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

**United States**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 20-F**

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

**OR**

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

**For the fiscal year ended: June 30, 2011**

**OR**

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

**OR**

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

**Date of event requiring this shell company report ______**

**For the transition period from ______ to ______**

**Commission file number: 1-13542**

**IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA**

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

**IRSA INVESTMENTS AND REPRESENTATIONS INC.**

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

**Republic of Argentina**

**(Jurisdiction of incorporation or organization)**

**Bolívar 108**

**(C1066AAB) Buenos Aires, Argentina**

**(Address of principal executive offices)**

**Matias Gaivironsky**

**Chief Financial Officer**

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

**Moreno 877 22nd Floor**

**(C1091AAQ) Buenos Aires, Argentina**

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

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

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

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

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

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

The number of outstanding shares of the issuer's common stock as of June 30, 2011 was 578,676,460.

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

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

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

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

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

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨

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

| | | |
|---|---|---|
| U.S. GAAP ¨ | International Financial Reporting Standards as issued by the International Accounting Standards Board ¨ | Other x |

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

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

**IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA**

**Part III**

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## DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION

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

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

- changes in general economic, business, political or other conditions in Argentina or changes in general economic or business conditions in Latin America;
- changes in capital markets in general that may affect policies or attitudes toward lending to or investing in Argentina or Argentine companies;
- changes in exchange rates or regulations applicable to currency exchanges or transfer;
- unexpected developments in pending litigation;
- increased costs;
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and
- the risk factors discussed under "Risk Factors".

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

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

## CERTAIN MEASUREMENTS AND TERMS

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

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

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

## PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

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

This annual report contains our Audited Consolidated Financial Statements as of June 30, 2011 and 2010 and for the fiscal years ended June 30, 2011, 2010 and 2009 (our Audited Consolidated Financial Statements), which have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm, whose report is included herein.

We prepare our audited consolidated financial statements in thousands of Pesos and in accordance with generally accepted accounting principles in Argentina, as set forth by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* ("FACPCE") and as implemented, adapted, amended, revised and/or supplemented by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* ("CPCECABA") (collectively, "Argentine GAAP") and the regulations of the *Comisión Nacional de Valores* , which differ in certain significant respects from accepted accounting principles in the United States of America ("U.S. GAAP"). Such differences involve methods of measuring the amounts shown in our consolidated financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the U.S. Securities and Exchange Commission ("SEC"). See Note 25 to our audited consolidated financial statements for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and reconciliation to U.S. GAAP of net income and shareholders' equity.

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Additionally, after considerable inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government instructed the CNV to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the CNV issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. We complied with the CNV resolution and accordingly recorded the effects of inflation until February 28, 2003. Comparative figures were restated until that date, using a conversion factor of 1.1232. Since Argentine GAAP required companies to discontinue inflation adjustments as from October 1, 2003, the application of the CNV resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March 1, to September 30, 2003, such a departure did not have a material effect on our Audited Consolidated Financial Statements.

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

*Transition to IFRS*

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

On April 29, 2009, the CPCECABA approved Technical Resolution No. 26. The CNV issued Technical Resolution No. 562/09, as amended by Resolution 576/10, formally adopting application of Technical Resolution No. 26 to its regulated entities for fiscal years beginning on January 1, 2012. We will be required to prepare our financial statements in accordance with IFRS as issued by the IASB for our fiscal year ended June 30, 2013 and 2012. Our transition date to IFRS will be July 1, 2011. On April 29, 2010, our Board of Directors approved a plan for implementing IFRS, which is currently under execution.

Certain amounts which appear in this annual report (including percentage amounts) may not sum due to rounding. Solely for the convenience of the reader, we have translated certain Peso amounts into U.S. dollars at the seller exchange rate quoted by the Banco de la Nación Argentina for June 30, 2011 and June 30, 2010, which was Ps.4.110 = US$ 1.00 and Ps.3.931 = US$ 1.00. We make no representation that the Peso or U.S. dollar amounts actually represent or could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all.

References to fiscal years 2007, 2008, 2009, 2010 and 2011 are to the fiscal years ended June 30 of each such year.

## MARKET DATA

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

# PART I

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

This item is not applicable.

## ITEM 2. Offer Statistics and Expected Timetable

This item is not applicable.

## ITEM 3. Key Information

### *A. Selected Financial Data*

The following selected consolidated financial data has been derived from our consolidated financial statements as of the dates and for each of the periods indicated below. This information should also be read in conjunction with and is qualified in its entirety by reference to our Audited Consolidated Financial Statements and the discussion in Operating and Financial Review and Prospects included elsewhere in this annual report. The selected consolidated statement of income data for the years ended June 30, 2011, 2010 and 2009 and the selected consolidated balance sheet data as of June 30, 2011 and 2010 have been derived from our Audited Consolidated Financial Statements included in this annual report which have been audited by Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm.

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

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

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

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

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

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

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

(1) Except for ratios and share data.
(2) Except for ratios and share data. Solely for the convenience of the reader, we have translated Peso amounts into U.S. Dollars at the exchange rate quoted by Banco de la Nación Argentina for June 30, 2011 which was Ps.4.11 per US $1.00. We make no representation that the Argentine Peso or U.S. Dollar amounts actually represent, could have been or could be converted into Dollars at the rates indicated, at any particular rate or at all. See “Exchange Rates”.
(3) We have calculated earnings per share data under Argentine GAAP and U.S. GAAP based on the weighted average number of common shares outstanding during the respective period. Each GDS represents ten common shares.
(4) Under both Argentine and U.S. GAAP we have considered the diluted effects of our outstanding convertible notes and warrants. However, under U.S. GAAP, we have used the treasury-stock method in calculating the diluted effect of the outstanding warrants. Each GDS represents ten common shares.
(5) Includes 29.77% (without considering treasury shares) investment in Banco Hipotecario, Hersha, Metropolitan and Rigby, and our investments in undeveloped parcels of land.
(6) Includes short-term debt and current mortgages payable.
(7) Includes long-term debt and non-current mortgages payable.
(8) This table is intended to present cash flows from operating, investing and financing activities under Argentine GAAP but following the classification guidelines of Codification ASC No. 230 under U.S. GAAP. See Note 25 to our audited consolidated financial statements included elsewhere herein for details of the differences in classifications affecting the categories of cash flows.
(9) Includes the purchase of fixed assets (including facilities and equipment), undeveloped parcels of land and renovation and remodeling of hotels and shopping centers and the purchase of subsidiaries which are essentially real estate purchases. Also include escrow deposits held in favor of third parties related to the acquisition of certain fixed assets.
(10) Corresponds to depreciation and amortization included in operating income.
(11) Working capital is calculated by substracting consolidated current liabilities from consolidated current assets.

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Change in accounting policy related to statement of cash flows

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

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

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

*Exchange Rates*

In April 1991, Argentine law established a fixed exchange rate requiring the Central Bank to sell U.S. Dollars to any individual at a fixed exchange rate of Ps.1.00 per US$1.00. On January 7, 2002, the Argentine congress enacted the Public Emergency Law, abandoning over ten years of fixed Peso-U.S. Dollar parity at Ps.1.00 to US$1.00. After devaluing the Peso and setting the official exchange rate at Ps.1.40 per US$1.00, on February 11, 2002, the government allowed the Peso to float. The shortage of U.S. Dollars and their heightened demand that resulted caused the Peso to depreciate significantly in the first half of 2002. As of December 14, 2011 the exchange rate was Ps. 4.2610=US$1.00 as quoted by Banco de la Nación Argentina at the average of the U.S. Dollar selling rate and U.S. Dollar buying rate. During 2008, 2009, 2010 and 2011 the Central Bank indirectly intervened in the exchange rate market with the purpose of maintaining a stable parity notwithstanding international volatility.

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

| | Exchange Rate | | | |
|---|---|---|---|---|
| | **High(1)** | **Low(2)** | **Average(3)** | **Period Closing(4)** |
| Fiscal year ended June 30, 2006 | 3.0700 | 2.8390 | 2.9800 | 3.0660 |
| Fiscal year ended June 30, 2007 | 3.0880 | 3.0280 | 3.0663 | 3.0730 |
| Fiscal year ended June 30, 2008 | 3.1640 | 2.9960 | 3.1196 | 3.0050 |
| Fiscal year ended June 30, 2009 | 3.7780 | 2.9940 | 3.3862 | 3.7770 |
| Fiscal year ended June 30, 2010 | 3.9130 | 3.6360 | 3.8255 | 3.9110 |
| Fiscal year ended June 30, 2011 | 4.0900 | 3.9110 | 3.9810 | 4.0900 |
| July 2011 | 4.1250 | 4.0900 | 4.1080 | 4.1250 |
| August 2011 | 4.1800 | 4.1270 | 4.1484 | 4.1800 |
| September 2011 | 4.2040 | 4.1690 | 4.1841 | 4.1850 |
| October 2011 | 4.2160 | 4.1850 | 4.2030 | 4.2160 |
| November 2011 | 4.2610 | 4.2210 | 4.0959 | 4.2610 |
| December 12, 2011 | 4.2660 | 4.2580 | 4.2607 | 4.2610 |

Source: Banco de la Nación Argentina

(1) The high exchange rate stated was the highest closing exchange rate of the month during the fiscal year, month or partial period described in the table above.

(2) The low exchange rate stated was the lowest closing exchange rate of the month during the fiscal year, month or partial period described in the table above.

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

(4) Average of the selling rate and buying rate.

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

***B. Capitalization and Indebtedness***

This item is not applicable.

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

This item is not applicable.

***D. Risk Factors***

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

## Risks Related to Argentina

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

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

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

Moreover, the country's relative stability since 2002 has been affected by increased political tension and government intervention in the economy. Our business depends to a significant extent on macroeconomic and political conditions in Argentina. We cannot assure you that Argentina's recent growth will continue. Deterioration of the country's economy would likely have a significant adverse effect on our business, financial condition and results of operations.

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

The devaluation of the Peso in January 2002 created pressures on the domestic price system that generated high inflation throughout 2002, before inflation substantially stabilized in 2003. However, inflationary pressures have since reemerged, with consumer prices increasing by 12.3% in fiscal year 2005. In fiscal years 2007, 2008, 2009, 2010 and 2011, inflation according to INDEC was 7.7%, 7.2%, 8.5%, 11.0% and 9.7%, respectively, in part due to actions implemented by the Argentine government to control inflation, including limitations on exports and price arrangements agreed upon with private companies. The uncertainty surrounding future inflation may impact the country's growth.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Moreover, during its crisis in 2001 and 2002, Argentina experienced significant social and political turmoil, including civil unrest, riots, looting, nationwide protests, strikes and street demonstrations. Despite Argentina's economic recovery and relative stabilization, social and political tension and high levels of poverty and unemployment continue. In 2008, Argentina faced nationwide strikes and protests from farmers due to increased export taxes on agricultural products, which disrupted economic activity and heightened political tension. Future government policies to preempt, or in response to, social unrest may include expropriation, nationalization, forced renegotiation or modification of existing contracts, suspension of the enforcement of creditors' rights, new taxation policies, including royalty and tax increases and retroactive tax claims, and changes in laws and policies affecting foreign trade and investment. Such policies could destabilize the country and adversely and materially affect the economy, and thereby our business.

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

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

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

AFJPs were the largest participants in the country's local capital markets, leading the group of institutional investors. With the nationalization of their assets, the dynamics of the local capital markets changed due to a decrease in their number, becoming a concentrated group. In addition, the government became a significant shareholder in many of the country's publicly-held companies. Pursuant to current regulations, ANSES may exercise the voting rights corresponding to its respective shares, which could eventually result in uncertain consequences.

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

In 2001 and 2002, Argentina imposed exchange controls and transfer restrictions substantially limiting the ability of companies to retain foreign currency or make payments abroad. On June 2005, the government issued decree No. 616/2005, that established additional controls on capital inflow, including the requirement that, subject to limited exemptions, 30% of all funds remitted to Argentina remain deposited in a domestic financial institution for one year without earning any interest. On October 2011, new exchange controls measures that restrict foreign exchange inflows and outflows of capital have been implemented, among them it was established as a requirement for the repatriation of the direct investment of the non-resident (purchase of shares of local companies and real estate), the demonstration of the income of the currency and its settlement in the single free exchange market "*Mercado Único y Libre de Cambios*". This measure increases the cost of obtaining foreign funds and limits access to such financing.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The global economic crisis and the consequent instability of the international financial system have had and may continue to have a negative effect on Argentina's economic growth. Moreover, political instability and economic crisis, such as the recent turmoil in Africa and the Middle East, as well as natural disasters, such as the recent earthquake and tsunami in Japan, the economic and social crisis in Europe and the U.S., may cause instability in the local markets. Argentina may be adversely affected by such events as a result of the lack of international credit, a reduction in demand for Argentine exports, a significant reduction of direct foreign investment and higher inflation rates throughout the world. The occurrence of any or all such events, as well as any event affecting Argentina's main regional partners (including the Mercosur member countries) may have a significant adverse effect on the Argentine economy and, consequently, on our operations, businesses and results.

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

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

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

As a result of a prolonged recession, and the forced conversion into Pesos and subsequent freeze of gas and electricity tariffs in Argentina, there has been a lack of investment in gas and electricity supply and transport capacity in Argentina in recent years. At the same time, demand for natural gas and electricity has increased substantially, driven by a recovery in economic conditions and price constraints, which has prompted the government to adopt a series of measures that have resulted in industry shortages and/or costs increase.

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

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

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**Risks Related to our Business**

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

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

- downturns in the national, regional and local economic climate;
- volatility and decline in discretionary spending;
- competition from other shopping centers;
- local real estate market conditions, such as oversupply or reduction in demand for office, or other commercial or industrial space;
- decreases in consumption levels;
- changes in interest rates and availability of financing;
- the exercise by our tenants of their legal right to early termination of their leases;
- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-lease space;
- increased operating costs, including insurance expense, salary increases, utilities, real estate taxes, state and local taxes and heightened security costs;
- civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses;
- significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs which are generally not reduced when circumstances cause a reduction in revenues from a property;
- declines in the financial condition of our tenants and our ability to collect rents from our tenants;
- changes in our ability or our tenants' ability to provide for adequate maintenance and insurance, possibly decreasing the useful life of and revenue from property; and
- changes in law or governmental regulations (such as those governing usage, zoning and real property taxes) or government action such as expropriation or confiscation.

