IRSA INVESTMENTS & REPRESENTATIONS INC
Form 6-K
September 29, 2011
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

THE SECURITIES EXCHANGE ACT OF 1934

For the month of September, 2011

Irsa Inversiones y Representaciones Sociedad Anónima

(Exact name of Registrant as specified in its charter)

Irsa Investments and Representations Inc.

(Translation of registrant s name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Bolívar 108

(C1066AAB)

Buenos Aires, Argentina

(Address of principal executive offices)

Form 20-F x Form 40-F ¨

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

Yes ¨ No x

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IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

(THE COMPANY)

REPORT ON FORM 6-K

Attached is an English translation of the Annual Report and Financial Statements corresponding to the fiscal year ended on June 30, 2011 and 2010.

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CORPORATE PROFILE

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

We are one of the largest real estate investment companies in Argentina in terms of assets. We are engaged, directly and indirectly through subsidiaries and joint ventures in different activities related to real estate in Argentina, including:

i. the acquisition, development and operation of shopping centers;

ii. the development and sale of residential properties;

iii. the acquisition and development of office buildings and other non-shopping center properties primarily for rental purposes;

iv. the acquisition and operation of luxury hotels,

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

vi. selected real estate investments outside Argentina.

As of June 30, 2011, we owned 29.77%[1] of Banco Hipotecario S.A., 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.

[1] This figure does not consider the effect of Banco Hipotecario s treasury stock.

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LETTER TO SHAREHOLDERS

Dear Shareholders,

The past fiscal year has been a great one, mainly due to the fine results derived from the Shopping Center segment and the good performance of the Real Estate sector in Argentina. Our management has continued to show its high skills and experience, consolidating an inimitable Real Estate asset portfolio. Likewise, it has adopted innovating actions, achieving optimum management and operating results.

During 2010 and 2011, the Argentine economy has been on a solid growth track: fiscal indicators have continued to reflect external and internal strength and the demand for Argentine exports has maintained its attractive levels. This trend translated into a stable growth pattern in private consumption which, accompanied by an appreciation in the peso real exchange rate, favorably impacted on our segments exposed to this variable. On the one hand, in the Shopping Center segment our business model and our strong and enduring relationship with our tenants was benefited by this macroeconomic scenario. In addition, the Office segment has shown robust lease pricing and occupancy figures, and finally, the Hotel segment has consolidated its recovery thanks to the increase in tourist inflow and spending.

The Argentine real estate sector continues to show the strength that has characterized it during the last years, mainly because the industry has garnered investments from both individuals and corporations, who consider real estate to be a good value reserve in light of the markets volatility. Therefore, we have continued to observe a sustained demand and firm prices.

We believe that there is still potential for a higher growth in prices, as in Argentina the vast majority of properties are free from indebtedness. This is reflected by the Argentine macroeconomic figures: the stock of mortgages accounts for less than 2% of the Argentine GDP. Besides, there is a nationwide deficit of more than 3.5 million houses. For this reason, if the mortgage market regains momentum, we expect a higher demand that will lead to increased industry activity, resulting in higher prices.

The past fiscal year has been witness to significant developments in our Company. Out of these, the most important one was the consummation of the acquisition of the 29.6% stake held in APSA by our former partner Parque Arauco. At present, we control 94.9% of APSA, the leading company in the Argentine shopping center industry. We believe that this has been one of the transactions that will deliver the greatest value to our shareholders, given that the acquisition was made for a consideration of USD 126 million.

During this fiscal year, the Shopping Center segment (through APSA) posted noteworthy results, in line with those recorded in the past years: our tenants sales reached ARS 7,766.3 million, increasing by 34.4%; we maintained an occupancy rate of 97.6% and revenues from this segment stood at ARS 674.8 million (30% higher than in the previous fiscal year). EBITDA from this segment reached ARS 517.7 million, whereas the EBITDA/revenue margin was close to 76.7%.

