Offices and other non-shopping center rental properties, and Hotel operations.

#### *Development and sale of properties*

The revenues of our Development and sale of properties segment rose by 159.8% from Ps. 75.8 million for fiscal year 2007 to Ps. 196.8 million in fiscal year 2008. Revenues associated with this segment commonly sustain significant period-on-period variations arising from: (i) the number of properties sold and their prices, (ii) the properties in construction and the degree of progress of such projects.

This increase in revenues was primarily due to the revenues generated during fiscal year 2008 by (i) the sale 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.

#### *Offices and other non-shopping center rental properties*

The revenues of our Offices and other non-shopping center rental properties segment went up by 78.9%, from Ps. 57.1 million for fiscal 2007 to Ps. 102.2 million in fiscal year 2008. This increase was mainly due to Ps. 45.0 million increase in revenues from office rentals which rose from Ps. 52.9 million in fiscal year 2007 to Ps. 97.9 million in fiscal year 2008. This Ps. 45 million increase in revenues is mainly attributable to: (i) Ps. 28.3 million in revenues from rentals in our recently acquired Class A office buildings, as follows: Della Paolera 265, purchased in August 2007 generated revenues for Ps. 15.7 million, Bouchard 551, acquired in March 2007, generated revenues for Ps. 8.8 million, and Dock del Plata, acquired in November 2006, generated revenues for Ps. 3.8 million; and (ii) Ps. 16.1 million in revenues from rentals due to the rise in the prices charged per square meter and similarly increased occupancy rates (which sustained a slight reduction from 94% during fiscal 2007 to 93.6% during fiscal year 2008).

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### *Shopping centers*

The revenues of our Shopping centers segment rose by 27.8% from Ps. 270.3 million for fiscal year 2007 to Ps. 345.4 million in fiscal year 2008. This increase originated mainly in to Ps. 62.6 million rise in revenues from rentals and admission rights due in turn to a 31.0% rise in the total sales of our tenants which went up from Ps. 2,825.8 million in fiscal year 2007 to Ps. 3,702.3 million in fiscal year 2008. The average occupancy rate at our shopping centers rose slightly from 99.1% in fiscal year 2007 to 99.3% during fiscal year 2008.

### *Hotel operations*

The revenues of the Hotel operations segment rose by 21.3% from Ps. 122.7 million for fiscal year 2007 to Ps. 148.8 million in fiscal year 2008, mainly due to: (i) a 18.8% increase in the average price per room at the hotels (from Ps. 469.0 per night in fiscal year 2007 to Ps. 557.0 per night in fiscal year 2008); (ii) an increase in the average occupancy percentage from 74% in fiscal year 2007 to 76% in fiscal year 2008; and (iii) a 27.2% increase in the number of rooms available at Hotel Llao Llao, launched during fiscal year 2008.

### *Consumer financing*

The revenues of the consumer financing segment rose by 36.7%, up from Ps. 213.0 million during fiscal year 2007 to Ps. 291 million during fiscal year 2008. This was the result of: (i) the macroeconomic conditions prevailing in Argentina in 2008 and the consequent rise in consumption; (ii) the continuous enhancement in the services rendered to Tarshop customers; (iii) an increase in the fees charged for the issuance of credit card statements and for the issuance of credit cards.

## **Costs**

Costs went up by 57.3%, from Ps. 295.1 million for fiscal year 2007 to Ps. 464.2 million in fiscal year 2008, due to an increase in the costs of the following segments: Development and sale of properties, Consumer finance, Hotel operations, Offices and other non-shopping center rental properties and Shopping centers.

When measured as a percentage of IRSA's revenues, costs went up from 39.9% during fiscal year 2007 to 42.8% during fiscal year 2008.

### *Development and sale of properties*

The costs associated to Development and sale of properties went up by 161.0%, from Ps. 57.8 million for fiscal year 2007 to Ps. 150.9 million in fiscal year 2008. The costs associated to this segment commonly sustain major period-on-period variations according to: (i) the number of properties sold and their prices and (ii) the properties in construction and the degree of progress of such projects.

The increase in costs in fiscal year 2008 was mainly due to: (i) the sale of 29.9% over the Bouchard Plaza building, commonly known as Edificio La Nación, for Ps. 84.9 million; (ii) the sale of Parcel Y at Dock III for Ps. 41.8 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 for Ps. 10.1 million and (iv) Ps. 3.6 million costs associated to a barter agreement through which a plot of land in the project known as Terreno Rosario was exchanged for home units and parking lots.

When measured as a percentage of IRSA's revenues, the costs associated to the Development and sale of properties segment rose from 76.3% during fiscal year 2007 to 76.7% during fiscal year 2008.

### *Offices and other non-shopping center rental properties*

The costs of the Offices and other non-shopping center rental properties segment rose by 50.5%, from Ps. 17.5 million for fiscal year 2007 to Ps. 26.3 million in fiscal year 2008. Depreciation accounts for the most significant portion of the costs associated to this segment.

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The increase in the costs for fiscal year 2008 when compared to fiscal year 2007 was mainly due to increased depreciations which amounted to Ps. 9.3 million, as a consequence of the addition to IRSA's portfolio of four new buildings to be allocated to our rentals business, namely, Bouchard 551, Della Paolera 265, Dock del Plata and Museo Renault.

### *Shopping centers*

The costs of the Shopping centers segment rose by 8.8% from Ps. 91.1 million for fiscal year 2007 to Ps. 99.2 million in fiscal year 2008, primarily due to: (i) a Ps. 6.2 million increase in amortizations and depreciations; (ii) higher costs resulting from lawsuit-related contingencies in the amount of Ps. 1.6 million; (iii) an increase in parking-lot related expenses in the amount of Ps. 1.4 million; and (iv) an increase in costs associated to unrecoverable expenses in the amount of Ps. 1.1 million; offset in part by (v) a decrease in the costs related to refurbishments and changes in leasable areas in the amount of Ps. 2.2 million.