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

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

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

- abandonment of development opportunities and renovation proposals;
- construction costs of a project may exceed our original estimates for reasons including raises in interest rates or increases in the costs of materials and labor, making a project unprofitable;
- occupancy rates and rents at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment;
- pre-construction buyers may default on their purchase contracts or units in new buildings may remain unsold upon completion of construction;
- the unavailability of favorable financing alternatives in the private and public debt markets;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- we may not be able to obtain financing for acquisitions on favorable terms;
- acquired properties may fail to perform as expected;
- the actual costs of repositioning or redeveloping acquired properties may be higher than our estimates;
- acquired properties may be located in new markets where we may have limited knowledge and understanding of the local economy, absence of business relationships in the area or unfamiliarity with local governmental and permitting procedures; and

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

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

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

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

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

- liabilities for clean-up of undisclosed environmental contamination;

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

- liabilities incurred in the ordinary course of business.

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

We currently carry insurance policies that cover potential risks such as civil liability, fire, loss of profit, floods, including extended coverage and losses from leases on all of our properties. Although we believe the policy specifications and insured limits of these policies are generally customary, there are certain types of losses, such as lease and other contract claims, terrorism and acts of war that generally are not insured. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital we have invested in a property, as well as the anticipated future revenue from the property. In such an event, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. We cannot assure you that material losses in excess of insurance proceeds will not occur in the future. If any of our properties were to experience a catastrophic loss, it could seriously disrupt our operations, delay revenue and result in large expenses to repair or rebuild the property. Moreover, we do not purchase life or disability insurance for any of our key employees. If any of our key employees were to die or become incapacitated, we would experience losses caused by a disruption in our operations which will not be covered by insurance, and this could have a material adverse effect on our financial condition and results of operations.

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

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

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

- delay lease commencements;
- decline to extend or renew leases upon expiration;
- fail to make rental payments when due; or
- close stores or declare bankruptcy.

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

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

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

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

Real estate investments are relatively illiquid and this tends to limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. In addition, significant expenditures associated with each equity investment, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a decrease in income from a certain investment. If income from a property declines while the related expenses do not decline, our business would be adversely affected. Some of our properties are mortgaged to secure payment of our indebtedness, and if we are unable to meet our mortgage payments, we could lose money as a result of foreclosure on such mortgages and even lose such property. In addition, if it becomes necessary or desirable for us to dispose of one or more of the mortgaged properties, we might not be able to obtain a release of the lien on the mortgaged property without payment of the associated debt. The foreclosure of a mortgage on a property or inability to sell a property could adversely affect our business. In transactions of this kind, we may also agree, subject to certain exceptions, not to sell the acquired properties for significant periods of time.

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

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

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

We had, and expect to continue to have, substantial liquidity and capital resource requirements to finance our business. As of June 30, 2011, our consolidated financial debt was Ps.2,441 million (including short-term and long-term debt, accrued interest and deferred financing costs).

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

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

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

We may not be able to generate sufficient cash flows from operations to satisfy our debt service requirements or to obtain future financing. If we cannot satisfy our debt service requirements or if we default on any financial or other covenants in our debt arrangements, the lenders and/or holders of our debt will be able to accelerate the maturity of such debt or cause defaults under the other debt arrangements. Our ability to service debt obligations or to refinance them will depend upon our future financial and operating performance, which will, in part, be subject to factors beyond our control such as macroeconomic conditions (including the recent international credit crisis) and regulatory changes in Argentina. If we cannot obtain future financing, we may have to delay or abandon some or all of our planned capital expenditures, which could adversely affect our ability to generate cash flows and repay our obligations.

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

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

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

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

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

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

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

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

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

- the accessibility and the attractiveness of the area where the shopping center is located;
- the intrinsic attractiveness of the shopping center;
- the flow of people and the level of sales of each shopping center rental unit;
- increasing competition from internet sales;
- the amount of rent collected from each shopping center rental unit;
- changes in consumer demand and availability of consumer credit, both of which are highly sensitive to general macroeconomic conditions; and
- the fluctuations in occupancy levels in the shopping centers.

An increase in operating costs, caused by inflation or other factors, could have a material adverse effect on us if our tenants are unable to pay higher rent due to the increase in expenses. Moreover, the shopping center business is closely related to consumer spending and to the economy in which customers are located. All of our shopping centers are in Argentina, and, as a consequence, their business could be seriously affected by potential recession in Argentina. For example, during the economic crisis in Argentina, spending decreased significantly, unemployment, political instability and inflation significantly reduced consumer spending in Argentina, lowering tenants' sales and forcing some tenants to leave our shopping centers. If the international financial crisis has a substantial impact on economic activity in Argentina, it will likely have a material adverse effect on the revenues from the shopping center activity.

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

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

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

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

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

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

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

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

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

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

Our growth strategy is focused on the redevelopment of properties we already own and the acquisition and development of additional properties. As a result, we are likely to depend to an important degree on the availability of debt or equity capital, which may or may not be available on favorable terms or at all. We cannot guarantee that additional financing, refinancing or other capital will be available in the amounts we desire or on favorable terms. Our access to debt or equity capital markets depends on a number of factors, including the market's perception of our growth potential, our ability to pay dividends, our financial condition, our credit rating and our current and potential future earnings. Depending on the outcome of these factors, we could experience delay or difficulty in implementing our growth strategy on satisfactory terms, or be unable to implement this strategy.

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

As a result of the outbreak of Influenza A H1N1 during the winter of 2009, consumers and tourists dramatically changed their spending and travel habits to avoid contact with crowds. Further, several governments enacted regulations limiting the operation of schools, cinemas and shopping centers. Even though the Argentine government only issued public service recommendations to the population regarding the risks involved in visiting crowded places, such as shopping centers, and did not issue specific regulations limiting access to public places, a significant number of consumers nonetheless changed their habits vis-a-vis shopping centers and malls. Additionally, the outbreak of Influenza A H1N1 contributed significantly to a decrease in the number of tourists visiting Argentina in 2009. Although there was not an outbreak of AH1N1 influenza in the winter of 2010 and 2011, we cannot assure you that a new outbreak or health hazard will not occur in the future, or that such an outbreak or hazard would not significantly negatively affect consumer and/or tourist activity, and that such scenario would not adversely affect our businesses.

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

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

- a decrease in demand for office space;
- a deterioration in the financial condition of our tenants, which may result in defaults under leases due to bankruptcy, lack of liquidity or for other reasons;
- difficulties or delays renewing leases or re-leasing space;
- decreases in rents as a result of oversupply, particularly of newer buildings;
- competition from developers, owners and operators of office properties and other commercial real estate, including sublease space available from our tenants; and
- maintenance, repair and renovation costs incurred to maintain the competitiveness of our office buildings.

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

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

In addition, the profitability of our hotels depends on:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Recently, we acquired a property in Partido de la Costa, Department of Canelones, Uruguay, near Montevideo, where it plans to develop a real estate housing units and commercial premises.

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

On July 2, 2008, we acquired a 30% interest in Metropolitan, a limited liability company organized under the laws of Delaware, United States of America. During fiscal year 2011, as a result of certain negotiations, an agreement was reached to restructure Metropolitan's debt, following such closing, we indirectly hold 49% of New Lipstick LLC, a holding company that is owner of Metropolitan. Metropolitan's main asset is the Lipstick Building, a 34-story building located on Third Avenue between 53rd and 54th streets in Manhattan, New York City. Metropolitan has incurred mortgage debt in connection with the Lipstick Building. For more information about Metropolitan, please see "Operating and Financial Review and Prospects."

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

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

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

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

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

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

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

The time for producing evidence in relation to these legal proceeding has expired. The parties have submitted their closing arguments and are awaiting a final judgment. However, the judge has delayed his decision until a final judgment in the criminal proceedings against the former Defense Minister and former directors of Indarsa has been delivered. We cannot give you any assurance that we will prevail in this proceeding, and if the plaintiff’s claim is upheld by the courts, all of the assets of Puerto Retiro would likely be used to pay Indarsa’s debts and our investment in Puerto Retiro, valued at Ps.54.4 million as of June 30, 2011, would be lost. As of June 30, 2011, we had not established any reserve in respect of this contingency.

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

We develop and acquire properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. For example, in our Shopping Center segment, as of June 30, 2011, we owned approximately 94.9% of Alto Palermo. Through our subsidiary Alto Palermo S.A. ("Alto Palermo" or "APSA"), we own 80% of Panamerican Mall S.A., while another 20% is owned by Centro Comercial Panamericano S.A. In our Development and Sale of Properties segment, we have ownership of 50% in Puerto Retiro. In addition we have a 100% stake in Solares de Santa María S.A. In our Hotel segment, we own 50% of the Llao Llao Hotel, while the other 50% is owned by the Sutton Group. We own 80% of the Hotel Libertador, Hoteles Sheraton de Argentina S.A. owns 20%. We own 76.34% of Hotel Intercontinental. In the Financial Operations and others segment, we own approximately 29.77% of Banco Hipotecario, while the Argentine government has a controlling interest in it. Finally, we own a 49% interest in Metropolitan, 49% in a building located at Madison Avenue in New York and 9.2% in Hersha.

We could become engaged in a dispute with one or more of our joint venture partners that might affect our ability to operate a jointly-owned property. Moreover, our joint venture partners may, at any time, have business, economic or other objectives that are inconsistent with our objectives, including objectives that relate to the timing and terms of any sale or refinancing of a property. For example, the approval of certain of the other investors is required with respect to operating budgets and refinancing, encumbering, expanding or selling any of these properties. In some instances, our joint venture partners may have competing interests in our markets that could create conflicts of interest. If the objectives of our joint venture partners are inconsistent with our own objectives, we will not be able to act exclusively in our interests.

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

***Dividend restrictions in our subsidiaries' debt agreements may adversely affect it.***

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

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

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

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

Our largest beneficial owner is Mr. Eduardo S. Elsztain, through his indirect shareholding through Cresud S.A.C.I.F.y A. ("Cresud"). As of June 30, 2011, such beneficial ownership consisted of: (i) 292,811,013 shares held by Cresud, (ii) 41,080,112 shares held by Agrology, S.A. ("Agrology"), (iii) 628,070 shares held by Consultores Assets Management S.A., and (iv) 765,100 shares held directly by Mr. Elsztain.

Conflicts of interest between our management, Cresud S.A.C.I.F. y A. and our affiliates may arise in the performance of our business activities. As of June 30, 2011, Mr. Elsztain also beneficially owned (i) approximately 37.0% of Cresud's common shares and (ii) approximately 94.9% of the common shares of our subsidiary Alto Palermo. We cannot assure you that our principal shareholders and their affiliates will not limit or cause us to forego business opportunities that our affiliates may pursue or that the pursuit of other opportunities will be in our interest.

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

As of June 30, 2011, the majority of our liabilities, such as our 8.5% and 11.5% notes due 2017 and 2020 respectively, Alto Palermo's Series I Notes and Alto Palermo's convertible notes are denominated in U.S. Dollars, while a significant portion of our revenues and assets as of June 30, 2011, are denominated in Pesos. This currency gap exposes us to a risk of exchange rate volatility, which would negatively affect our financial results if the Dollar were to appreciate against the Peso. Any further depreciation of the Peso against the U.S. Dollar will correspondingly increase the amount of our debt in Pesos, with further adverse effects on our results of operation and financial condition and may increase the collection risk of our leases and other receivables from our tenants and mortgage debtors, most of whom have Peso-denominated revenues.

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

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

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

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

As of June 30, 2011, we owned approximately 29.77% of the outstanding capital stock of Banco Hipotecario (without considering treasury shares) which represented 14.8% of our consolidated assets as of such date. Substantially all of Banco Hipotecario's operations, properties and customers are located in Argentina. Accordingly, the quality of Banco Hipotecario's loan portfolio, financial condition and results of operations depend to a significant extent on economic and political conditions prevailing in Argentina. The political and economic crisis in Argentina during 2002 and 2003 and the Argentine government's actions to address it have had and may continue to have a material adverse effect on Banco Hipotecario's business, financial condition and results of operations.

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

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

Over the last calendar year, the financial markets in the most important countries in the world were affected by volatility, lack of liquidity and credit, which entailed a significant drop in international stock indexes, and an economic slow-down started to become evident worldwide. Our management is closely monitoring the effects in order to implement the necessary measures to minimize the impact of the financial crisis on our operations.

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

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

Accordingly, Banco Hipotecario has adapted its business strategy to confront the challenges of these new market conditions. Banco Hipotecario's ability to diversify its operation will depend on how successfully it diversifies its product offerings and transforms itself into a financial institution that no longer relies solely on mortgage lending.

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

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

In accordance with Emergency Decree No. 214/02 and its implementing regulations, pesified assets and liabilities were adjusted for inflation as of February 3, 2002 by application of the *Coeficiente de Estabilización de Referencia* ("CER") a consumer price inflation coefficient. On May 6, 2002, the Executive Branch issued a decree providing that mortgages originally denominated in U.S. Dollars and converted into Pesos pursuant to Decree No. 214/2002 and mortgages on property constituting a borrower's sole family residence may be adjusted for inflation only pursuant to a coefficient based on salary variation, the CVS, which during 2002 was significantly less than inflation as measured by the wholesale price index, or WPI. As a result, only 10% of Banco Hipotecario's mortgage loans are adjusted for inflation in accordance with the CER, 30% are adjusted in accordance with the CVS and 60% remain entirely unindexed. Additionally, pursuant to Law No. 25,796, Section 1, repealed effective April 1, 2004, the CVS as an indexation mechanism applied to the relevant portion of Banco Hipotecario's mortgages loans. During 2005, the CER increased to 11.75% and the WPI 10.7%, while in 2006 the CER and WPI increased 10.3% and 7.1%, respectively. In 2008, 2009 and 2010, CER increased 8%, 7% and 11%, respectively, and WPI increased 10%, 1.2% and 14.6% respectively. As of June 30, 2011, CER increased 4.8% and the WPI increased 6.3%.