In the beginning of this fiscal year we started to manage our twelfth Shopping Center, Soleil, located in the surroundings of the City of Buenos Aires. In operating this property our management has shown its vast experience and operating capacity, as may be seen by the significant improvement in results achieved after one year of operations, during which our tenants invoicing exceeded ARS 200 million. On the other hand, in the next fiscal year we plan to restyle this Shopping Center, seeking to optimize its tenant mix and position it as the first premium outlet in Argentina.

We have recently acquired a 50% interest in Nuevo Puerto de Santa Fe S. A., concessionaire of a building in the City of Santa Fe where it operates a Shopping Center known as La Ribera. This transaction adds a 13th shopping center to our portfolio, encompassing 8,000 sqm of gross leaseable area. We believe that this is a new opportunity for our management to capitalize on its leadership and track record of more than 15 years in this industry.

We have made headway in the development of a new shopping center in the City of Neuquén which we expect to become leader in the Patagonia, as it is located in one of the most populated and wealthiest cities in that region. In addition, we are making progress in our Arcos del Gourmet project located in the neighborhood of Palermo, City of Buenos Aires. We aspire that these new proposals will achieve the success of our latest development, DOT Baires. This Shopping Center, opened in May 2009 and the largest in the City of Buenos Aires, has become one of the major assets in our portfolio, ranking fourth in terms of tenant sales and consolidating as an industry icon. Our tenants sales in this Shopping Center exceeded ARS 985 million during fiscal year 2011, maintaining an occupancy rate of 99.7%.

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The Shopping Center segment is our main business and where we expect to continue expanding our current portfolio. We have reserves for future developments in the City of Paraná, the City of Tucumán and the neighborhood of Caballito, City of Buenos Aires. In addition, in various of our shopping centers we have the chance to increase their footage. We are studying the best timing for launching these and other new projects. Above all, we have a management team whose vision is focused on the growth and development of this industry.

We stand out for having the most attractive premium office portfolio in the City of Buenos Aires. This segment recorded an occupancy rate of 90.9% and an average lease price close to USD 24.4 per sqm. Therefore, during fiscal year 2011, it posted revenues for ARS 164.6 million (7% higher than in the past year), an EBITDA of ARS 109.4 million and an EBITDA margin of 66.4%. The performance of our new venture, DOT Building has been noteworthy, as it reached an occupancy rate of 86%, and 100% occupancy by the beginning of fiscal year 2012. We continue to be significant developers in this segment, thus we have started the development project of a new premium office building in the neighborhood of Catalinas, which we expect to lease at a very good price upon its completion, given its design and location.

The Hotel segment has shown a healthy recovery in 2011, recording stable results, with total revenues for ARS 192.9 million (21% increase) and an EBITDA of ARS 26.5 million. A positive trend has been noted in foreign and local tourist inflow in Argentina, and we expect this segment to keep up its satisfactory results.

Our Sales and Developments segment has reported an EBITDA of ARS 85.2 million. During this fiscal year we made greater focus on residential development activities instead of focusing on the sale of non-strategic offices, as we had done during the previous year. Our Horizons project, which we are developing jointly with Cyrela Brazil Realty, has started to yield revenues, as we are now surrendering possession of its units. This project was a sales boom at the moment it was launched, and at present it has achieved high performance levels. In addition, we have increased the sales of units in our Caballito Nuevo project, more than 81% of which has been sold, and in the El Encuentro suburban development.

We have also entered into two barter agreements with TGLT (a company in which our subsidiary APSA holds an equity interest of 8.86%), one in respect of the Terreno Caballito plot and the other, through APSA, in respect of the Terreno Beruti plot, in exchange for which we will obtain a percentage of the apartment units and parking spaces to be built upon completion of the projects.

As concerns the sale of land reserves, we have completed the sale of plots of land adjoining the Alto Rosario shopping center, thus capitalizing the appreciation of this area that resulted from this development. Therefore, we sold (through APSA) 4 parcels adjacent to the development Torres Rosario .