When measured as a percentage of IRSA's revenues, the costs associated to the Shopping centers segment dropped from 33.7% during fiscal year 2007 to 28.7% during fiscal year 2008.

### *Hotel operations*

The costs of the Hotel operations segment rose by 22.1%, from Ps. 69 million for fiscal year 2007 to Ps. 84.2 million in fiscal year 2008, mainly due to salary raises and increased social security contributions, increases in the costs of food and beverages, repairs and maintenance, public utilities, and fees and commissions paid.

When measured as a percentage of IRSA's revenues, the costs associated to the Hotel operations segment rose from 56.2% in fiscal year 2007 to 56.6% in fiscal year 2008.

### *Consumer financing*

The costs of the Consumer financing segment rose by 73.5% from Ps. 59.7 million during fiscal year 2007 to Ps. 103.6 million during fiscal year 2008 mainly as a result of: (i) an increase in the expenses related to interest and fees originating in the outsourcing of collection and other related services; (ii) an increase in expenses related to salaries and social security contributions; (iii) an increase in the fees for services; and (iv) an increase in taxes, charges, contributions and tax-related services.

When measured as a percentage of IRSA's revenues, the costs associated to the Consumer financing segment went up from 28.0% during fiscal year 2007 to 35.6%.

## **Gross Profit**

As a result of the above, gross profit rose by 39.8%, from Ps. 443.6 million for fiscal year 2007 to Ps. 620.0 million in fiscal year 2008, mainly due to the increase in gross profit from the Shopping centers, Offices and other non-shopping center rental properties, Development and sale of properties, Consumer finance, and Hotel operations segments.

When measured as a percentage of IRSA's revenues, gross profit dropped from 60.1% for fiscal year 2007 to 57.2% for fiscal year 2008.

## **Gain from recognition of inventories at net realizable value**

During fiscal year 2008, IRSA recorded a Ps. 2.8 million gain from recognition of inventories at net realizable value, primarily in connection with Torre Renoir for Ps. 2.6 million, compared to a Ps. 20.7 million gain during fiscal 2007, primarily related to Dock III Parcel X for Ps. 18.7 million and to San Martín de Tours for Ps. 1.5 million.

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### **Selling expenses**

Selling expenses rose by 46.5%, from Ps. 168.8 million for fiscal year 2007 to Ps. 247.3 million in fiscal year 2008, mainly due to an increase in the Selling expenses associated to the Consumer finance operations segment and to a lesser extent, in the Hotel operations and Shopping centers segments, offset in part by the decreases in the Development and sale of properties, and Offices and other non-shopping center rental properties segments.

When measured as a percentage of revenues, Selling expenses decreased from 22.9% for fiscal year 2007 to 22.8% in fiscal year 2008.

#### *Development and sale of properties*

The Selling expenses associated to the Development and sale of properties segment are made up by turnover tax, commissions and expenses derived from sales, advertising and promotion and the allowance for doubtful accounts. Selling expenses dropped by 40.1%, from Ps. 12.8 million during fiscal year 2007 to Ps. 7.7 million during fiscal year 2008, primarily as a result of a Ps. 7.2 million decrease in turnover tax, offset in part by a Ps. 2.1 million increase in advertising and promotion expenses.

When measured as a percentage of the segment's revenues, the Selling expenses related to the Development and sale of properties segment fell from 17.0% during fiscal year 2007 to 3.9% during fiscal year 2008.

#### *Offices and other non-shopping center rental properties*

The Selling expenses associated to the Offices and other non-shopping center rental properties segment decreased by Ps. 0.9 million from Ps. 4.4 million for fiscal year 2007 to Ps. 3.5 million in fiscal year 2008 mainly due to the reduction in the allowance for doubtful accounts and to the decrease in advertising and promotion expenses; offset in part by an increase in turnover tax.

When measured as a percentage of the segment's revenues, the Selling expenses associated to the Offices and other non-shopping center rental properties segment fell from 7.9% during fiscal year 2007 to 3.4% during fiscal year 2008.

#### *Shopping centers*

The Selling expenses associated to the Shopping centers segment rose by 11.0% from Ps. 22.3 million for fiscal year 2007 to Ps. 24.8 million in fiscal year 2008 as a result of: (i) a Ps. 2.1 million increase in salaries and social security contributions; (ii) a Ps. 0.9 million increase in exhibitions and events; and (iii) a Ps. 0.7 million increase in turnover tax; (iv) offset in part by a Ps. 1.2 million decrease in the allowance for doubtful accounts.

When measured as a percentage of the segment's revenues, the Selling expenses associated to the Shopping centers segment decreased from 8.3% during fiscal year 2007 to 7.2% during fiscal year 2008.

#### *Hotel operations*

The Selling expenses associated to the Hotel operations segment rose by 36.4% from Ps. 12.2 million for fiscal year 2007 to Ps. 16.6 million for fiscal year 2008. This increase is primarily due to (i) an increase in the commissions of travel agents and credit cards in the amount of Ps. 2.1 million, basically indicative of the increase in the level of activities; and (ii) a Ps. 0.9 million increase in advertising.

When measured as a percentage of the segment's revenues, the Selling expenses associated to the Hotel operations segment went up from 9.9% during fiscal year 2007 to 11.2% during fiscal year 2008.

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### *Consumer financing*

The Selling expenses associated to the Consumer financing segment climbed by 66.3%, from Ps. 117.1 million during fiscal year 2007 to Ps. 194.7 million during fiscal year 2008, mainly due to: (i) a Ps. 38.6 million increase in bad debt charges. It is important to note in this respect that as of June 30, 2008, the thresholds that had been applied for establishing allowances in the previous year were raised. As a result of this increase, bad debt charges rose by Ps. 21.8 million; (ii) there was an 11.4 million increase in salaries and social security contributions; (iii) there was an increase in third parties fees and services for Ps. 9.0 million and (iv) there was a Ps. 5.4 million increase in advertising and promotion expenses; and (v) there was a Ps. 4.7 million increase in turnover tax charges; (vi) there was a Ps. 3.2 million increase in the expenses concerning power supply, telephone, mail and other communications; (vii) there was a Ps. 2.2 million increase in taxes and miscellaneous rates and (viii) there was a Ps. 1.9 million increase in rentals and common maintenance expenses.