As a result of the high inflation in Argentina from 2002 onwards, Banco Hipotecario's mortgage loan portfolio experienced a significant decrease in value and if inflation continues increasing, it might continue to undergo a major decrease in value. Accordingly, an increase in Banco Hipotecario's funding and other costs due to inflation might not be offset by indexation, which could adversely affect its liquidity and results of operations.

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

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

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

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

On November 29, 2006, Law No. 26,177 created the *Unidad de Reestructuración*, a government agency responsible for the revision of each of the mortgage loans granted by the state-owned Banco Hipotecario Nacional, the predecessor of Banco Hipotecario, before the enactment of the Convertibility Law in 1991. The *Unidad de Reestructuración* was authorized to make non-binding recommendations to facilitate the restructuring of such mortgage loans. The *Unidad de Reestructuración* submitted a proposal to the National Congress recommending forgiveness or other write-off of such loans, extensions of their scheduled maturities or other subsidies that were capable of adversely affecting Banco Hipotecario's ability to foreclose on such mortgage loans. On November 21, 2007, the National Congress enacted Law No. 26,313, establishing a procedure for the restructuring of certain mortgage loans made by its predecessor, the former Banco Hipotecario Nacional. Law No. 26,313 restructures the affected loans by recalculating and reducing their unpaid balance (which had been previously restructured pursuant to a prior law). In December 2008, the applicability of Law No. 26,313 was limited to certain of Banco Hipotecario's mortgage loans made prior to April 1, 1991 to finance the construction of residential complexes which as of December 31, 2008, had been delinquent since November 2007 or earlier. As a result of the recalculation of loans, Banco Hipotecario has forgiven its right to enforce 8,317 mortgage loans representing approximately Ps.235.8 million in the aggregate. As of September 30, 2010, Banco Hipotecario had constituted loan allowances in connection with the results of this recalculation.

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

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

As a result of Banco Hipotecario's strategy to diversify its banking operations and develop retail and other non-mortgage banking activities, in recent years its portfolio of non-mortgage loans has grown rapidly. During the period between June 30, 2010 and June 30, 2011, Banco Hipotecario's portfolio of non-mortgage loans increased 62.0% from Ps.908.4 million to Ps.712.0 million. A substantial portion of its portfolio of non-mortgage loans consists of loans to low- and middle-income individuals and, to a lesser extent, middle-market companies. These individuals and companies are likely to be more seriously affected by adverse developments in the Argentine economy than high income individuals and large corporations. Consequently, in the future Banco Hipotecario may experience higher levels of past due non-mortgage loans that would likely result in increased provisions for loan losses. In addition, large-scale lending to low- and middle-income individuals and middle-market companies is a new business activity for Banco Hipotecario, and as a result its experience and loan-loss data for such loans are necessarily limited. Therefore, we cannot assure you that the levels of past due non-mortgage loans and resulting charge-offs will not increase materially in the future.

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

***condition.***

Banco Hipotecario prepares its financial statements in accordance with Central Bank GAAP which differ in certain material respects from Argentine GAAP. As of June 30, 2011 there are included securities that were not valued according to Argentine GAAP equivalent to Ps. 85.5 million. The impact of valuing these securities in accordance with Argentine GAAP results in a decrease in net assets of Ps. 7.3 million at June 30, 2010.

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

As of June 30, 2011, Banco Hipotecario's foreign currency-denominated liabilities exceeded its foreign-currency-denominated assets by approximately US$ 157.1 million. This currency gap exposes Banco Hipotecario to risk of exchange rate volatility which would negatively affect Banco Hipotecario's financial results if the U.S. Dollar were to depreciate against the Peso and/or the Euro. We cannot assure you that the U.S. Dollar will not appreciate against the Peso, or that we will not be adversely affected by Banco Hipotecario's exposure to risks of exchange rate fluctuations.

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

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

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

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

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

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

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

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

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

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

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

Banco Hipotecario, to exercise substantial influence over decisions submitted to the vote of Banco Hipotecario's shareholders.

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

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

- unforeseen difficulties in integrating operations and systems;
- problems assimilating or retaining the employees of acquired businesses;
- challenges retaining customers of acquired businesses;
- unexpected liabilities or contingencies relating to the acquired businesses; and
- the possibility that management may be distracted from day-to-day business concerns by integration activities and related problem solving.

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

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

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

The GDSs are freely transferable under US securities laws, including shares sold to our affiliates. Cresud, which as of September 30, 2011, owned approximately 63.2 % of our common shares (or approximately 365,815,965 common shares which may be exchanged for an aggregate of 36,581,596 GDSs), is free to dispose of any or all of its common shares or GDSs at any time in its discretion. Sales of a large number of our common shares and/or GDSs would likely have an adverse effect on the market price of our common shares and the GDS.

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

There may be less publicly available information about the issuers of securities listed on the Buenos Aires Stock Exchange (the *"Bolsa de Comercio de Buenos Aires")* than publicly available information about domestic issuers of listed securities in the United States and certain other countries. In addition, all listed Argentine companies must prepare their financial statements in accordance with regulations of the CNV and Argentine GAAP except for financial institutions and insurance companies which must comply with the accounting standards issued by BCRA and the National Insurance Superintendance, respectively, which differ in certain significant respects from U.S. GAAP. For this and other reasons, the presentation of Argentine financial statements and reported earnings may differ from that of companies in other countries in this and other respects.

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

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

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

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

Based on the current and projected composition of our income and the valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company ("PFIC") for United States federal income tax purposes for the taxable year ending June 30, 2011, and we do not currently expect to become a PFIC, although there can be no assurance in this regard. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition or if our projections are not accurate. The volatility and instability of Argentina's economic and financial system may substantially affect the composition of our income and assets and the accuracy of our projections. In addition, this determination is based on the interpretation of certain U.S. Treasury regulations relating to rental income, which regulations are potentially subject to differing interpretation. If we become a PFIC, U.S. Holders (as defined in "Taxation – United States Taxation") of our common shares or GDSs will be subject to certain United States federal income tax rules that have negative consequences for U.S. Holders such as additional tax and an interest charge upon certain distributions by us or upon a sale or other disposition of our common shares or GDSs at a gain, as well as additional reporting requirements. Please see "Taxation – United States Taxation – Passive Foreign Investment Company" for a more detailed discussion of the consequences if we are deemed a PFIC. You should consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

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

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

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

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

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

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

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

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

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

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

- 50% of our cumulative consolidated net income; or
- 75% of our cumulative consolidated net income if our consolidated interest coverage ratio for our most recent four consecutive fiscal quarters is at least 3.0 to 1; or
- 100% of cumulative consolidated net income if our consolidated interest coverage ratio for our most recent four consecutive fiscal quarters is at least 4.0 to 1; or
- 100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by us or by our restricted subsidiaries from (a) any contribution to our capital stock or the capital stock of our restricted subsidiaries or issuance and sale of our qualified capital stock or the qualified capital stock of our restricted subsidiaries subsequent to the issue of our notes due 2017, (b) issuance and sale subsequent to the issuance of our notes due 2017 or our indebtedness or the indebtedness of our restricted subsidiaries that has been converted into or exchanged for our qualified capital stock, or (c) any reduction in our indebtedness or any restricted subsidiary, (d) any reduction in debt investment (other than permitted investments) and return on assets, or (e) any distribution received from non-restricted subsidiaries.

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

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

## ITEM 4. Information on the Company

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

*General Information*

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

*History*

We have been actively engaged in a range of diversified real estate activities in Argentina since 1991. After our global public offering in 1994, we launched our real estate activities in the office rental market by acquiring three office towers located in prime office zones of Buenos Aires: Libertador 498, Maipú 1300 and Madero 1020.

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

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

In 1999, we acquired 2.9% of Banco Hipotecario for Ps.30.2 million in connection with its privatization. Over the years, we have gradually increased our ownership interest in Banco Hipotecario. During fiscal year 2002, we increased our equity interest to 5.7% and during 2003 and 2004, we increased our investment to 11.8%. Since 2008, we have acquired additional shares increasing our equity interest to 29.77% as of the date of this annual report.

In 2005 we increased our ownership interest in Mendoza Plaza Shopping S.A. from 68.8% to 85.4% through our subsidiary Alto Palermo. We also opened Alto Rosario Shopping. Attractive prospects in our Offices business led us to make an important investment in this segment by acquiring Bouchard 710 building in fiscal year 2005, covering 15,014 square meters of rentable premium space.

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

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

In 2007, we acquired a 50% interest in an office building with 31,670 square meters of gross leasable area, known as the BankBoston Tower, for total consideration of US$54 million including all existing leases. This modern property is located at 265 Carlos María Della Paolera in the City of Buenos Aires and was designed by the recognized architect Cesar Pelli (who also designed the World Financial Center in New York and the Petronas Towers in Kuala Lumpur).

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

In March 2008 we launched a residential project through a partnership with Cyrela Brazil Realty to develop a new homebuilding concept in Argentina accompanied by an innovative sales and financing policy. The partnership’s first project is in the Vicente López neighborhood, Province of Buenos Aires and as of December 31, 2009 preliminary sales agreements for 99% of the units to be marketed had been entered into.

In April 2008, we acquired a building known as “República Building”, in the City of Buenos Aires. This property, designed by the architect César Pelli (who also designed the World Financial Center in New York and the Petronas Towers in Kuala Lumpur) is a premium office building in downtown Buenos Aires and adds approximately 19,533 gross leasable square meters to our portfolio. We paid US$70.2 million for this property, partially financed by a US$33.6 million mortgage loan with an annual fixed rate of 12%, to be paid in five annual installments commencing in April 2009. In June 2008, Alto Palermo acquired a plot of land situated at Beruti 3351/3359, between Bulnes and

Avenida Coronel Díaz in Palermo, a neighborhood in the City of Buenos Aires close to our shopping center known as "Shopping Alto Palermo". The transaction was executed for a total price of US$17.8 million.

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

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

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

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

***Capital Expenditures***

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

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

*Fiscal Year 2009.* During the fiscal year ended June 30, 2009 we invested Ps.323.1 million, of which (i) Ps.313.3 million were related to acquisitions and improvements in fixed assets, mainly in the construction of Dot Baires shopping ( Ps.276.6 million) and the construction of Dique IV, and (ii) Ps.9.8 million were invested in the acquisition of undeveloped parcels of land.

***Recent Developments***

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

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

***IRSA Dividend***

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

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

On October 26, 2011, we reported the sale of a plot of land of approximately 8 hectares, located in Thames St. Nº 1868, (between Alberto Lartigau St. and Ramón Falcón St.), in the city of San Justo, Province of Buenos Aires, Argentina.

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

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

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

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

On September 22, 2011, APSA through its subsidiary Shopping Neuquén Sociedad Anónima agreed to assign, sell and transfer to GENSAR S.A. a lot designated as Lot H with all the fixtures, buildings, and improvements bound to the soil. This lot is part of the property facing Doctor Ramon St. and the National Road Nº 7, located in the City of Neuquén, Province of Neuquén, Argentina, Department of Confluencia, First section, with a total area of 14,792 meters and 68 square decimeters. The purchase price was US$ 0.4 million, which was paid in cash.
The property would be transferred on the condition that the buyer utilized it to construct and operate a supermarket at its own cost and expense, in accordance with the terms and conditions agreed upon with Neuquén Municipality.

***La Ribera Shopping – Santa Fe***

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

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

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

***Supertel Hospitality Inc.***

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

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

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

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

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

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

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

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

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

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

***B. Business Overview***

*Operations and principal activities*

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

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

- the development and sale of residential properties,

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

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

As of June 30, 2010 and 2011, we had total assets of Ps. 5,633.4 million and Ps. 6,315.3 million, respectively and shareholders' equity of Ps. 2,403.0 million and Ps. 2,481.8 million, respectively. Our net income for the fiscal years ended June 30, 2009, 2010, and 2011 was Ps. 158.6 million, Ps. 334.5 million and Ps. 282.1 million, respectively. We are the only Argentine real estate company whose shares are listed on the Buenos Aires Stock Exchange and whose GDSs are listed on the New York Stock Exchange.

We currently own 29.77% ,without considering treasury shares of Banco Hipotecario S.A. ("Banco Hipotecario"), one of the leading financial institutions in Argentina.

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

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

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

| | | | |
|---|---|---|---|
| **Hotels:** | | | |
| City of Buenos Aires | 122,627 | 101,088 | 98,427 |
| Rio Negro Province | 70,256 | 58,806 | 60,486 |
| Subtotal | 192,883 | 159,894 | 158,913 |
| | | | |
| **Total by Geographic Area:** | | | |
| City of Buenos Aires | 1,013,744 | 1,108,684 | 1,022,568 |
| Buenos Aires Province | 206,685 | 69,469 | 58,138 |
| Rio Negro Province | 70,256 | 58,806 | 60,486 |
| Santa Fe Province | 67,103 | 30,821 | 31,785 |
| Salta Province | 19,423 | 13,701 | 10,838 |
| Córdoba Province | 19,176 | 13,467 | 11,291 |
| Mendoza Province | 36,441 | 28,378 | 25,478 |
| Neuquén Province | 9,102 | - | - |
| **Total** | **1,441,930** | **1,323,326** | **1,220,584** |

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

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*Shopping centers*. We are engaged in purchasing, developing and managing shopping centers through our subsidiary Alto Palermo. Alto Palermo operates and owns majority interests in eleven shopping centers in Argentina, seven of which are located in the Buenos Aires metropolitan area and four of which are located in the provinces of Mendoza, Santa Fe, Córdoba and Salta. Recently APSA has started operations, through a concession, of its 13th Shopping Center in the province of Santa Fé. Our shopping center segment had assets of Ps.1.9 billion as of June 30, 2010, and Ps. 2.2 billion as of June 30, 2011, representing 34.3% and 35.4 % of our consolidated assets as of such dates respectively, and generated operating income of Ps.268.0 million and Ps.385.1 million during our 2010 fiscal year and 2011 fiscal yerar, respectively, representing 49.6% and 65.8% of our consolidated operating income for such years.