As concerns our latest acquisitions, we acquired the entire stake in the company that is owner of the lands intended for the development of a future urban project in Carrasco, close to Montevideo, Republic of Uruguay. In addition, we purchased a 160,000 sqm meter plot in the district of San Martín, Buenos Aires, in the surroundings of the City of Buenos Aires, that was formerly owned by Nobleza Picardo, intended to be used for mixed purposes.

Part of our portfolio includes different land reserves in the City of Buenos Aires and other cities in Argentina. Although not directly reflected in our balance sheet, this real estate asset portfolio benefits from the upsurge in real property prices experienced in the Argentine market. We believe that both the quality of our assets and their development potential protect us in an inflationary context, apart from being a significant value reserve.

As part of the consolidation of our business lines, APSA consummated the sale of 80% of Tarshop S.A. to Banco Hipotecario S.A. (BHSA). Therefore, Tarshop s successful consumer finance business will be backed by one of the largest banks in Argentina, in which we held an equity interest close to 29.77% at year-end. We believe that, in Banco Hipotecario s hands, Tarshop will have the executive and financial capacity required to conduct its business.

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As regards our ownership interest in BHSA, it has favorably impacted on our results, contributing ARS 76.7 million in income during the fiscal year. Banco Hipotecario maintains high solvency levels and has continued to grow in the segment of non-mortgage financial products and services, with a rise in the number of deposits used for funding and an improvement in its portfolio loan profile; in this respect, the acquisition of 80% of Tarshop S.A. is framed within its strategy for diversifying its financial services.

The volatility prevailing in the international context has offered to us opportunities for acquiring or developing real estate assets outside Argentina which we have analyzed and, when they were attractive, acted upon them. We believe that the know-how in real estate gained over the past years and our experience in managing our portfolio in volatility contexts will allow us to successfully overcome any challenges that may arise. We strive for selective investments that serve as hedges against future inflation whilst simultaneously involving top-quality assets at appealing prices or with capital structures fit for optimization.

In this respect, during fiscal year 2010, we, together with certain affiliates, acquired an interest in Hersha Hospitality Trust, a Real Estate Investment Trust (REIT) listed on the New York Stock Exchange (NYSE). During this fiscal year we slightly reduced our interest to 9.2%. In this regard, the investment in Hersha has resulted in a gain of ARS 56.7 million during this fiscal year.

Also in line with this strategy we acquired, through certain subsidiaries, an ownership interest in two office buildings in the City of Manhattan, located at 183 Madison Avenue and 885 Third Avenue (known as the Lipstick Building). These assets were undergoing sensitive indebtedness situations that were favorably resolved thanks to the Company s know-how. The Lipstick Building s debt was restructured and reduced by more than USD 120 million. Following this transaction and after having invested USD 15 million, IRSA now holds a 49% equity interest in the company that is owner of the building. On the other hand, we acquired 49% of the building located at 183 Madison.

We would like to note that IRSA paid dividends to its shareholders again in accordance with the agreed policy, for a total of ARS 100 million, or ARS 1.73 per outstanding GDS. Moreover, at the beginning of this fiscal year IRSA issued debt in the international market for an amount of USD 150 million subject to a 10-year term. This represented the first purely Argentine corporate issuance to have reopened the long-term market after the international financial crisis.

In the light of the robust cash generation that the Company has been exhibiting, the quality of its assets, its experience in tapping market opportunities and its franchise for accessing international markets, we are confident that we are on the right path towards the consolidation of Argentina s best real estate portfolio.

In this respect, IRSA has not only placed a firm stake on the direction taken by its businesses investing close to USD 500 million over the past three years, but has also maintained its commitment to the community through several dissemination and awareness-raising campaigns about care for natural resources and adequate waste treatment for recycling.

The contribution to the resolution of problems related to education, health and environment are part of our company s long term concerns. This is taken into consideration and integrated into our company strategy formulation.