When measured as a percentage of the segment's revenues, the Selling expenses associated to Consumer financing operations went up from 55.0% during fiscal year 2007 to 66.9% during fiscal year 2008.

### **Administrative expenses**

Administrative expenses rose by 18.8%, from Ps. 102.8 million for fiscal year 2007 to Ps. 122.1 million in fiscal year 2008, mainly due to the increases sustained by each one of the remaining segments. The main components of Administrative expenses are salaries and social security contributions for administrative personnel, fees and payments for services, directors' fees, banking expenses, fixed assets depreciation and tax (except for turnover tax).

When measured as a percentage of revenues, Administrative expenses went down from 13.9% in fiscal year 2007 to 11.3% in fiscal year 2008.

### *Development and sale of properties*

The Administrative expenses associated to the Development and sale of properties segment rose by 11.3%, from Ps. 19.6 million for fiscal year 2007 to Ps. 21.8 million in fiscal year 2008, mainly due to a Ps. 1.6 million increase in fees and compensation for services.

When measured as a percentage of the segment's revenues, the Administrative expenses associated to the Development and sale of properties segment dropped from 25.9% for fiscal year 2007 to 11.1% in fiscal year 2008.

### *Offices and other non-shopping center rental properties*

The Administrative expenses related to the Offices and other non-shopping center rental properties segment rose by 30.9%, from Ps. 16.8 million for fiscal year 2007 to Ps. 22.0 million in fiscal year 2008. The increase is mainly due to (i) a Ps. 2.5 million increase in fees and compensation for services; and (ii) a Ps. 0.7 million increase in salaries and social security contributions.

When measured as a percentage of the segment's revenues, the Administrative expenses associated to the Offices and other non-shopping center rental properties segment dropped from 30.2% for fiscal year 2007 to 21.8% in fiscal year 2008.

### *Shopping centers*

The Administrative expenses related to the Shopping centers segment rose by 19.7%, from Ps. 32.7 million for fiscal year 2007 to Ps. 39.2 million in fiscal year 2008 mainly due to (i) a Ps. 3.3 million increase in salaries and social security contributions, (ii) a Ps. 1.7 million increase in taxes, mainly related to the tax on bank debits and credits and (iii) a Ps. 1.3 million increase in directors' fees.

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When measured as a percentage of the segment's revenues, the Administrative expenses associated to the Shopping centers segment, went down from 12.1% during fiscal year 2007 to 11.3% during fiscal year 2008.

### *Hotel operations*

The Administrative expenses related to the Hotel operations segment rose by 11.5%, from Ps. 26.9 million for fiscal year 2007 to Ps. 30.0 million in fiscal year 2008, mainly as a result of (i) a Ps. 1.9 million increase in salaries and social security contributions; and (ii) a Ps. 1.6 million increase in fees and compensation for services; offset in part by (iii) a Ps. 1.3 million decrease in commissions.

When measured as a percentage of the segment's revenues, the Administrative expenses associated to the Hotel operations segment went down from 21.9% for fiscal year 2007 to 20.1% for fiscal year 2008.

### *Consumer financing*

The Administrative expenses related to the Consumer financing segment rose by 34.7%, jumping from Ps. 6.8 million during fiscal year 2007 to Ps. 9.1 million during fiscal year 2008. This increase was mainly due to (i) a Ps. 1.6 million increase in salaries and social security contributions; (ii) a Ps. 0.3 million increase in power supply, telephone, mail and other communications.

When measured as a percentage of the segment's revenues, the Administrative expenses associated to the Consumer financing segment dropped from 3.2% during fiscal year 2007 to 3.1% during fiscal year 2008.

### *Net (loss) income from retained interest in securitized receivables (Tarjeta Shopping).*

Net income/loss from retained interest in securitized receivables dropped by Ps. 4.6 million, from Ps. 3.3 million income for the fiscal year ended June 30, 2007 to a Ps. 1.3 million loss for fiscal year ended June 30, 2008 due to the outcome of the placement of new issuances related to credit card trusts and the appraisal of our interest therein. As of June 30, 2008, we raised an Allowance for impairment in the amount of Ps. 12.0 million, to adjust the book amount of our certificates of interest to their estimated recoverable value.

### **Results from operation and holding of real estate assets, net**

This line reflects the income and loss resulting from impairment and associated to the reversal of charges for impairment recognized in the past. Results from operation and holding of real estate assets rose by 4% from Ps. 2.6 million income for fiscal year 2007 to Ps. 2.7 million income in fiscal year 2008 recognized mainly in relation to the building located at Constitución 1159 for Ps. 2.1 million. During fiscal year 2007, income for Ps. 2.6 million had been attributed as follows: Neuquén Project: Ps. 2.2 million, Suipacha 652: Ps. 0.9 million, and Av. de Mayo 589 for Ps. 0.7 million, offset in part by a loss of Ps. 1.5 million in connection with Torres Rosario.

### **Operating income**

Operating income rose by 28.4% from Ps. 198.5 million for fiscal year 2007 to Ps. 254.8 million in fiscal year 2008, mainly due to an increase in the Shopping centers, Offices and other non-shopping center rental properties, Development and sale of properties, and Hotel operations segments, offset in part by a decrease in the Operating income of the Consumer finance segment.

When measured as a percentage of revenues, Operating income decreased from 26.9% in fiscal year 2007 to 23.5% for fiscal year 2008.