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

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

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

*Development and sale of properties*. The acquisition and development of residential apartment complexes and other residential communities for sale is another of our core activities. Our development of residential apartment complexes consists of the construction of high-rise towers or the conversion and renovation of existing structures, such as factories and warehouses. For the development of residential communities, we generally acquire vacant land, develop infrastructure such as roads, utilities and common areas and sell plots of land for construction of residential units. Our Development and Sale of Properties segment had assets of Ps.657.6 million and Ps. 712.5 million as of June 30, 2010 and June 30, 2011 respectively, representing 11.7% and 11.3% of our consolidated assets as of such dates, and had an operating income of Ps.139.5 million and Ps.85.1 million during fiscal years 2010 and 2011, respectively, representing 25.8% and 14.5% of our consolidated operating income for for such years.

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

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

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

*International*. In the past, we have made significant real estate investments outside of Argentina, including investments in Brazil Realty S.A. in Brazil and Fondo de Valores Inmobiliarios in Venezuela which we sold between 2001 and 2002. Recently we have acquired through a subsidiary, in which we have a 49% equity interest, an office building located in Madison Avenue in the city of New York, Additionally, we own a 49% interest in a United States company which principal asset is the office building known as "Lipstick" in New York city. Furthermore, together with some affiliates, we had acquired and later sold part of our equity interest in Hersha, a real estate investment trust listed on the New York Stock Exchange (NYSE:HT), which has interests in 78 hotels, primarily distributed along the northeast corridor of USA, totalizing about 10.400 rooms as of June 30, 2011. At the end of our fiscal year 2011 we owned 9.2% stake in such company. We intend to continue evaluating real estate investment opportunities outside of Argentina.

*Business Strategy*

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

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

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

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

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

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

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

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

*International*. In the past, we have made significant real estate investments outside of Argentina, including investments in Brazil Realty S.A. in Brazil and Fondo de Valores Inmobiliarios in Venezuela which we disposed of in 2002 and 2001, respectively. We have recently acquired through our subsidiary, in which we hold a 49% equity interest, an office building located at Madison Avenue in the City of New York, we also have a 49% interest in a US company, which principal asset is the so-called "Lipstick" office building located in the City of New York. In addition, jointly with subsidiaries, we acquired and then partially sold equity interests in a Real Estate Investment Trust, called Hersha (NYSE: HT), which holds a controlling interest in 78 hotels in the United States, totaling around 10,400 rooms as of June 30, 2011, we currently hold 9.2% of such company's aggregate capital stock. We seek to continue to evaluate on a selective basis real estate investment opportunities outside Argentina as long as they offer investment and development attractive opportunities.

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*Shopping Centers*

***Overview***

We are engaged in purchasing, developing and managing shopping centers through our subsidiary, Alto Palermo. As of June 30, 2011, Alto Palermo operated and owned majority interests in twelve shopping centers, six of which are located in the City of Buenos Aires (Abasto, Paseo Alcorta, Alto Palermo, Patio Bullrich, Buenos Aires Design and Dot Baires Shopping), two of which are located in the greater Buenos Aires (Alto Avellaneda and Soleil Factory) metropolitan area and the other four of which are located in the Argentine provinces: Alto Noa in the City of Salta, Alto Rosario in the City of Rosario, Mendoza Plaza in the City of Mendoza and Córdoba Shopping Villa Cabrera in the City of Córdoba.

As of June 30, 2011, we owned 94.9% of Alto Palermo. The remaining shares are held by the investor public and traded on the Bolsa de Comercio de Buenos Aires and the related GDSs are listed and traded on the Nasdaq National Market (USA) under the symbol "APSA." In addition, as of June 30, 2011, we owned US$31.8 million of Alto Palermo's convertible notes due July 2014. If we, and all the other holders of such convertible Notes were to exercise their options to convert the convertible notes into shares of Alto Palermo's common stock, our shareholding in Alto Palermo would increase to 97.5% of its fully diluted capital.

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

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

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

**Shopping Centers**

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

**Notes:**

(1) Total leaseable area in each property. Excludes common areas and parking spaces.-
(2) Calculated dividing occupied square meters by leaseable area on the last day of the period.-
(3) APSA's effective interest in each of its business units. We have a 94.9% interest in APSA.-
(4) Corresponds to total leases, consolidated as per the Technical Resolution 21 method.-
(5) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for imp
Does not include works in progress.
(6) Through Alto Palermo S.A.
(7) Excludes Museo de los Niños (3,732 in Abasto and 1,261 in Alto Rosario).-
(8) Includes revenues from Fibesa S.A., Comercializadora Los Altos S.A. (merged with Fibesa S.A.), and others.

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

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

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

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

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*Tenant Retail Sales*

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

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

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

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

*Expiration of Lease Agreements*

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

| Lease Expirations as of June 30, | Number of Leases Expiring(1) | Surface area subject to Expiring Leases | Percentage of Total Surface Area subject to Expiration | Annual Base Rent under Expiring Leases (3) | Percentage of Total Base Rent Under Expiring Leases |
|---|---|---|---|---|---|
| | | (m²) | (%) | (in thousands of Ps.) | (%) |
| 2012 | 616 | 102,627 | 34% | 120,894 | 38% |

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

(1) Includes vacant stores as of June 30, 2011. A lease agreement may be linked to one or more premises.

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

(3) Even though the leases are voidable by law, APSA considers them to be non voidable for these purposes. See note 24.1.4.2 to our consolidated financial statements.

***Occupancy Rate***

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

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

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***Rental Price***

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

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

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

***Depreciation***

The net book value of the properties has been determined using the straight-line method of depreciation calculated over the useful life of the property. For more information, see our audited consolidated financial statements.

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

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

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

- obligations will have to be paid in Pesos at a rate of Ps.1.00 = US$1.00. Additionally, these obligations are subject to inflation adjustment through the CER index;
- if, as a consequence of this adjustment, the agreement is unfair to any of the parties, as long as the party that has the obligation to pay is not overdue and the adjustment is applicable, either may ask the other for a fairness adjustment. If they do not reach an agreement, a court will make the decision in order to preserve the continuity of the contract relation in a fair way; and
- new lease agreements may be freely entered into between parties, even U.S. Dollar denominated lease agreements.

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

Alto Palermo charges its tenants a rent which consists of the higher of (i) a monthly base rent (the "Base Rent") and (ii) a specified percentage of the tenant's monthly gross sales in the store (the "Percentage Rent") (which generally ranges between 3% and 10% of tenant's gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant's Base Rent generally increases between 18% and 24% each year on an annual and cumulative basis as from the thirteenth (13th) month of the lease effective term. Although many of our lease agreements contain readjustment clauses, these are not based on an official index nor do they reflect the inflation index. In the event of litigation, no assurance can be given that Alto Palermo may be able to enforce such clauses contained in its lease agreements.

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

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

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

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

***Sources of Shopping Center Revenues***

Set forth below is a breakdown of the sources of shopping center revenues for the fiscal years ended June 30, 2009, 2010 and 2011:

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

*Additional Information About Alto Palermo's Shopping Centers*

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

***Alto Palermo Shopping, City of Buenos Aires***. Alto Palermo Shopping is a 145-store shopping center that opened in 1990 and is located in the densely populated neighborhood of Palermo in the City of Buenos Aires. Alto Palermo

Shopping is located only a few minutes from downtown Buenos Aires and with nearby subway access. Alto Palermo Shopping has a total constructed area of 65,029 square meters that consists of 18,701 square meters of gross leaseable area. The shopping center has a food court with 19 stores. Alto Palermo Shopping is spread out over four levels and its parking lot may accommodate 654 cars. In the fiscal year ended on June 30, 2011, the public visiting the shopping center generated nominal retail sales totaling approximately Ps. 1,100.3 million, which represents annual sales for approximately Ps. 58,839.6 per square meter. Principal tenants currently include Zara, Garbarino, Sony Style, Frávega and Just For Sport. Alto Palermo Shopping's five largest tenants (in terms of sales) accounted for approximately 15.0% of its gross leaseable area at June 30, 2011 and approximately 17.2% of its annual base rent for the fiscal year ended on such date.

***Alto Avellaneda, Avellaneda, Greater Buenos Aires***. Alto Avellaneda is a 141-store shopping center that opened in October 1995 and is located in the densely populated neighborhood known as Avellaneda, on the southern border of the City of Buenos Aires. Alto Avellaneda has a total constructed area of 108,598.8 square meters that includes 36,663 square meters of gross leaseable area. The shopping center has a six-screen multiplex movie theater, the first Wal-Mart supercenter in Argentina, an entertainment center, a food court with 20 restaurants, an anchor store, Falabella and 1,585 square meters of clothing store Zara, that opened in September, 2011. Wal-Mart (not included in the gross leaseable area) acquired the space it occupies, but it pays a share of the common expenses of Alto Avellaneda's parking lot. This shopping center offers free-of-charge parking space for 2,700 cars over an area of 47,856 square meters. In the fiscal year ended June 30, 2011, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 1,132.6 million, which represents annual revenues for approximately Ps. 30,893 per square meter. Principal tenants currently include Falabella, Garbarino, Frávega, Compumundo and Sport Line. Alto Avellaneda's five largest tenants (in terms of sales in this shopping center) accounted for approximately 35.4% of its gross leaseable area at June 30, 2011 and approximately 38.8% of its annual base rent for the fiscal year ended on such date

***Paseo Alcorta, City of Buenos Aires***. Paseo Alcorta is a 110-store shopping center that opened in 1992 and is located in the residential neighborhood of Palermo Chico, one of the most exclusive areas in the City of Buenos Aires, within a short drive from downtown Buenos Aires. Paseo Alcorta has a total constructed area of approximately 87,553 square meters that consists of 13,911 square meters of gross leaseable area. The three-level shopping center includes a four-screen multiplex movie theatre, a 17-restaurant food court, a Carrefour hypermarket, and a parking lot with approximately 1,300 spaces. Carrefour purchased the space it now occupies but it pays a share of the expenses of the shopping center's parking lot. In the fiscal year ended June 30, 2011, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 525.8 million, which represents annual sales for approximately Ps. 37,794.6 per square meter.

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Principal tenants currently include Zara, Frávega, Rapsodia, Kartun and Jazmín Chebar. Paseo Alcorta's five largest tenants (in terms of sales in this shopping center) accounted for approximately 13.5% of its gross leaseable area at June 30, 2011 and approximately 16.1% of its annual base rent for the fiscal year ended on such date.

***Abasto Shopping, City of Buenos Aires***. Abasto Shopping is a 174-store shopping center located in the City Buenos Aires. Abasto Shopping is directly accessible by subway, railway and highway. Abasto Shopping opened in November 1998. The principal building is a landmark building, which during the period 1889 to 1984 operated as the primary fresh produce market for the City of Buenos Aires. The property was converted into a 116,646 square meter shopping center, with approximately 37,731 square meters of gross leaseable area (41,463 square meters including Museo de los Niños). The shopping center includes a food court with 28 stores, a 12-screen multiplex movie theatre seating approximately 3,100 people, covering an area of 8,021 square meters, entertainment facilities and the museum for children, covering an area of 3,732 square meters (excluded from the gross leaseable area). Abasto Shopping is spread out over five levels and has a 1,200-car parking lot. In the fiscal year ended June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 1,227.4 million, which represents annual sales for approximately Ps. 32,529.4. Principal tenants currently include Hoyts General Cinema, Garbarino, Zara, Frávega and Compumundo. Abasto's five largest tenants (in terms of sales in this shopping center) accounted for approximately 30.7% of its gross leasable area as of June 30, 2011 and approximately 18.2% of the annual base rent for the fiscal year ended on such date.

***Patio Bullrich, City of Buenos Aires***. Patio Bullrich is an 84-store shopping center located in Recoleta, a popular tourist zone in City of Buenos Aires a short distance from the Caesar Park, Four Seasons and Hyatt hotels. Patio Bullrich has a total constructed area of 29,982 square meters that consists of 11,741 square meters of gross leaseable area. The four-story shopping center includes a 13-store food court, an entertainment area, a four-screen multiplex movie theatre and a parking lot with 215 spaces. In the fiscal year ended June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 432.3 million, which represents sales for approximately Ps. 36,822.2 per square meter. Principal tenants currently include Zara, Etiqueta Negra, Rouge International, Cacharel and Rapsodia. Patio Bullrich's five largest tenants (in terms of sales in the shopping center) accounted for approximately 20.6% of its gross leaseable area at June 30, 2011, and approximately 22.7% of its annual base rent for the fiscal year ended on such date.

***Alto Noa, Salta, Province of Salta***. Alto Noa is an 92-store shopping center located in the City of Salta, the capital of the Province of Salta. The shopping center consists of approximately 30,876 square meters of total constructed area that consists of 19,001 square meters of gross leaseable area and includes a 14-store food court, an entertainment center, a supermarket, an eight-screen movie theatre and parking facilities for 551 cars. In the fiscal year ended June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 381.2 million, which represents annual sales for approximately Ps. 20,060.8 per square meters. Principal tenants currently include Supermercado Norte, Cines NOA, Boulevard Casino, Y.P.F., and Frávega. Alto Noa's five largest tenants (in terms of sales in this shopping center) represented approximately 50% of its gross leaseable area as of June 30, 2011 and approximately 27.5% of its annual base rent for the fiscal year ended on such date.

***Buenos Aires Design, City of Buenos Aires***. Buenos Aires Design is a 62-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. Alto Palermo owns Buenos Aires Design through a 53.68% interest in Emprendimiento Recoleta S.A., which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta, one of the most popular tourist zone in Buenos Aires City. Buenos Aires Design has a total constructed area of 26,131.5 square meters that consists of 13,777 square meters of gross leaseable area and 8 restaurants. It is divided into two floors and has a 174-car parking lot. In the fiscal year ended June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 188.5 million, which represents annual sales for approximately Ps. 13,680.9 per square meter. Principal tenants currently include Morph, Hard Rock Café, Barugel Azulay, Bazar Geo and Las Malvinas. Buenos Aires Design's five largest tenants (in terms of sales in this shopping center) accounted for approximately 25.2% of its gross leaseable area as of June 30, 2011 and 29.7% of its annual base rent for the fiscal year ended on such date.