During the past year, we have worked together with suppliers through a program known as Valor (Value), executed with AMIA and Endeavor. On the other hand, we have executed diverse actions in our shopping malls in order to generate awareness about care for natural resources and social consciousness (Hour of the Planet , Environment Week , *Tapitómetros*) and general awareness actions (*Programa La Compañía* , *Campaña Te Abrigo* , campaigns against Breast Cancer, Transit Education, *Proyecto Sumando*)

Also, through the IRSA foundation, we have endorsed the Puerta 18 Project, a free-of-charge, extra-curricular space, for youths in the 13 to 18 age range who wish to develop technological and artistic skills through participation in web-design, digital animation, photography, music and video production and edition workshops, among other offerings. These initiatives aim to enable our businesses to be sustainable over the long-term.

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Our future objectives shall only be attainable with the joint endeavors of our Shareholders, Creditors, Directors, Customers, Tenants, Suppliers, Employees and the Community at large, who also happen to play the leading roles in our current situation. It is to all of them that I wish to extend my gratefulness for their unwavering support and commitment to the organization s goals.

City of Buenos Aires, September 8, 2011.

Saúl Zang

Vicepresident I

acting as president

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MACROECONOMIC CONTEXT

International Outlook

The global economy has continued its recovery after the 2008 financial crisis. According to International Monetary Fund (IMF) data, in the year 2010, the world s Gross Domestic Product (GDP) rose 5.1% and accumulated an annualized growth of 4.3% in the first quarter of 2011, reversing the unprecedented contraction recorded in 2009. GDP in the most developed markets increased 3% in 2010, whereas in the developing countries markets, it soared 7.3%.

During 2010 and the first six months of 2011 showed a significant recovery compared to 2009. International financial markets were favored by corporate profits. Stock prices in emerging Asia, Latin America and the United States regained their values prior to the crisis. At global level, the MSCI All Countries index picked up a 10.42% change when measured in US Dollars; the MSCI World (representative of developed markets) posted a 9.55% variation whilst the MSCI Emerging Markets rose 16.36%. Furthermore, it must be highlighted that performance at the level of developing countries was higher than in the developed world. In this connection, performance at the local market levels also picked up the trend (in U.S. dollars). The S&P500 rose by 10.66%; the FTSE 100 by 4.68%, and the Nikkei by 9.42%, while the Bovespa rose by 2.43% and Argentina s Merval rose by 41.83%.

The IMF s projections show that the economic activity will drop slightly during the second quarter of 2011 and will resume growth during the second half of the year. According to the IMF, global output is set to grow at an annualized rate of 4.3% throughout 2011. However, regional disparities continue as the forecasts for the developed economies and for the developing economies are 2.2% and 6.6% respectively. It seems that during the first half of 2011, the financial markets did not show such an encouraging outlook as in 2010. The MSCI All Countries varied by 2.69%, the MSCI World by 3.36% and the MSCI Emerging Markets varied by -1.49%.

According to the IMF, inflation at the global level was 3.5% in 2010, 1.2 bp higher than in 2009. In line with the growth rate observed, inflation in the emerging markets was 6.2%, higher than the one recorded in developed countries, which stood at 1.6%.

During the past year and the first 6 months of 2011, the commodities market recorded rises in most raw materials. The GSCI All Metals Industrial index shows that metal prices rose 16.73% in 2010 and 2.1% in 2011. The price of energy, as measured by the GSCI Energy index, increased 1.91% in 2010 and climbed 8.15% in 2011. Finally, the GSCI Agriculture saw strong increases in the prices of agricultural commodities, which went up by 34.19% in 2010, although these figures evaporated in 2011, as agricultural commodity prices fell by 5.54%.

During this fiscal year, the markets were adversely affected by doubts on the sustainability of the debt of most peripheral European countries and their difficulties in implementing the fiscal tightening programs required. The PIGs credit default swaps increased substantially, and concerns arose again regarding the vulnerability of the banks in developed Europe, given their significant debt holdings of peripheral countries. In turn, the United States is having difficulties in finding a solution for its public account deficit, which accounts for 10% of its GDP, and an indebtedness that reached the USD 14.3 billion ceiling imposed by Congress.