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### *Development and sale of properties*

Operating income in the Development and sale of properties segment rose by Ps. 13.1 million up from Ps. 6.2 million for fiscal year 2007 to Ps. 19.3 million for fiscal year 2008, to a large extent due to increases in revenues and a decrease in selling expenses, partially offset by (i) increased costs, (ii) a reduction in income from the recognition of inventories at net realizable value and (iii) an increase in Administrative expenses.

When measured as a percentage of revenues for the segment, Operating income for the Development and sale of properties segment rose from 8.2% during fiscal year 2007 to 9.8% during fiscal year 2008.

### *Offices and other non-shopping center rental properties*

Operating income in the Offices and other non-shopping center rental properties segment rose by 166.4%, jumping from Ps. 19.6 million for fiscal year 2007 to Ps. 52.3 million in fiscal year 2008, to a large extent due to an increase in revenues and a decrease in selling expenses, partially offset by increased costs and an increase in Administrative expenses.

When measured as a percentage of revenues for the segment, Operating income for the Offices and other non-shopping center rental properties segment, rose from 35.2% during fiscal year 2007 to 51.8% during fiscal year 2008.

### *Shopping centers*

Operating income in the Shopping centers segment rose by 46.0%, from Ps. 124.8 million for fiscal year 2007 to Ps. 182.3 million in fiscal year 2008, to a large extent due to an increase in revenues, partially offset by an increase in costs, an increase in administrative expenses and an increase in selling expenses.

When measured as a percentage of revenues for the segment, Operating income for the Shopping centers segment, went up from 46.2% during fiscal year 2007 to 52.8% during fiscal year 2008.

### *Hotel operations*

Operating income in the Hotel operations segment rose by 23.1% from Ps. 14.7 million for fiscal year 2007 to Ps. 18 million in fiscal year 2008, to a large extent due to an increase in revenues, partially offset by an increase in costs, an increase in administrative expenses and an increase in selling expenses.

When measured as a percentage of revenues for the segment, Operating income for the Hotel operations segment, went up from 11.9% during fiscal year 2007 to 12.1% during fiscal year 2008.

### *Consumer Financing*

Operating income in the Consumer Financing segment decreased by 154.1% from Ps. 32.6 million income for fiscal year 2007 to a Ps. 17.7 million loss in fiscal year 2008, to a large extent due to an increase in costs, in selling expenses and in administrative expenses and to a reduction in income from retained interest in securitized receivables concerning Tarjeta Shopping trusts, partially offset by an increase in revenues.

When measured as a percentage of revenues for the segment, Operating income for the Consumer finance segment went down from 15.3% for fiscal year 2007 to (6.1)% during fiscal year 2008.

### *Financial operations and other*

Operating income in the segment Financial transactions and other segment remained at Ps. 0.6 million for the fiscal years 2008 and 2007.

When measured as a percentage of revenues for the segment, Operating income for the Financial operations and other went up from 43.1% for fiscal year 2007 to 54.8% for fiscal year 2008.





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### **Amortization of goodwill**

Amortization of goodwill includes: (i) the amortization of goodwill corresponding to the following Alto Palermo subsidiaries: Shopping Alto Palermo S.A., Fibesa S.A, Tarshop Sociedad Anónima, Emprendimiento Recoleta S.A. and Empalme S.A.I.C.F.A y G as well as (ii) the amortization of IRSA's negative goodwill resulting from the acquisition of shares in Alto Palermo S.A. and Palermo Invest S.A. Amortization of goodwill rose by Ps. 3.1 million, from a Ps. 1.5 million loss for fiscal year 2007 to Ps. 1.6 million income in fiscal year 2008.

### **Gains/(Losses) on equity investees**

Gain on equity investees dropped by Ps. 53.2 million, from Ps. 40.0 million income for fiscal 2007 to a Ps. 13.2 million loss in fiscal 2008. This decrease was mainly due to a Ps. 53.1 million reduction in Banco Hipotecario's profit from Ps. 41.4 million in fiscal year 2007 to a Ps. 11.8 million loss in fiscal year 2008.

The reduction in Banco Hipotecario's revenues during fiscal year 2008 was primarily due to the losses incurred in fiscal year 2008, caused mainly by a decrease in the valuation of its long-term portfolio of Government securities.

### **Financial results, net**

Financial results, net decreased by Ps. 80.8 million, from Ps. 4.1 million income for fiscal year 2007 to a Ps. 76.7 million loss in fiscal year 2008. The main reasons for this loss were: (i) a Ps. 88.1 million decrease in results from financial operations, primarily due to a Ps. 85.2 million decrease in the fair value of our holdings of mutual funds; (ii) Ps. 38.9 million increase resulting from higher financing expenses, primarily due to the increase in interest charges paid as a consequence of the issuance of notes (negotiable obligations) by IRSA and Alto Palermo during this fiscal year, partially offset by (iii) a decrease in the interest paid due to the redemption in October 2007 of IRSA's floating rate secured notes in the amount of US\$ 37.4 million, (iv) and the repayment of an unsecured loan for US\$ 51 million. These reductions were partially offset by (i) foreign exchange gains in the amount of Ps. 26.3 million compared to fiscal year 2007, as a consequence of a variation in the US Dollar selling exchange rate during the fiscal year under analysis (it went down from Argentine Pesos 3.093 as of June 30, 2007 to 3.025 as of June 30, 2008), in contrast to the situation in the same period of the previous year when the Argentine Peso/US Dollar exchange rate had increased significantly (from Argentine Pesos 3.086 as of June 30, 2006 to 3.093 as of June 30, 2007).; and (ii) a Ps. 20.0 million increase due to the interest earned during fiscal year 2008 compared to fiscal year 2007, basically as a consequence of holdings of investments and other interest earned by Alto Palermo.

### **Other expenses, net**

The line Other expenses, net, shrank by 60.0% from net expenses for Ps. 14.1 million in fiscal year 2007 to net expenses for Ps. 5.6 million in fiscal year 2008, primarily due to (i) the reversal of a provision for contingencies in the amount of Ps. 5.6 million; and (ii) a decrease in charges for personal property tax in the amount of Ps. 1.2 million which, according to Argentine rules and regulations, we must realize on behalf of our shareholders.