***Alto Rosario, Santa Fe, City of Rosario***. Alto Rosario is a shopping center of 145 stores, located in City of Rosario, Province of Santa Fe. It was inaugurated in November 2004 and has 100,750 square meters of fully covered surface, and 28,646 square meters of gross leaseable area. This center is primarily devoted to clothing and entertainment and includes a food court with 17 stores, a children's' entertainment area, a 14-screen cinema complex and parking lot for close to 1,736 vehicles. In the fiscal year ended June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 610.9 million, which represents annual sales for approximately Ps. 21,326.8 per square meters. Principal tenants are Frávega, Cines Rosario, Sport 78, Red Megatone and Compumundo. Alto Rosario's five largest tenants (in terms of sales in this shopping center) accounted for approximately 37.1% of Alto Rosario's gross leaseable area as of June 30, 2011 and 17.9% of its annual base rent for the fiscal year ended on such date.

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

***Córdoba Shopping, Villa Cabrera, City of Córdoba***. Córdoba Shopping is a 108-store commercial center located in Villa Cabrera, Province of Córdoba. It covers 15,174 square meters of gross leaseable area (GLA). Córdoba Shopping has a 12-screen movie theatre complex, a food court an entertainment area and a parking lot for 1,500 vehicles. During the six-month period ended June 30, 2011, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 244.2 million, which represents annual sales for approximately Ps. 16,092.4 per square meter. Principal tenants are Cines CBA, Mc Donald's, Garbarino, Jazmin Chebar and Rapsodia. Córdoba Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 42.3% of its gross leaseable area as of June 30, 2011 and approximately 16.4% of its annual base rent for the fiscal year ended on such date. On July 2011, a new food court was inaugurated.

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

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

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

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

***Control Systems***

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

***Related Business***

*Consumer financing segment*

We operate a consumer financing business through APSA'a wholly-owned subsidiary Metroshop and our affiliate Tarshop. On December 29, 2009, APSA entered into an agreement to sell shares representing 80% of Tarshop's stock to Banco Hipotecario for US$26.8 million, which sale was approved by the Central Bank on August 30, 2010. As a result, on September 13, 2010, APSA transferred 107,037,152 common shares of Tarshop to Banco Hipotecario, maintainting only 20% of Tarshop's capital stock. Due to this sale, the Consumer financing segment will have a less significant impact on APSA results of operations going forward. As part of the sale, we agreed to not compete for 5 years in the credit card and/or consumer business in which Tarshop has a presence. APSA acquired 50% of the capital stock of Metroshop from Tarshop on May 21, 2010, and the remaining 50% from Metronec S.A. on January 13, 2011. Metroshop has agreed to sell to Tarshop S.A. its credit card portfolio comprised by delinquent accounts of less than 60 days, among other assets. As of the date of this annual report, we are analyzing various possibilities in order to define the future operations of Metroshop. On July 20, 2011, the general extraordinary shareholders' meeting of Metroshop S.A. unanimously approved the change of its corporate name to APSAMEDIA S.A. and the amendment of its corporate purpose to capitalize on market opportunities. See "Related Party Transactions—Negotiation between Metroshop and Tarshop."

*Sales and Development of Properties and Land Reserves*

*Residential Development Properties*

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

In our fiscal year ended June 30, 2011, revenues from our Development and sale of properties segment were Ps. 341.1 million, compared to Ps. 225.6 million in the fiscal year ended June 30, 2010.

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

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

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

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**Sales and Development Properties**

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

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Neuquen (8) | 07/06/99 | | 4,332 | 1 | 94.89% | 0.00% | 100.00% | 9,102 | 9,102 | - | |
| Terreno Baicom | 12/23/09 | | 6,905 | - | 50.00% | 0.00% | 0.00% | - | - | - | |
| Canteras Natal Crespo | 07/27/05 | | 4,300,000 | - | 50.00% | 0.00% | 0.00% | 336 | 63 | 21 | |
| Terreno Beruti (8) | 06/24/08 | | 3,207 | - | 94.89% | 0.00% | 100.00% | 75,373 | 75,373 | - | |
| Pilar | 05/29/97 | | 740,237 | - | 100.00% | 0.00% | 0.00% | - | - | - | |
| Coto Air Space (8) | 09/24/97 | | 24,000 | - | 94.89% | 0.00% | 0.00% | - | - | - | |
| Torres Jardín IV | 07/18/96 | | 3,176 | - | 100.00% | 0.00% | 100.00% | 11,480 | 11,480 | - | |
| Terreno Caballito (8) | 10/22/98 | | 23,389 | - | 94.89% | 0.00% | 0.00% | - | - | - | |
| Patio Olmos (8) | 09/25/07 | | 5,147 | - | 94.89% | 100.00% | 0.00% | - | - | - | |
| Other Land Reserves (11) | N/A | | 13,603,466 | 1 | | | | 4,182 | 1,969 | 1,172 | |
| **Subtotal Land Reserves** | | | **20,849,942** | **2** | | | | **233,445** | **173,576** | **47,504** | |
| Others | | | | | | | | | | | |
| Madero 1020 | 12/21/95 | | 5,069 | N/A | 100.00% | 100.00% | 100.00% | 18,848 | - | 71 | |
| Della Paolera 265 | 08/27/07 | | 472 | N/A | 100.00% | 100.00% | 100.00% | 6,850 | - | - | |
| Madero 942 | 08/31/94 | | 768 | N/A | 100.00% | 100.00% | 100.00% | 6,137 | - | - | |
| Dock del Plata | 11/15/06 | | 7,942 | N/A | 100.00% | 100.00% | 100.00% | 84,206 | - | 42,136 | 4 |
| Libertador 498 | 12/20/95 | | 7,439 | N/A | 100.00% | 100.00% | 100.00% | 93,462 | 10,504 | 46,608 | 3 |
| Edificios Costeros | 03/20/97 | | 6,389 | N/A | 100.00% | 100.00% | 100.00% | 68,580 | - | 68,580 | |
| Libertador 602 | 01/05/96 | | 677 | N/A | 100.00% | 100.00% | 100.00% | 10,948 | - | 10,948 | |
| Laminar | 03/25/99 | | 6,521 | N/A | 100.00% | 100.00% | 100.00% | 74,510 | - | - | 7 |
| Reconquista 823 | 11/12/93 | | 5,016 | N/A | 100.00% | 100.00% | 100.00% | 31,535 | - | - | 3 |
| Locales Crucero I | | | 192 | N/A | 100.00% | 100.00% | 100.00% | 2,006 | - | - | |
| Others (12) | N/A | | - | N/A | N/A | N/A | N/A | 25,342 | 59 | 912 | |
| **Subtotal Other** | | | **40,485** | | | | | **422,424** | **10,563** | **169,255** | **20** |
| **Total (13)** | | **789,590** | **22,721,494** | **3,957** | | | | **1,429,844** | **341,072** | **225,567** | **28** |

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**Notes:**

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

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

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

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

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

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

7. Cost of acquisition plus improvements, plus capitalized interest of consolidated properties in portfolio as of June 30, 2011, adjusted for inflation as of 02/28/03.

8. Through Alto Palermo S.A.

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

10. Includes the sales of Abril's shares.

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

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

13. Corresponds to the "Sales and Developments" business unit mentioned in Note 6 to the Consolidated Financial Statements.

14. Owned by CYRSA S.A.

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

16. 78% of the area was sold under deed. The book value includes net realizable value for Ps. 373.3 thousand representing 1% of the total square meters.

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

18. 54% of the area was sold under deed. The book value includes net realizable value for Ps. 1,051.0 thousand representing 3% of the total square meters.

19. The book value includes net realizable value for Ps. 14,964.4 thousand following offer letters representing 41% of the total square meters.

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*Residential Apartments and Lofts*

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

*Completed Apartment Projects*

***Torres Jardín, City of Buenos Aires***. Torres Jardín is a high-rise residential complex located in the Buenos Aires neighborhood of Villa Crespo, approximately five minutes from Abasto Shopping. Torres Jardín I, II and III have been completed and consist of 490 one, two and three-bedroom residential apartments. The complex also includes 295 spaces of underground parking. As of June 30, 2011, 2 parking spaces and 4 spaces for motorcycle parking were pending sale.

***Edificios Cruceros, City of Buenos Aires***. "Edificios Cruceros" is a project located in the Puerto Madero area. This dwelling building covers 6,400 square meters of surface area, and it is close to the "Edificios Costeros" office building. This project targets the high-income segment of the population and all its common areas have views to the river. This development was partially financed through the anticipated sale of its apartments. Works have been completed and at June 30, 2011 are fully sold.

***Barrio Chico, City of Buenos Aires***. This is a unique Project located in Barrio Parque, an exclusive residential zone in the City of Buenos Aires. During May 2006 the successful marketing of this project was launched. The image of the product was previously developed with the name of "Barrio Chico" with advertisements in the most important media. As of June 30 2011, the project is finished and only 5 parking spaces remain to be sold.

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

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

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

***Villa Celina, Province Buenos Aires***. Villa Celina is a 400-plot residential community for the construction of single-family homes located in the residential neighborhood of Villa Celina on the southeastern edge of the City of Buenos Aires. We have been developing this property in several stages since 1994. The first three stages involved 219 lots, each measuring on average 347 square meters and the last two stages involve 181 lots. As of June 30, 2011, 100% of the project had been sold.

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

*Apartment Projects Currently Under Development*

***Torre Caballito, City of Buenos Aires.*** This property, with a surface of 8,404 square meters, is situated in the northern area of Caballito's residential neighborhood in the City of Buenos Aires. On May 4, 2006, we and KOAD S.A. ("KOAD"), an Argentine developer, entered into an asset exchange agreement valued at US$7.5 million pursuant to which sold to Koad plot number 36 of "Terrenos de Caballito" whereby KOAD S.A. has agreed to develop a residential complex called "Caballito Nuevo", at its costs, consisting of two 34-story towers containing 220 apartments each, consisting of one, two and three bedroom residential units with surface areas ranging from 40 to 85 square meters, totaling approximately 28,000 saleable square meters. The project offers a wide variety of amenities and services. As a result of this transaction, Koad delivered to us 118 apartments and 61 parking lots in the first tower, representing 25% of the total square meters for sale. As of June 30, 2011, 82% of the apartments and 86% of the parking lots were sold and 21 apartments and 14 parking spaces are still on sale.

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

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

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

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

CYRSA is presently developing this plot of land. The showroom was opened to the public in March 2008 and it was an immediate success. As of June 30, 2011 100% of the units were sold, the degree of progress was about 96.0% and 87 title deeds have been signed.

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

*Residential Communities*

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

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

As of June 30, 2011, our residential communities for the construction of single-family homes for sale in Argentina had a total of 7,422 square meters of saleable area in Abril, and 45,705 square meters of saleable area in “El Encuentro” (Benavidez). Both residential communities are located in the province of Buenos Aires.

***Abril, Hudson, Greater Buenos Aires***. Abril is a 312-hectare private residential community located near Hudson City, approximately 34 kilometers south of the City of Buenos Aires. We have developed this property into a private residential community for the construction of single family homes targeting the upper-middle income market. The project includes 20 neighborhoods subdivided into 1,273 lots of approximately 1,107 square meters each. Abril also includes an 18 hole golf course, 130 hectares of woodlands, a 4,000-square meter mansion and entertainment facilities. A bilingual school, horse stables and sports centers and the construction of the shopping center were concluded in 1999. The neighborhoods have been completed, and as of June 30, 2011, 99.5% of the property had been sold for an aggregate of Ps. 238.7 million, with 7,422 square meters available for sale.

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

As of June 30, 2011, after having started its commercialization in March 2010, 61 units have been sold and there are portfolio reserves for 16 additional units for an amount of US$ 0.89 million, and 38 units are available for sale.

*Land Reserves*

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

*Land Reserves in the City of Buenos Aires*

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

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

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

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

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

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

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

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

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

***Caballito plot, Ferro Project.*** This is a property of approximately 23,791 square meters in the City of Buenos Aires, neighborhood of Caballito, one of the most densely populated of the city, which Alto Palermo purchased in November 1997. The zoning for the property allows the development of a 30,000 square meters shopping center, a hypermarket, a cinema complex, and several recreation and entertainment activity areas. We are currently working to define the commercial project. At present, the legislature of the City of Buenos Aires has received a legislative bill to approve the zoning parameters corresponding to this property. which already has the consent of the Executive Branch.

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

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

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

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

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

***Coto Residential Project.*** Alto Palermo owns approximately 24,000 square meters in air space over the top of the Coto hypermarket that is close to the Abasto Shopping Center in the heart of the City of Buenos Aires. Alto Palermo and Coto Centro Integral de Comercialización S.A. ("Coto") executed and delivered a deed dated September 24, 1997 whereby APSA acquired the rights to receive parking units and the rights to build on top of the premises located in the block formed by the streets Agüero, Lavalle, Guardia Vieja and Gallo, in the Abasto neighborhood. On July 25, 2008, an exchange agreement was executed, pursuant to which APSA would transfer to Cyrsa S.A. ("Cyrsa") 112 parking units and the rights to erect on top of the hypermarket two building towers if certain conditions are met. In exchange, Cyrsa would deliver to APSA an undefined number of units in the building to be erected equivalent to 25% of the square meters. On September 17, 2010, the exchange agreement was terminated.

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

*Land Reserves in the Province of Buenos Aires*

***Sale of Pereiraola, Hudson***. Pereiraola S.A., is our subsidiary that owns 130-hectare undeveloped property adjacent to Abril, a private residential community developed by us.

On April 21, 2010, we entered into a purchase and sale agreement with a third party by means of which we agreed to sell 100% of Pereiraola S.A.'s capital stock. The purchase price of the transaction was set at US$11.8 million plus VAT, which represented a gain of Ps.21.7 million over book value.

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

To secure payment of the price, the buyer pledged in our favor its Pereiraola's shares and granted a first-degree mortgage in our favor over the property.

***Pilar***. Pilar is a 74-hectare undeveloped land reserve property located close to the city of Pilar, 55 kilometers northwest of downtown Buenos Aires. The property is easily accessible due to its proximity to the *Autopista del Norte* highway. Pilar has become one of Argentina's fastest developing areas. We are considering several alternatives for this property including the development of a residential community or the sale of this property in its current state and, therefore, we do not have a cost estimate or financing plan. The plot's book value is estimated to be Ps.3.4 million as of June 30, 2011.

*Land Reserves in Other Provinces*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***Other Land Reserves***

Our portfolio also includes twelve land reserve properties located in the City of Buenos Aires and its surrounding areas. These properties are projected for future developments of offices, shopping centers, apartment buildings and residential communities. The main properties under this category include Merlo, Mariano Acosta and 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 Companc 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%.

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The following chart shows certain information regarding our luxury hotels:

| Hotels | Date of Acquisition | IRSA's effective interest | Number of rooms | Average Occupancy %(1) | Average price per room Ps.(2) | Accumulated sales in Ps. 000 as of June, 30 (in thousand Ps.) 2011 | 2010 | 2009 | Book value (Ps. 000) |
|---|---|---|---|---|---|---|---|---|---|
| Intercontinental (3) | 11/01/97 | 76.34% | 309 | 78.2% | 631 | 78,841 | 64,092 | 61,367 | 52,288 |
| Sheraton Libertador (4) | 03/01/98 | 80.00% | 200 | 87.4% | 506 | 43,786 | 36,996 | 37,060 | 41,091 |
| Llao Llao (5) | 06/01/97 | 50.00% | 201 | 49.7% | 1,258 | 70,256 | 58,806 | 60,486 | 75,207 |
| Terrenos Bariloche (5) | 12/01/06 | 50.00% | N/A | N/A | N/A | N/A | N/A | N/A | 21,900 |
| Total | - | - | 710 | 72.5% | 714 | 192,883 | 159,894 | 158,913 | 190,486 |

(1) Accumulated average in the fiscal year.

(2) Accumulated average in the fiscal year.

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

(4) Indirectly owned through Hoteles Argentinos S.A.

(5) Indirectly owned through Llao Llao Resorts S.A.

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

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

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

***Terreno Bariloche, "El Rancho," San Carlos de Bariloche, Province of Río Negro.*** On December 14, 2006, through our hotel operator subsidiary, 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.

***International Investments***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of June 30, 2011, Hersha's portfolio of hotels comprises majority stakes in 63 hotels and ownership interests in a further 15 hotels through joint ventures. These hotels are all within the "select service" and "upscale hotels" categories. In the aggregate, Hersha's 78 hotels represent over 10,443 rooms and are located in Arizona, California, North Carolina, Connecticut, Delaware, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island and Virginia. The properties are operated under highly prestigious, leading franchises (such as Marriott (r), Courtyard by Marriott (r), Residence Inn (r), Fairfield Inn (r), Springhill Suites (r), TownePlace Suites (r), Hilton (r), Hilton Garden Inn (r), Hampton Inn (r), Homewood Suites (r), Hyatt Summerfield Suites (r), Holiday Inn (r), Holiday Inn Express (r), Comfort Inn (r), Mainstay Suites (r), Sleep Inn (r), Sheraton Hotel (r), and Hawthorn Suites (r)). Hersha also operates some of its hotels through independent boutique hotel chains.

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

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

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

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

***Supertel Hospitality Inc.***

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

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

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

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

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

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

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

*Office and Other Non-shopping Center Rental Properties*

***Overview***

We are engaged in the acquisition, development and management of Offices and other non-shopping center rental properties in Argentina. As of June 30, 2011, we directly and indirectly owned interests in 22 office and other rental properties in Argentina, which comprised 327,838 square meters of gross leaseable area. Of these properties, 15 were office properties, which comprised 150,860 square meters of gross leaseable area. For fiscal year 2011, we had revenues from Offices and other non-shopping center rental properties of Ps. 164.6 million.

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

*Management.*

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

*Leases.*

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

*Properties.*

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

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

Notes:

(1) Total leaseable area for each property as of June 30, 2011. Excludes common areas and parking.

(2) Calculated dividing occupied square meters by leaseable area as of June 30, 2011.

(3) Agreements in force as of 06/30/11 for each property were computed.

(4) Total leases consolidated by application of the method under Technical Resolution 21.

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

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

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

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

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

(10) The building was occupied in May 2009.

(11) Revenues from building management fees.

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

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

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

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

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

*Does not include vacant leased square meters.

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

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

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

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

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

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

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

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

Notes:

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

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

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

*Additional Information About Our Office Properties*

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

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

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

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

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

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

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

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

***Libertador 498, Ciudad de Buenos Aires.*** Libertador 498 is a 27-story office tower at the intersection of three of the most important means of access to the city. This location allows for easy access to the building from northern, western and southern Buenos Aires. We are owners of 5 stories with an average area per floor of 620 square meters and of 145 parking spaces. This building features a unique design in the form of a cylinder and a highly visible circular lighted sign at the top which turn it into a landmark in the Buenos Aires skyline. The main tenants include Sideco Americana S.A., Goldman Sachs Argentina LLC, Empresa Argentina de Soluciones Satelitales S.A., Japan Bank for the International Cooperation, Gates Argentina S.A., Kandiko S.A. and Allergan Productos Farmacéuticos S.A.

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

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

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

***Other office properties.*** We also have interests in other office properties, all of which are located in the City of Buenos Aires. These properties are either entire buildings or portions of buildings, none of which contributed more than Ps. 1.1 million in annual rental income for fiscal year 2011. Among these properties are Madero 942 (fully sold), Libertador 602 (fully sold), Dock del Plata (fully sold), Edificio Costeros (fully sold), Laminar (fully sold), Reconquista 823/41 (fully sold), Av. de Mayo 595, Rivadavia 2768 and Sarmiento 517.

***Retail and other properties.***

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

***Terreno Catalinas Norte***

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

*Our Investment in Banco Hipotecario*

As of June 30, 2011, we owned approximately 29.77% of Banco Hipotecario which represented 14.5% of our consolidated assets as of such date. Established in 1886 by the Argentine government and privatized in 1999, Banco Hipotecario has historically been Argentina’s leading mortgage lender, provider of mortgage-related insurance and mortgage loan services. All of its operations and customers are located in Argentina where it operates a nationwide network of 49 branches and 18 sales offices.

Banco Hipotecario is a full-service commercial bank offering a wide variety of banking activities and related financial services to individuals, small-and medium-sized companies and large corporations. As of June 30, 2011, Banco Hipotecario ranked fifth in the Argentine financial system in terms of shareholders’ equity and therteenth in terms of total assets. As of June 30, 2011, Banco Hipotecario’s shareholders’ equity was Ps.3,068.1 million, its assets were Ps.12,102.8 million, and its net income was Ps.218.4 million. Since 1999, Banco Hipotecario’s shares have been listed on the Buenos Aires Stock Exchange in Argentina, and since 2006 it has had a Level I GDR program.

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

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

Banco Hipotecario seeks to achieve a balanced portfolio of mortgage loans, consumer financing and corporate credit lines, while maintaining an adequate risk management policy. As of June 30, 2011, its portfolio of non-mortgage loans represented 76.2% of its total loan portfolio, compared to 62.8% as of June 30, 2010.

During the period ended June 30, 2011, Banco Hipotecario also experienced continued growth in deposits, including savings accounts and time deposits.

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

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

(1) Excludes accrued interest.

*Seasonality*

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

*Competition*

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

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

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

***Shopping centers***

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

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

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

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

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

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

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

Source: Argentine Chamber of Shopping Centers.

***Development and sale of properties***

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

***Hotels***

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

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*Regulation and Government Supervision*

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

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

***Leases***

Argentine law imposes certain restrictions on landlords, including:

- a prohibition to include price adjustment clauses based on inflation increases in lease agreements; and
- the imposition of a three-year minimum lease term for retail property, except in the case of stands and/or spaces in markets and fairs.

Although our lease agreements were U.S. Dollar-denominated, Decree No. 214/2002, Decree No. 762/2002 and Law N° 25,820 that amended the Public Emergency Law, provided that monetary obligations in force as of January 7, 2002 arising from agreements governed by private law and which provided for payments in U.S. Dollars were subject to the following rules:

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

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

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

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

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

Despite this restriction, in November 2007, the Courts authorized Alto Palermo to enter into a lease agreement with Wal-Mart Argentina SRL for a term of 30 years. This exception was authorized taking into consideration the size of the investment required and the time necessary to recoup this investment.

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

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

***Development and Land Use***

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

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

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

***Sales and Ownership***

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

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

- the preliminary registration with the Real Estate Registry of the purchase instrument within 30 days of execution of the agreements.

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

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

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

- warranty and liability disclaimers;

- a waiver of consumer rights;

- an extension of seller rights; and

- the shifting of the burden of proof against consumers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

***C. Organizational Structure***

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

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

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The following table presents information relating to our ownership interest and the percentage of our consolidated total net revenues represented by our subsidiaries as of June 30, 2011.

| Subsidiary | Activity | Country of incorporation | Ownership percentage[1] |
|---|---|---|---|
| Ritelco S.A. | Investment | Uruguay | 100% |
| Palermo Invest S.A. | Investment | Argentina | 100% |
| Solares de Santa María S.A. | Real estate | Argentina | 100% |
| Cyrsa S.A.[3] | Real estate | Argentina | 50% |
| Inversora Bolivar S.A. | Real estate | Argentina | 100% |
| Quality Invest S.A. [4] | Real estate | Argentina | 50% |
| E-Commerce Latina S.A. | Investment | Argentina | 100% |
| Tyrus S.A. | Investment | Uruguay | 100% |
| Canteras Natal Crespo S.A.[2] | Real estate | Argentina | 50% |
| Nuevas Fronteras S.A. | Hotel | Argentina | 76.34% |
| Hoteles Argentinos S.A. | Hotel | Argentina | 80% |
| Llao Llao Resorts S.A. | Hotel | Argentina | 50% |
| Alto Palermo S.A. | Shopping Center | Argentina | 94.89% |
| Unicity S.A. | Investment | Argentina | 100% |

(1) Includes direct and indirect ownership

(2) We have joint control of Canteras Natal Crespo S.A., a land reserve for a future development, with Euromayor S.A.

(3) We have joint control with Cyrela Brazil Realty S.A. Empreendimentos y Partiçipacões.

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

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

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

*Property*

As of June 30, 2011, most of our property (consisting of rental properties in the office and retail real estate sectors, development properties primarily in the residential real estate sector and shopping centers) was located in Argentina. We lease our headquarters, located at Bolívar 108, C1066AAD Buenos Aires, Argentina, pursuant to a lease agreement that expires on February 28, 2014. We do not currently lease any material properties other than our headquarters.

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

| operty [9][11] | Date of Acquisition | Leasable/ Sale m2(1) | Location | Net Book Value Ps./000[2] | Encumbrance | Outstanding principal amount Ps./000 | Maturity Date | Balance due at maturity | Rate | Use | Occupar rate [1( |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ercontinental za[3] | 11/18/97 | 22,535 | City of Buenos Aires | 78,394 | - | - | - | - | - | Office Rental | 96. |
| t Building | 11/28/06 | 11.242 | City of Buenos Aires | 105,143 | - | - | - | - | - | Office Rental | 85. |
| uchard 710 | 06/01/05 | 15,014 | City of Buenos Aires | 64,277 | - | - | - | - | - | Office Rental | 92. |
| uchard 551 | 03/15/07 | 23,378 | City of Buenos Aires | 148,242 | - | - | - | - | - | Office Rental | 90. |
| ertador 498 | 12/20/95 | 3,094 | City of Buenos Aires | 12,024 | - | - | - | - | - | Office Rental | 100. |
| ipú 1300 | 09/28/95 | 10,280 | City of Buenos Aires | 36,904 | - | - | - | - | - | Office Rental | 100. |
| dero 1020 | 12/21/95 | 101 | City of Buenos Aires | 197 | - | - | - | - | - | Office Rental | 100. |
| pacha 2/64 | 11/22/91 | 11,453 | City of Buenos Aires | 10,484 | Mortgage[6] | - | - | - | - | Office Rental | 95. |
| steros que IV | 08/29/01 | 5,437 | City of Buenos Aires | 18,523 | - | - | - | - | - | Office Rental | 100. |
| ficio pública | 04/28/08 | 19,884 | City of Buenos Aires | 215,535 | Mortgage | 55.2 | Abr-13 | 27.6 | annual nominal 12% over balances | Office Rental | 85. |
| que IV, na Manso 5 | 12/02/97 | 11,298 | City of Buenos Aires | 62,218 | - | - | - | - | - | Office Rental | 91. |
| . De Mayo 5/99 | 08/19/92 | 1,958 | City of Buenos Aires | 4,255 | - | - | - | - | - | Office Rental | 100. |
| adavia 2768 | 09/19/91 | 274 | City of Buenos Aires | 191 | - | - | - | - | - | Office Rental | 0. |
| miento 517 | 01/12/94 | 39 | City of Buenos Aires | 244 | - | - | - | - | - | Office Rental | 0. |
| nstitución 1 | 06/16/94 | 312 | City of Buenos | 854 | - | - | - | - | - | Commercial Rental | 0. |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Aires | | | | | | | | |
| rre Bank ston | 08/27/07 | 14,873 | City of Buenos Aires | 152,498 | - | - | - | - | - | Office Rental | 78. |
| seo Renault | 12/06/07 | 1,275 | City of Buenos Aires | 4,692 | - | - | - | - | - | Commercial Rental | 0. |
| nta María del ta | 07/10/97 | 60,100 | City of Buenos Aires | 12,508 | - | - | - | - | - | Others Rentals | 100. |
| ames(3) | 11/01/97 | 33,191 | Province of Buenos Aires | 3,897 | - | - | - | - | - | Others Rentals | 0. |
| nstitución 59 | 01/16/94 | 2,072 | City of Buenos Aires | 6,387 | - | - | -- | -- | - | Others Rentals | 100. |
| rreno talinas Norte | 12/17/2009 | N/A | City of Buenos Aires | 102,666 | - | - | - | - | - | Others Rentals | N |
| dio San rtín | 12/17/2009 | 80,028 | City and Province of Bs. As. | 69,994 | Mortgage | 94.9 | May-14 | 31.6 | 7.5% | Others Rentals | 100. |
| her perties(7) | N/A | N/A | City and Province of Bs. As. | 3,067 | Mortgage | - | - | - | - | Office Rentals | N |

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

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

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| eras Natal po | 07/27/05 | 4,300,000 | Province of Córdoba | 5,779 | - | - | - | - | - | Land Reserve |
| Olmos [4] | 09/25/07 | 5,147 | Province of Córdoba | 33,475 | - | - | - | - | - | City of Buenos Aires |
| rs Reserves and[5] | N/A | 14,384,077 | City and Province of Buenos Aires | 137,666 | - | - | - | - | - | Land Reserve |

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

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| esidential partments, ommunities nd others[8] | | | | | | | | | | | | |
| otel Llao Llao | 06/01/97 | 24,000 | City of Bariloche | 75,207 | - | - | - | - | - | Hotel | 49.7 |
| otel ntercontinental ) | 11/01/97 | 37,600 | City of Buenos Aires | 52,288 | - | - | - | - | - | Hotel | 78.2 |
| otel Sheraton ibertador | 03/01/98 | 17,463 | City of Buenos Aires | 41,091 | - | - | - | - | - | Hotel | 87.4 |
| ariloche Plot f Land | 12/01/06 | N/A | Province of Rio Negro | 21,900 | Mortgage | - | - | - | - | Hotel | N/ |

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

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

(3) Through IBSA.