### **Income before taxes and minority interest**

Therefore, Income before taxes and minority interest dropped by Ps. 29.2 million, from Ps. 227.1 million for fiscal year 2007, to income for Ps. 160.9 million in fiscal year 2008.

### **Income tax and MPIT**

Income tax and minimum presumed income tax dropped by 10.8% down from Ps. 87.5 million for fiscal year 2007 to Ps. 78.1 million in fiscal year 2008. We applied the deferred tax method upon calculating our income tax for the two fiscal years, thus recognizing the temporary differences in our accounts and in tax assets and liabilities.

**Table of Contents****Minority interest**

This item includes our proportional equity interest in the subsidiaries in which we own a minority interest. The loss resulting from third-party interests in such subsidiaries dropped by 14%, from a Ps. 32.4 million loss for fiscal year 2007 to a Ps. 27.9 million loss for fiscal year 2008, mainly due to the increase in the statement of income accounts of the companies in which we have a minority interest and to the acquisition of the remaining 33.33% shareholding in Palermo Invest S.A., having eliminated the effect of the minority interest in said company during this fiscal year.

**Net income**

Therefore, net income decreased by Ps. Ps. 52.2 million down from Ps. 107.1 million for fiscal year 2007 to Ps. 54.9 million in fiscal year 2008.

**IRSA's Indebtedness**

The following table sets forth the scheduled maturities of our outstanding debt as of June 30, 2009:

Schedule of Maturities or Amortization

	Currency	Less than 1 year (in million Pesos, constant currency, as of June 30, 2009)(2)	More than 1 year and up to 2 years	More than 2 years and up to 3 years	More than 3 years and up to 4 years	More than 4 years	Total (1)	Annual Average Interest Rate %
<b>Banking debt and other</b>								
Bank loans (3)	\$ / US\$	248.5	25.6	25.5	25.5		<b>325.1</b>	
Hoteles Argentinos secured loans	US\$	20.7					<b>20.7</b>	9.7
APSA's notes (Negotiable Obligations) (4)	US\$	2.6				58.8	<b>61.4</b>	10.0
APSA's Series II notes (4)	\$	26.6	26.4	26.4	0.0		<b>79.4</b>	11.0
APSA's Series I notes (4)	US\$	2.7	-0.5	-0.5	-0.5	285.7	<b>286.9</b>	7.9
IRSA's notes	US\$	19.3	-0.9	-0.9	-0.9	566.4	<b>583.0</b>	8.5
Debt financed by the seller	\$ / US\$	34.6	1.7	1.7	1.7	3.4	<b>43.2</b>	
<b>Total banking debt and other</b>		<b>355.0</b>	<b>52.3</b>	<b>52.2</b>	<b>25.8</b>	<b>914.3</b>	<b>1,399.7</b>	
<b>Mortgages payable</b>								
Mortgages payable over the Bariloche lots	US\$	1.9					<b>1.9</b>	7.0
<b>Total mortgages payable</b>		<b>1.9</b>					<b>1.9</b>	
<b>Total debt</b>		<b>356.9</b>	<b>52.3</b>	<b>52.2</b>	<b>25.8</b>	<b>914.3</b>	<b>1,401.6</b>	

(1) Figures may not sum due to rounding.

(2) Exchange rate as of June 30, 2009 US\$1.00 = Ps.3.797.

(3) Includes bank overdrafts.

(4) Disclosed net of the notes held by the Company

**Hoteles Argentinos secured loan**

On March 23, 2005, Credit Suisse First Boston International acquired the US\$11.1 million indebtedness incurred by Hoteles Argentinos which had been in default since January 2002. On April 21, 2006, Hoteles Argentinos reduced the outstanding principal amount to US\$6.0 million with a prepayment, and the unpaid balance was restructured to mature in March 2010 with scheduled amortization payments as described below:

<b>Date</b>	<b>Amount due (US\$ thousands)</b>
March 15, 2008	213
September 15, 2008	225
March 15, 2009	239
September 15, 2009	253
March 15, 2010	5,070

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Interest accrues on the unpaid principal of this loan at six-month LIBOR plus 7.0%.

In addition, we entered into a credit default swap agreement with Credit Suisse International which, among other provisions, secures the payment of Hoteles Argentinos' indebtedness and provides that in the event of default we should acquire the loan. Simultaneously with the amendment to Hoteles Argentinos' loan agreement, we amended the credit default swap agreement with Credit Suisse International. Thus, we would only assume 80.0% of Hoteles Argentinos' indebtedness in the event of default. The remaining 20.0% was assumed by Starwood Hotels and Resorts Worldwide Inc. (Starwood), an indirect minority shareholder of Hoteles Argentinos, which has also been instrumented through a credit default swap agreement. To secure performance of our obligations under the agreement with Credit Suisse International, we made an escrow deposit of US\$1.2 million.

The loan agreement of Hoteles Argentinos provides that it may not declare or pay any dividends or make any distribution on capital stock, or purchase, redeem, retire, defease or otherwise acquire any of its own shares, or make any distribution of assets, capital stock, warrants, rights, options, obligations or securities to shareholders, except in an amount not to exceed the lesser of (i) Hoteles Argentinos' excess cash flow for the preceding fiscal year, or (ii) the consolidated retained earnings and consolidated profits earned; and then only if, after giving pro forma effect to such action, no default or event of default would occur as a consequence thereof.

On September 15, 2008 and on March 15, 2009 we repaid principal installments for US\$ 0.2 million each.

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

On July 19, 2002, Alto Palermo issued US\$ 50.0 million in unsecured Convertible Notes in exchange for cash and the settlement of certain liabilities owed to its shareholders. These convertible notes mature on July 19, 2014, according to the maturity date extension originally scheduled and approved at the meeting of holders of such convertible notes held on May 2, 2006. The convertible notes accrue interest (payable semi-annually) at a 10.0% fixed interest rate per annum and are convertible at any time at the holder's option into shares of common stock of Ps. 0.10 par value each. The conversion rate per U.S. dollar is the lower between (i) 30.8642 and (ii) the result from dividing the exchange rate prevailing on the conversion date by Alto Palermo's common shares' par value. As of June 30, 2009, as a result of the conversions made, the aggregate outstanding amount of Alto Palermo's convertible notes was US\$47.2 million in nominal value. If all the note holders exercise their conversion rights, Alto Palermo's common shares would increase from 782.0 million shares (Ps. 224.0 million par value) to 2,239.7 million shares (Ps. 224.0 million par value). As of June 30, 2009, we hold US\$31.7 million of Alto Palermo's convertible notes.

### **Alto Palermo's Convertible Notes**

At the note holders' meeting held on May 2, 2006, the holders of Alto Palermo notes unanimously decided to extend the maturity date of Alto Palermo's Series I notes for a principal amount of US\$ 50 million. The convertible notes' original four-year term, counted as from the date of issuance on June 19, 2002 was extended up to a new maturity date to fall on July 19, 2014.

The convertible notes outstanding as of June 30, 2009 totaled US\$ 47,227,934. If all the holders of Alto Palermo notes were to exercise their conversion rights, the number of Alto Palermo's outstanding shares would go up to 782,064,214.

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As of June 30, 2009, we held US\$ 31.7 million convertible notes in nominal value.

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

On May 11, 2007, Alto Palermo issued two new series of notes in an aggregate principal amount of US\$170 million. Series I consists of US\$120 million of notes due on May 11, 2017, which accrue interest at a fixed rate of 7.875% payable semi-annually on May 11 and November 11 of each year, commencing on November 11, 2007. The Series I notes mature in a single installment on May 11, 2017.

Series II consists of Ps.154 million (equivalent to US\$50 million) of notes which mature in seven, equal and consecutive semi-annual installments commencing on June 11, 2009, and which accrue interest at 11% per annum, payable on June 11 and December 11 of each year commencing on December 11, 2007.

*Acquisition of Alto Palermo s Series I Notes.* During fiscal 2009 we bought Alto Palermo s Series I Notes, at a fixed interest rate and maturing in June 2017, for US\$ 39.6 million in nominal value under the Global Program of Negotiable Obligations for up to US\$ 200,000,000. As a weighted average, the price paid was US\$ 0.488 as the so-called dirty price (includes interest accrued but still unpaid) for a total of US\$ 19.3 million.

In turn, in the course of fiscal 2009 our subsidiary Alto Palermo repurchased some of its Series I notes for US\$ 5 million in nominal value. As a weighted average, the price paid was US\$ 0.3978 for a total of US\$ 1.9 million.

Therefore, as of June 30, 2009, IRSA s consolidated holdings of Series I notes amounted to US\$ 49.6 million in nominal value.

*Acquisition of Alto Palermo s Series II Notes.* During fiscal 2009 we bought Alto Palermo s Series II Notes, at a fixed interest rate and maturing in June 2012 (Argentine Peso-Linked Note) for US\$ 15.1 million in nominal value under the Global Program of Negotiable Obligations for up to US\$ 200,000,000. As a weighted average, the price paid was US\$ 0.5447 for a total of US\$ 8.2 million.

In turn, in the course of fiscal 2009, our subsidiary Alto Palermo repurchased some of its Series II notes for US\$ 3.2 million in nominal value. As a weighted average, the price paid was US\$ 0.75 for a total of US\$ 2.25 million.

Therefore, at June 30, 2009, our consolidated holdings of Alto Palermo Series II notes amounted to US\$ 19.9 million in nominal value including previous holdings.

**Our 8.5% notes due 2017**

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

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

50% of 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; plus

100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by us or by our restricted subsidiaries from (a) any contribution to our capital stock or the capital stock of our restricted subsidiaries or

issuance and sale of our qualified capital

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stock or the qualified capital stock of our restricted subsidiaries subsequent to the issue of our notes due 2017, or (b) issuance and sale subsequent to the issuance of our notes due 2017 or our indebtedness or the indebtedness of our restricted subsidiaries that has been converted into or exchanged for our qualified capital stock, plus

Any reduction in the indebtedness assumed by the Company or by any restricted subsidiary as a result of conversion into equity; plus

Any net reduction in investments in debt certificates (other than permitted investments) and in the returns on investments, plus

Any distribution received from unrestricted subsidiaries.

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

On April 28, 2008 we executed a loan agreement secured by a mortgage with Banco Macro S.A. pursuant to which Banco Macro S.A. lent us US\$ 33,558,448 which we applied to the repayment of the outstanding balance relating to the acquisition of Edificio República for a total term of 5 years. The principal shall be repaid in five annual, equal and consecutive installments maturing on April 28 each year and accruing interest at an annual nominal 12% over balances. Interest shall be repaid in semi-annual installments, maturing on April and October 28, each year. To guarantee the repayment of the loan, a mortgage has been set up on the property known as Edificio República for the amount thereof.

In April 2009 principal installments were paid for US\$ 6.7 million.

**Off-balance sheet arrangements**

We do not have any off-balance sheet transactions, arrangements or obligations with unconsolidated entities or others that are not reflected in our consolidated financial statements. All our interests and/or relations with our subsidiaries or companies under joint control are recorded in our consolidated financial statements.