(4) Through Alto Palermo.

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

(6) As security for compliance with the construction of the future building to be constructed in a plot of land in Vicente Lopez, Province or Buenos Aires and transfer of the future units, the company’s property located at Suipacha 652 was mortgaged.

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

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

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

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

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

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*Insurance*

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

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

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

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

None.

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

***A. Operating Results***

*Evolution of our Business Segments*

***Shopping Centers***

The profitability of our shopping center business is highly sensitive to consumer spending, overall GDP growth in Argentina and availability of financing. The contraction in consumer spending and the greater reliance on informal and low quality products that characterized the Argentine economy during the crisis has been significantly lessened along with an increase in GDP growth. This economic reactivation has increased the revenues of Alto Palermo, our subsidiary engaged in shopping center ownership and operation. During the fiscal years ended June 30, 2009, 2010 and 2011, our shopping center revenues were Ps. 396.7 million, Ps. 518.4 million and Ps. 674.8 million, respectively.

***Development and Sale of Properties***

Demand for new residential units is influenced by a number of factors, including employment rates, short-term and long-term interest rates, availability of government-sponsored and private mortgage financing programs and products, consumer confidence, governmental policies, demographic factors and, to a lesser extent, changes in property taxes, energy costs and federal income tax rates. In addition, the feasibility of developing and marketing new residential units depends on a number of factors such as the inventory of existing units, zoning restrictions, government policies, cost and availability of land, construction and sales costs and the availability of financing on reasonable terms, among other factors. At the time of the Argentine crisis in 2001 and 2002, residential sales came to a virtual standstill and real estate prices fell sharply. During the last five years, the market has begun to recover gradually. This continuing market stabilization accounts for much of the revenue increase in our Development and Sale of Properties segment. During the fiscal years ended June 30, 2009, 2010 and 2011, our Development and Sale of Properties segment had revenues of Ps. 280.4 million, Ps. 225.6 million and Ps. 341.1million, respectively.

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

The profitability of Offices and Other Non-Shopping Center Rental Properties segment is similarly affected by the macroeconomic factors described above. Favorable market conditions are also closely related to levels of vacancy and to the price at which we can lease our premises which in turn affect our revenues in this segment. During the 2001 Argentine economic crisis and its aftermath, few development projects were built in Argentina. However, demand for office space and rental properties has increased substantially during the last five years, significantly raising prices. During the fiscal years ended June 30, 2009, 2010 and 2011, our Offices and Other Non-Shopping Center Rental Properties segment had revenues of Ps. 147.7 million, Ps. 154.2 million and Ps. 164.6 million, respectively.

***Hotels***

The revenues from our hotel business are also highly sensitive to market conditions. For example, the devaluation of the Peso following the repeal of the Convertibility Law made Argentina a less expensive, and therefore a more attractive, tourist destination, significantly increasing the influx of foreign tourists. The appreciation of foreign currency also rendered domestic travel destinations more appealing to the Argentines, many of whom replaced foreign travel with local travel. During fiscal years ended June 30, 2009, 2010 and 2011, our Hotels segment had revenues of Ps. 158.8 million, Ps. 159.9 million and Ps. 192.9 million, respectively.

***Financial Operations and Others***

As of June 30, 2011 we owned approximately 29.77% of Banco Hipotecario's capital stock, Argentina's leading mortgage lender and provider of mortgage-related insurance and mortgage loan services. Banco Hipotecario restructured its financial debt in 2004 and has recorded attractive results from its operations since then. For the fiscal years ended June 30, 2009, 2010 and 2011, our investment in Banco Hipotecario generated a gain of Ps. 142.1 million, Ps. 151.6 million and Ps. 76.7 million, respectively.

**Variability of Results**

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

**Critical Accounting Policies and Estimates**

In connection with the preparation of our financial statements included in this annual report, we have relied on variables and assumptions derived from historical experience and various other factors that we deemed reasonable and relevant. Although we review these estimates and assumptions in the ordinary course of business, the portrayal of our financial condition and results of operations often requires our management to make judgments regarding the effects of matters that are inherently uncertain on the carrying value of our assets and liabilities. Actual results may differ from those estimated under different variables, assumptions or conditions. In order to provide an understanding about how management forms its judgments about future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, we have included comments related to each critical accounting policy described as follows:

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

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

***Business combinations***

Significant acquisitions are accounted for under the purchase method of accounting. Under the purchase method, the purchase price is allocated to tangible and intangible assets and liabilities based on their respective fair values in accordance with the provisions of RT No. 18. In making estimates of fair values, management utilizes a number of various sources.

When we acquire properties, for fair value estimation purposes, we also consider information about each property obtained as a result of pre-acquisition due diligence, marketing and leasing activities. We allocate a portion of the purchase price to tangible assets including the fair value of the building on an as-if-vacant basis and to land determined either by real estate tax assessments, third-party appraisals or other relevant data. Generally we determine the as-if-vacant value by using a replacement cost method. Also, a portion of the purchase price is allocated to above-market and below-market in-place lease values for acquired properties based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining noncancelable term of the lease. The capitalized above-market and below-market lease values are amortized as a reduction of or an addition to rental income over the remaining noncancelable terms of the respective leases. Should a tenant terminate its lease, the unamortized portion of the lease intangibles would be charged or credited to income. A portion of the purchase price is also allocated to the value of leases acquired and management utilizes independent sources or management's determination of the relative fair values of the respective in-place lease values. Our estimates are made using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods, considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. We also estimate costs to execute similar leases including leasing commissions, legal expenses and other related costs. Other intangible assets acquired may include tenant relationships which are valued based on management's evaluation of the specific characteristics of each tenant's lease and our overall relationship with the respective tenant. We have not identified any lessee with whom it has developed a type of relationship allowing the recognition of an intangible asset. As far as banking operations are concerned, identifiable intangible assets, comprised of core deposit intangibles and customer relationship intangibles, represent the net present value of the future economy.

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

***Fixed Assets, net***

Fixed assets, net are comprised primarily of rental properties (including shopping centers), hotels and other property and equipment held for use by us.

*Rental properties (including shopping centers)*

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Rental properties are carried at cost (adjusted for inflation as described in Note 2.c. to the Consolidated Financial Statements), less accumulated depreciation and allowances for impairment. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are capitalized and depreciated over their estimated remaining useful lives. At the time depreciable assets are retired or otherwise disposed of, the cost and the accumulated depreciation and allowances for impairment of the assets are removed from the accounts and any profit or loss is recognized. We capitalize financial costs (interest and foreign exchange differences) on long-term construction projects. Capitalized financial costs amounted to Ps. 1.7 million, Ps. 5.3 million and Ps.86.5 million for the years ended June 30, 2011, 2010 and 2009, respectively, mainly in connection with the construction of Shopping Neuquén, Dot Baires Shopping, Shopping Alto Rosario and Dique IV.

During the years ended June 30, 2002, 2003 and 2005 we recognized significant impairment losses. As permitted by Argentine GAAP, due to increases in fair market values, these impairment charges were subsequently reversed partially during the years ended June 30, 2003 through the current fiscal year. Impairment charges and subsequent reversals are included in the line item "Gain from operations and holdings of real estate assets, net" in the Consolidated Statements of Income. The balance of allowance for impairment of fixed assets amounts to Ps.2.5 million, Ps.3.5 million and Ps.3.9 million for the years ended June 30, 2011, 2010 and 2009, respectively.

*Other property and equipment*

Other property and equipment are carried at cost (adjusted for inflation as described in Note 2.C to the Consolidated Financial Statements), less accumulated depreciation at the end of the year.

Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, as specified below:

| **Asset** | **Estimated useful life (years)** |
|---|---|
| - Properties: | |
| Office buildings | Between 20 and 45 |
| Shopping centers | Between 16 and 31 |
| Hotels | Between 14 and 24 |
| Other | Between 16 and 50 |
| - Leasehold improvements | 3 |
| - Facilities | 10 |
| - Furniture and fixtures | Between 3 and 10 |
| - Vehicles | 5 |
| - Computer equipment | 3 |

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

***Provisions for allowances and contingencies***

We provide for losses relating to mortgage and accounts receivable. The allowance for losses is based on the management's assessment of various factors, including the customers' credit risk, historical trends and other information. Although management uses the information available to make assessments, future adjustments to the allowances may be necessary if future economic conditions differ substantially from the assumptions used at the time of the determination. Management has considered all events and/or transactions subject to reasonable and standard estimation procedures. The consolidated financial statements reflect these considerations.

We have certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving labor and other matters. We accrue liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, our estimate of the outcomes of these matters and our lawyers' written reports. As the scope of the liabilities becomes better defined, there may be changes in the estimates of future costs, which could have material effect on our future results of operations and financial condition or liquidity.

We believe that this accounting policy is a "critical accounting policy" because if the future conditions were materially different from the assumptions used to make the assessments, it might cause a material effect on our consolidated financial statements. See note 3.r to our audited financial statements included elsewhere in this annual report.

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***Impairment of long-lived assets***

We periodically evaluate the carrying value of our long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We consider the carrying value of a long-lived asset to be impaired when its recoverable value (the value in use or its net realizable value, whichever is greater), is less than its carrying value. Value in use is determined by the expected cash flows from the assets discounted at a rate commensurate with the risk involved. Net realizable value is determined by the selling price of the assets less costs to sell.

Under Argentine GAAP a previously recognized impairment loss is reversed when there is a subsequent change in estimates used to compute the recoverable value of the asset. In that event, the new carrying value of the asset is the lower of its fair market value or the net carrying value the asset would have had if no impairment had been recognized. Both the impairment charge and the impairment reversal are recognized in earnings. U.S. GAAP prohibits the reversal of a previously recognized impairment charge.

We believe that the accounting estimate related to asset impairment is a “critical accounting estimate” because:

- it is highly susceptible to change from period to period because it requires company management and/or independent appraisers to make assumptions such as, future sales and cost of sale, future vacancy rates and future prices, which requires significant adjustments because actual prices and vacancy rates have fluctuated in the past and are expected to continue to do so; and

- the impact that recognizing an impairment would have on assets reported on our balance sheet as well as on the results of our operations could be material.

***Deferred income tax***

We recognize income tax using the liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Technical Resolution No. 17 requires companies to record a valuation allowance for that component of net deferred tax assets which is not recoverable.

- We believe that the accounting estimate related to deferred income tax is a “critical accounting estimate” because:

- it is highly susceptible to change from period to period because it requires company management to make assumptions, such as future revenues and expenses, exchange rates and inflation among others; and

- the impact that calculating income tax using this method would have on assets or liabilities reported on our consolidated balance sheet as well as on the income tax result reported in our consolidated statement of income could be material.

***Minimum presumed income tax***

We calculate the minimum presumed income tax provision by applying the current 1% rate on computable assets at the end of the year. This tax complements the income tax. Our tax obligation each year will coincide with the highest amount due under either of these two taxes. However, if the minimum presumed income tax provision exceeds income tax in a given year, the amount in excess of income tax can be offset against income tax arising in any of the following ten years.

We have recognized the minimum presumed income tax provision paid in previous years as a credit as we estimate that it will offset future years' income tax.

We believe that the accounting policy relating to the minimum presumed income tax provision is a "critical accounting policy" because it requires management to make estimates and assumptions with respect to our future results that are highly susceptible to change from period to period, and as such the impact on our financial position and results of operations could be material.

***Negative goodwill, net***

Negative goodwill, net represents the net effect of goodwill and negative goodwill arising out of business combinations.

*Negative goodwill:*

Negative goodwill represents the excess of fair value of net assets acquired over cost. Under Argentine GAAP, when negative goodwill exists, acquired intangible assets are assigned a zero value. Negative goodwill is accounted for as follows: (i) the portion of negative goodwill related to future expected losses is recognized in income in the same periods losses are incurred; (ii) the amount exceeding the interest over the non monetary assets is recognized in income at acquisition date; and (iii) the amount not in excess of the equity interest over the non monetary assets is recognized as negative goodwill and amortized under the straight line method over the weighted average useful lives of the identifiable assets of the acquiree, not exceeding 20 years.