**Table of Contents****MANAGEMENT****Board of Directors**

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

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

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

Name	Date of birth	Position in IRSA	Date of current appointment	Term expiration	Current position held since
Eduardo S. Elsztain	01/26/1960	Chairman	2006	2009	1991
Saúl Zang	12/30/1945	Vice-Chairman I	2006	2009	1994
Alejandro G. Elsztain	03/31/1966	Vice-Chairman II	2007	2010	2001
Oscar P. Bergotto	06/19/1943	Regular Director	2006	2009	1994
Fernando A. Elsztain	01/04/1961	Regular Director	2008	2011	1999
Ricardo Esteves	05/25/1949	Regular Director	2008	2011	2005
Cedric D. Bridger	11/09/1935	Regular Director	2006	2009	2003
Marcos Fischman	04/09/1960	Regular Director	2006	2009	2003
Fernando Rubín	06/20/1966	Regular Director	2007	2010	2004
Gary S. Gladstein	07/07/1944	Regular Director	2007	2010	2004
Mario Blejer	06/11/1948	Regular Director	2008	2011	2005
Mauricio Wior	10/23/1956	Regular Director	2006	2009	2006
Gabriel A. G. Reznik	11/18/1958	Regular Director	2008	2011	2008
Ricardo H. Liberman	12/18/1959	Regular Director	2008	2011	2008
Juan C. Quintana Terán	06/11/1937	Alternate Director	2008	2011	1996
Emilio Cárdenas	08/13/1942	Alternate Director	2008	2011	2003
Salvador D. Bergel	04/17/1932	Alternate Director	2008	2011	1996
Enrique Antonini	03/16/1950	Alternate Director	2007	2010	2007
Daniel Ricardo Elsztain	12/22/1972	Alternate Director	2007	2010	2007

Ricardo Esteves, Cedric Bridger, Mario Blejer, Emilio Cárdenas, Ricardo H. Liberman and Enrique Antonini are independent directors, pursuant to *Comisión Nacional de Valores* Resolution No. 400/2002.

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

**Eduardo S. Elsztain.** Mr. Elsztain studied Economic Sciences at Universidad de Buenos Aires. He has been engaged in the real estate business for more than twenty years. He is the Chairman of the Board of Directors of Alto Palermo SA, IRSA, Consultores Asset Management S.A., Cresud S.A.C.I.F. y A. ( Cresud ) and BACS Banco de Crédito & Securitización ( BACS ) and Banco Hipotecario S.A., among others. He is also Vice-chairman of the Board of Directors of E-Commerce Latina S.A. and a director at BrsilAgro and at Hersha Hospitality Trust. He is Fernando A. Elsztain's cousin and Alejandro G. Elsztain and Daniel R. Elsztain's brother.

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

**Alejandro G. Elsztain.** Mr. Elsztain obtained a degree in agricultural engineering from the Universidad de Buenos Aires. Currently he is chairman of BrasilAgro, second vice-chairman of Cresud



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and executive vice-chairman of APSA and SAPSA. He is also vice-chairman of Nuevas Fronteras and Hoteles Argentinos and director of IBOSA. He is the brother of Chairman Eduardo S. Elsztain, Commercial Director and Alternate Director, Daniel R. Elsztain and a cousin of Director Fernando A. Elsztain.

**Oscar P. Bergotto.** Mr. Bergotto has been IRSA's Chief Treasury Officer since 1991. He has also worked in various other real estate companies.

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

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

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

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

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

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

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

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

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**Gabriel A. G. Reznik.** Mr. Reznik obtained a degree in Civil Engineering from University of Buenos Aires. He worked for IRSA from 1992 until May 2005 and has also worked for an independent construction company in Argentina. At present he is an alternate director of Puerto Retiro S.A., Tarshop S.A. and Fibesa, as well as member of the board of directors of Banco Hipotecario, and a number of other companies.

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

**Juan C. Quintana Terán.** Mr. Quintana Terán obtained a law degree from the Universidad de Buenos Aires. He is a consultant at Zang, Bergel & Viñes law firm. He has been chairman and Judge of the National Commercial Court of Appeals of the City of Buenos Aires (*Cámara Nacional de Apelaciones en lo Comercial*). He is an alternate director of Cresud, Banco Hipotecario S.A. and Nuevas Fronteras S.A.

**Emilio J. Cárdenas.** Mr. Cárdenas obtained a law degree from the Universidad de Buenos Aires and a Ph.D. from University of Michigan. He has been a member of our board of directors since 1996. He was chairman of ABRA, founding partner of Cárdenas, Cassagne & Asociados law firm, Argentina's Permanent Representative to the United Nations and is currently a member of the board of directors of HSBC Bank S.A (Bank Roberts).

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

**Enrique Antonini.** Mr. Antonini holds a degree in law from the University of Buenos Aires. He is currently a member of the board of directors of Banco Mariva S.A. (since 1992), Mariva Bursátil S.A. (since 1997). He also served as a director of Inversiones y Representaciones S.A. from 1993 to 2002. He is a member of the Banking Lawyers Committee and the International Bar Association.

**Daniel R. Elsztain.** Mr. Elsztain graduated with a major in Economic Sciences from the Torcuato Di Tella University and has a Master in Business Administration. He has been our Commercial Director since 1998. Mr. Elsztain is the brother of both the Chairman of the Board of Directors, Mr. Eduardo S. Elzstain, and of second Vice-Chairman, Mr. Alejandro G. Elzstain and cousin of Director Fernando A. Elzstain.

## **Executive Committee**

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

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

designate the managers of our Company and establish the duties and compensation of such managers;

grant and revoke powers of attorney on behalf of our Company;

hire, discipline and fire personnel and determine wages, salaries and compensation of personnel;

enter into contracts related to our business;

manage our assets;

enter into loan agreements for our business and set up liens to secure our obligations; and

perform any other acts necessary to manage our day-to-day business.

**Table of Contents****Senior Management**

The Board of Directors appoints and removes senior management. Senior management performs its duties in accordance with the instructions of the Board of Directors.

The following table shows information about our current senior management:

<b>Name</b>	<b>Date of birth</b>	<b>Position</b>	<b>Current position held since</b>
Eduardo S. Elsztain	01/26/1960	Chief Executive Officer	1991
Gabriel Blasi	11/22/1960	Chief Financial Officer	2004
Jorge Cruces	11/07/1966	Chief Real Estate Officer	2007
Daniel R. Elsztain	12/22/1972	Chief Real Estate Business Officer	2007
David A. Perednik	11/15/1957	Chief Administrative Officer	2002

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

**Gabriel Blasi.** Mr. Blasi obtained a business administration degree and carried out post graduate studies in Finance at CEMA University (*Universidad del CEMA, Centro de Estudios Macroeconómicos Argentinos*) and at IAE, Austral University (*IAE, Universidad Austral*). He developed his career in the Investment Banking and Capital Markets areas at banks such as Citibank and Banco Río (BSCH). Prior to joining the group, he was Finance Director at Carrefour Argentina Group and Goyaique SACIFIA (Perez Companc Group). Currently, he serves as chief financial officer of APSA and Cresud.

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

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

**Supervisory Committee**

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

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The following table shows information about the members of our supervisory committee, who were elected at the annual ordinary shareholders meeting, held on October 10, 2007:

<b>Name</b>	<b>Date of birth</b>	<b>Position</b>	<b>Expiration Date</b>	<b>Current position held since</b>
José D. Abelovich	07/20/1956	Member	2009	1992
Marcelo H. Fuxman	11/30/1955	Member	2009	1992
Roberto Murmis	04/07/1959	Member	2009	2005
Silvia De Feo	10/07/1958	Alternate member	2009	2003
Alicia Rigueira	12/02/1951	Alternate member	2009	2006
Sergio Kolaczyk	11/28/1964	Alternate member	2009	2005

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

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

**Marcelo H. Fuxman.** Mr. Fuxman obtained a degree in accounting from the Universidad de Buenos Aires. He is a partner of Abelovich, Polano y Asociados S.R.L., Nexia International, a public accounting firm in Argentina. He is also a member of the supervisory committee of APSA, SAPSA and IBSA.

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

**Silvia De Feo.** Mrs. De Feo obtained a degree in accounting from the University of Belgrano. She is a manager at Abelovich, Polano & Asociados S.R.L., Nexia International, an accounting firm in Argentina and former manager at Harteneck, Lopez & Cía./Coopers & Lybrand. She is also a member of the supervisory committees of SAPSA, IBSA and Baldovinos S.A.

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

**Sergio Leonardo Kolaczyk.** Mr. Kolaczyk obtained a degree in accounting from the Universidad de Buenos Aires. He is a professional of Abelovich, Polano & Asociados S.R.L., Nexia International. He is also an alternate member of the supervisory committee of APSA and Cresud.

**Internal Control - Audit Committee**

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

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

Effectiveness and efficiency of operations

Reliability on financial reporting

Compliance with applicable laws and regulations

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

the board of directors, by establishing the objectives, principles and values, setting the tone at the top and making the overall assessment of results;

the management of each area is responsible for the internal control in relation to objectives and activities of the relevant area, i.e. the implementation of policies and procedures to achieve the results of the areas and, therefore, those of the entity as a whole;

the other personnel plays a role in exercising control, by generating information used in the control system or taking action to ensure control.

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

The Audit Committee is a committee of the board of directors, the main function of which is to assist the board of directors in exercising its duty of care, diligence and competence in issues relating to us, specifically as concerns the enforcement of accounting policies, disclosure of accounting and financial information, management of our business risk, the management of our internal control systems, ethical conduct of our businesses, monitoring the sufficiency of our financial statements, our compliance with the laws, independence and capacity of independent auditors and performance of our internal audit duties both by our company and the external auditors.

The Audit Committee must meet at least once a year.

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

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

## **Compensation**

### ***Directors***

Under Argentine law, if the compensation of the members of the board of directors is not established in the by-laws of the company, it should be determined by the shareholders' meeting. The maximum amount of total compensation to the members of the board of directors, including compensation for technical or administrative permanent activities, cannot exceed 25% of the earnings of the company. That amount should be limited to 5% when there is no distribution of dividends to shareholders and will be increased proportionally to the distribution.

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

In the course of our shareholders' meeting held on October 31, 2008, the shareholders approved total compensation in the amount of Ps. 4.2 million for all our directors for the fiscal year ended on June 30, 2008. At the end of this fiscal year, these amounts had been totally paid.

Under the executive employment agreements entered into with Messrs. Eduardo S. Elsztain, Saúl Zang and Oscar P. Bergotto, if we terminate any of these executive employment agreements without cause, we will be liable to the relevant executive for two years of compensation.



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### ***Employment contracts with our directors***

We do not have written contracts with our directors. However, Mr. Eduardo Elsztain, Saúl Zang, Alejandro Elsztain, Fernando Elsztain, Oscar Bergotto, Marcos Fischman and Fernando Rubín are employed by us under the Labor Contract Law No. 20.744. This law governs certain conditions of the labor relationship, including remuneration, protection of wages, hours of work, holidays, paid leave, maternity protection, minimum age requirements, protection of young workers and suspension and termination of the contract.

### ***Senior Management***

We pay our senior management pursuant to a fixed amount, established by taking into consideration their background, capacity and experience and an annual bonus which varies according to their individual performance and our overall results. The total and aggregate cash compensation of our senior management for the fiscal year ended June 30, 2009 was Ps.7.9 million.

### ***Supervisory Committee***

The shareholders meeting held on October 31, 2008, approved by majority vote the decision not to pay any compensation to our Supervisory Committee.

### ***Audit Committee***

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

### ***Compensation plan for executive management***

We are developing a special compensation plan for its key managers by means of contributions to be made by the employees and by us.

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

Participation and contributions under the Plan are voluntary. Once the invitation to participate has been accepted by the employee, he or she is required to make two kinds of contributions: monthly contributions (salary based) and extraordinary contribution (annual bonus based). The suggested contribution to be made by Participants is: up to 2.5% of their monthly salary and up to 15.0% of their annual bonus. Our contribution will be 200% of the employees' monthly contributions and 300% of the extraordinary employees' contributions.

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

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

ordinary retirement in accordance with applicable labor regulations;

total or permanent incapacity or disability; and

death.

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