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*Goodwill:*

Goodwill represents the excess of cost over the fair value of net identifiable assets and is amortized under the straight-line method over the weighted average useful life of the main tangible assets acquired.

The carrying amount does not exceed their respective estimated recoverable value at the end of this year.

**Principal differences between Argentine GAAP and U.S. GAAP**

The principal differences, other than inflation accounting, between Argentine GAAP and U.S. GAAP are related to the following:

- the impact of certain U.S. GAAP adjustments on equity investees;
- the accounting for marketable securities;
- the application of different useful lives for depreciation purposes;
- the deferral of certain pre-operating and organization expenses under Argentine GAAP which are expensed as incurred under U.S. GAAP;
- the accounting for a mortgage payable with no stated interest rate;
- the accounting for securitization programs;

- the application of certain U.S. GAAP adjustments to the estimation of the fair value of net assets acquired;

- the present-value accounting;

- the restoration of previously recognized impairment losses accounting;

- the accounting for convertible notes;

- the accounting of inventories;

- the revenue recognition of deferred brokerage commissions over the term of the respective leases;

- the escalation of revenue from rental under straight-line method or over the term of the leases;

- the deferral of certain revenues from life and disability insurance and origination fees;

- the amortization of fees related to the Senior Notes;

- the derecognition of the put option for the sale of shares of Metropolitan;

- the differences between the price-level restated amounts of assets and liabilities and their historical basis, that under Argentine GAAP, are treated as permanent differences in accounting for deferred income tax calculation purposes while under U.S. GAAP are treated as temporary differences;

- the effect of the reversal of capitalized exchange differences;

- Adquisition of non controlling intrest;

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

- the effect on minority interest of the above-mentioned reconciling items, as appropriate.

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

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

*Overview*

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

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

**Argentine Macroeconomic Environment**

As a result of the four-year recession that came to a close in the second quarter of 2002, the Argentine economy was dramatically weakened. The current account deficit and the budget deficit, together with the rigidity of its foreign exchange rate system (known as the convertibility regime), the country's excessive reliance on foreign capital and its mounting external debt resulted in a deep contraction of the economy and in a banking and fiscal crisis when capital started to leave the country. Between December 2001 and January 2002, Argentina abolished the fixed parity between the Peso and the U.S. Dollar, rescheduled bank deposits, converted dollar denominated debts into pesos, and suspended payment on a significant portion of its public debt. In April 2002, the economy started its path to stabilization and realized a clear improvement during the second half of the year, mainly as a result of expanding exports and decreasing imports.

In May 2003, Argentina's political environment was reorganized when Néstor Kirchner took office as president. Argentina moved towards normalizing its relationship with the IMF, withdrew all the national and provincial governments' quasi-money securities from circulation and eliminated all deposit restrictions. The trade balance experienced a sustained surplus, aided by the rise in commodity prices and export volumes. Social indicators also improved. During 2004 and 2005, the Argentine economy continued to grow. In June 2005, the Argentine government completed a restructuring of a substantial portion of the federal government's public debt, which had been in default since December 2001. Argentina reduced the outstanding principal amount of its public debt from US$191.3 billion to US$126.6 billion and negotiated lower interest rates and extended payment terms.

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

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

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

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

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

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

(1) IPIM is the wholesale price index as measured by the Argentine Ministry of Economy and Production.
(2) CPI is the consumer price index as measured by the Argentine Ministry of Economy and Production.
(3) Represents average month-end closing exchange rates.

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

Although Argentina's economy has recovered significantly from the crisis of 2002, the effects of the global economic slow-down on Argentina cannot be predicted. We cannot assure you that the favorable economic conditions that Argentina has experienced in recent years will continue. See Item 3 (d) "Risk Factors—Risks Related to Argentina."

**Factors that Affect our Results**

***Effects of the Argentine macroeconomic environment***

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

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

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

*Effects of inflation*

From 1997 until the end of year 2001, the Argentine government's policies substantially reduced the level of inflation. Therefore, during that period, inflation did not significantly affect our financial condition and results of operations. The following are annual inflation rates since 2002, published by the Argentine Ministry of Economy and Production:

| Year ended June 30, | Consumer Price Index | Wholesale Price Index |
|---|---|---|
| 2002 | 28.4% | 88.2% |
| 2003 | 10.2% | 8.1% |
| 2004 | 4.9% | 8.6% |
| 2005 | 9.0% | 7.7% |
| 2006 | 11.0% | 12.1% |
| 2007 | 8.8% | 9.4% |
| 2008 | 9.3% | 13.8% |
| 2009 | 5.3% | 5.4% |
| 2010 | 11.0% | 15.2% |
| 2011 | 9.7% | 12.5% |

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

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

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***Seasonality***

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

***Effects of interest rate fluctuations***

Most of our U.S. Dollar denominated debt accrues interest at a fixed rate. An increase in interest rates will not necessary result in a significant increase in our financial costs and may not materially affect our financial condition or our results of operations.

***Effects of foreign currency fluctuations***

A significant portion of our financial debt is denominated in U.S. Dollars. Therefore, a devaluation of the Argentine Peso against the U.S. Dollar would increase our indebtedness measured in Pesos and materially affect our results of operations. Foreign currency exchange rate fluctuations significantly increase the risk of default on our mortgages and lease receivables. Since many of our customers have their cash flows in Pesos, a fluctuation in the exchange rate may increase their U.S. Dollar-denominated liabilities. Foreign currency exchange restrictions that may be imposed by the Argentine Government could prevent or restrict our access to U.S. Dollars, affecting our ability to service our U.S. Dollar denominated liabilities.

**Factors Affecting Comparability of our Results**

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

In recent years, we have operated an important consumer financing business through our subsidiary Metroshop and our affiliate Tarshop. For the fiscal years ended June 30, 2008, 2009 and 2010, this consumer financing business represented 45.5%, 36.9% and 33.8%, respectively, of APSA's revenues. In December 2009, we entered into an agreement for the sale of 80% of Tarshop's stock to Banco Hipotecario, our equity investee, for US$26.8 million. On August 30, 2010, the Central Bank notified Banco Hipotecario of the approval of the transaction, and the transaction was closed on September 13, 2010. Immediately after the sale, our interest in Tarshop was reduced to 20% of its capital stock. Because we sold 80% of Tarshop in September 2010, our results for fiscal year 2011 and subsequent years will not be comparable to our results in past fiscal years. See "Summary—Unaudited Pro Forma Financial Information."

***Business Segment Reporting***

We have determined that our reportable segments are those based on our method of internal reporting. Accordingly, we have six reportable segments. These segments are: "Development and sale of properties", "Offices and other non-shopping center rental properties", "Shopping centers", "Hotels", "Consumer financing", and "Financial transactions and other."

A general description of each segment follows:

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

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

*Shopping Centers*. This segment includes the operating results from the shopping center business, principally consisting of lease and service revenues from tenants.

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

*Consumer Financing*. It includes the results from the management of the credit portfolio by the companies Tarshop S.A. and Metroshop S.A. As of September 1st, 2010, this segment no longer consolidates whith our financial statements, remaining scarse activity in this segment.

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

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

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*Allocation of selling expenses to business segments.*

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

*Allocation of administrative expenses to business segments.*

Administrative expenses directly attributable to the Shopping centers, Consumer financing and Hotels segments are allocated to these segments. These expenses are incurred individually by these segments. All other administrative expenses are prorated among the Development and sale of properties segment and the Offices and Other Non-Shopping Center Rental Properties segments based on the percentage of the operating assets and revenues generated by each segment. Accordingly, 40.6% and 59.4% of administrative expenses (excluding expenses directly attributable to the Shopping centers, Consumer financing and Hotels segments) are allocated to the Development and sale of properties segment and to the Offices and Other Non-Shopping Center Rental Properties segment, respectively.

*Allocation of results from recognition of inventories at net realizable value*

These results are allocated to the Sales and development segment.

*Allocation of results from retained interest in securitized receivables (Consumer financing)*

These results are allocated to the Consumer financing segment.

*Allocation of results from real estate transactions and holdings*

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

*Allocation of financial results and holding results to business segments*

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

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

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

*Allocation of Gain/(Losses) on equity investees*

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

*Allocation of other income and expenses*

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

*Allocation of Income tax and minimum presumed income tax*

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

*Allocation of minority interest*

Minority interests are allocated to the respective segments that generate them.

The following tables show certain operating data by business segment:

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

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

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

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

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

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

(5) Included in Operating income.

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| As of and for year ended June 30, 2010 | Development and sale of properties | Offices and other non-shopping center rental properties (1) | Shopping centers | Hotels | Consumer Financing | Financial transactions and other | Total |
|---|---|---|---|---|---|---|---|
| | (in thousands of Ps.) | | | | | | |
| **Consolidated Income Statement data** | | | | | | | |
| Revenues | 225,567 | 154,164 | 518,355 | 159,894 | 265,346 | - | 1,323,326 |
| Costs | (83,145) | (30,868) | (158,915) | (102,897) | (99,470) | - | (475,295) |
| **Gross profit** | **142,422** | **123,296** | **359,440** | **56,997** | **165,876** | **-** | **848,031** |
| Selling expenses | (2,388) | (4,452) | (37,134) | (16,509) | (124,918) | - | (185,401) |
| Administrative expenses | (35,079) | (45,679) | (54,335) | (35,074) | (25,124) | - | (195,291) |
| Gain from recognition of inventories at net realizable value | 33,831 | - | - | - | - | - | 33,831 |
| Net Income from retained interest in securitized receivables | - | - | - | - | 37,470 | - | 37,470 |
| Gain from operations and holding of real estate assets, net | 730 | 361 | - | - | - | - | 1,091 |
| **Operating income** | **139,516** | **73,526** | **267,971** | **5,414** | **53,304** | **-** | **539,731** |
| Amortization of negative goodwill, net | 844 | 863 | 561 | - | (627) | - | 1,641 |
| Financial results, net | (8,868) | (18,487) | (87,564) | (15,697) | (18,921) | (15,559) | (165,096) |
| Gain on equity investeees | 1,907 | - | 40 | 5,990 | - | 152,479 | 160,416 |
| Other income and expenses, net | - | - | (1,321) | 2,604 | (1,984) | (9,610) | (10,311) |
| Gain before tax and minority interest | **133,399** | **55,902** | **179,687** | **(1,689)** | **31,772** | **127,310** | **526,381** |
| Income tax and minimum presumed income tax | (45,541) | (15,250) | (68,086) | 207 | (10,473) | (9,284) | (148,427) |
| Minority interest | 140 | - | (48,373) | 4,938 | (158) | - | (43,453) |
| **Net income, for the year** | **87,998** | **40,652** | **63,228** | **3,456** | **21,141** | **118,026** | **334,501** |
| | | | | | | | |
| Gross margin (2) | 0.63 | 0.80 | 0.69 | 0.36 | 0.63 | - | 0.64 |
| Operating margin (3) | 0.62 | 0.48 | 0.52 | 0.03 | 0.20 | - | 0.41 |
| Net margin (4) | 0.39 | 0.26 | 0.12 | 0.02 | 0.08 | - | 0.25 |
| | | | | | | | |
| Depreciations and amortizations (5) | 343 | 24,535 | 111,736 | 16,138 | 7,994 | - | 160,746 |
| | | | | | | | |
| Consolidated Balance Sheet data | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Operating assets | 582,204 | 991,750 | 1,780,777 | 210,675 | 277,486 | 204,553 | 4,047,445 |
| Non-operating assets | 75,444 | 97,002 | 153,540 | 37,576 | 49,785 | 1,172,649 | 1,585,996 |
| **Total assets** | **657,648** | **1,088,752** | **1,934,317** | **248,251** | **327,271** | **1,377,202** | **5,633,441** |
| Operating liabilities | 36,863 | 173,187 | 355,185 | 38,451 | 174,254 | - | 777,940 |
| Non-operating liabilities | 331,373 | 301,564 | 802,927 | 178,211 | 122,714 | 152,559 | 1,889,348 |
| **Total liabilities** | **368,236** | **474,751** | **1,158,112** | **216,662** | **296,968** | **152,559** | **2,667,288** |

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| 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 | Hotels | Consumer Financing | Financial transactions and other | Total |
|---|---|---|---|---|---|---|---|
| | | | (in thousands of Ps.) | | | | |
| **Consolidated Income Statement data** | | | | | | | |
| 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** |
| Selling expenses | (2,115) | (11,460) | (29,308) | (16,546) | (176,772) | - | (236,201) |
| Administrative expenses | (20,867) | (31,547) | (43,247) | (34,888) | (16,780) | - | (147,329) |
| Gain from recognition of inventories at net realizable value | 12,056 | - | - | - | - | - | 12,056 |
| Net loss on retained interest in securitized receivables | - | - | - | - | (46,012) | - | (46,012) |
| Gain from operations and holding of real estate assets, net | 51 | 1,073 | - | - | - | - | 1,124 |
| **Operating income / (loss)** | **121,169** | **76,485** | **214,903** | **8,590** | **(125,431)** | **-** | **295,716** |
| Amortization of negative goodwill, net | 455 | 1,100 | 47 | - | - | - | 1,602 |
| Financial results and holding results, net | (6,222) | (14,202) | (92,602) | (16,083) | (1,827) | (5,445) | (136,381) |
| Income / (loss) on equity investeees | 1,974 | - | 40 | - | - | 59,528 | 61,542 |
| Other income and expenses, net | - | - | 3,882 | 127 | (606) | (12,258) | (8,855) |
| Gain before tax and minority interest | 117,376 | 63,383 | 126,270 | (7,366) | (127,864) | 41,825 | 213,624 |
| Income tax and minimum presumed income tax | (41,149) | (16,542) | (53,258) | 3,233 | 37,484 | (10,102) | (80,334) |
| Minority interest | 61 | - | (22,104) | 5,565 | 41,823 | - | 25,345 |
| **Net Income, for the year** | **76,288** | **46,841** | **50,908** | **1,432** | **(48,557)** | **31,723** | **158,635** |
| Gross margin (2) | 0.47 | 0.80 | | | | | |