The Argentine Economy

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

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During 2010, Consumption has continued to be the main component in the aggregate demand, accounting for 65% of the GDP. In this regard, private consumption recorded an annual growth of 9% while public consumption grew 9.2% (according to the Ministry of Economy).

Private sector analysts and pundits disagree over the measurement criteria that make up INDEC s Consumer Price Index. Therefore, inflation figures do not show a reliable accuracy level. According to INDEC statistics, the Consumer Price Index for Greater Buenos Aires, which measures price variations in the City of Buenos Aires and in Greater Buenos Aires, inflation in 2010 was approximately 10.9%, recording a considerable increase in beef of 39%, followed by clothes, up by 15%, and education, up by 12%. As regards wholesale prices, in 2010 there was a 14.56% variation in the Wholesale Internal Price Index (IPIM), a 15.67% variation in the Wholesale Internal Basic Price Index (IPIB), and a 16.04% variation in the Basic Price for Producers Index (IPP).

On the other hand, as reported by private sector sources, the Consumer Price Index published by Estudio Broda (which combines the FIEL Consumer Price Index, the Buenos Aires Consumer Price Index and the combined Consumer Price Index for 7 provinces whose statistical agencies do not share the official criterion), the average pricing level of the economy increased 22.5% in 2010 compared to the previous year. This figure is almost twice as big as that unveiled by the official statistics.

As concerns 2011, the INDEC s measurements show that accumulated inflation for the first 6 months is in the whereabouts of 5.5%. In turn, Estudio Broda s measurements suggest an annualized inflation rate of 23%.

In connection with the labor market, in 2010 the unemployment rate was reduced to 7% of the active population, compared to 8% in 2009. On the salary side, the average salary in the Argentine economy accumulated a 26.2% raise in 2010, way above the official figures for retail inflation and in line with private sector inflation estimates. According to the INDEC s salary index, the accumulated increase in the first half of 2011 was 13.5%.

Argentina s external sector showed during 2010 a surplus trade balance, with exports for USD 81.3 billion and imports for USD 67.9 billion according to official data. During the first quarter of 2011, the trade surplus decreased, as imports grew at higher rates than exports.

When it comes to public finances, according to the Ministry of Economy, the primary result for the Public Sector for the year 2010 was ARS 25,115 million. This stands for a 45.2% rise compared to the year 2009.

During fiscal year 2010, the indebtedness/GDP ratio was reduced from 48.8% to 45.8%. In addition, Argentina s country risk as measured by its five-year Credit Default Swap (CDS) for senior USD -denominated indebtedness continues to exhibit a spread that is high when compared to the most solid countries in the region, Brazil and Chile. The volatility that affected the financial markets caused by the emergence of debt problems in peripheral European countries and discussions on the United States debt ceiling triggered a substantial increase in the surcharge Argentina pays for its debt, which stood at 630 points as of July 2011, compared to Brazil s 114 points and Mexico s 111 points. The difference between the CDS in Argentina and Brazil and/or Mexico compared to performance before the financial crisis is still high.

In the local financial markets the rate of private bank deposits at 30 days remained stable, showing a slight increase from 9.31% as of June 2010 to levels close to 9.83% for June 2011. In turn, the Private Badlar rate in pesos increased from 10.14% to 11.23%.

Following the normalization in international financial conditions, the Argentine Central Bank (BCRA) has continued with its progressive devaluation and reserve accumulation policy. The foreign exchange rate depreciated by 4.6% in the period June 2010 through June 2011 and reserves rose by USD 2,758 million, being close to USD 52 billion. This level is higher than that previous to the financial crisis of 2009.

During 2010, the multilateral real exchange rate was also affected by the difference between the depreciation of the Peso against the basket of currencies that make it up and the inflation sustained by the Argentine economy. There was a 3.9% appreciation, a percentage that has been deflated by INDEC s CPI, because the figures as released by private sources point to an even higher real appreciation. The Peso/U.S. Dollar real exchange rate experienced a 4.5% appreciation, whereas the Peso depreciated 3.3% vis-à-vis the Brazilian currency.

According to official data, Fixed Internal Gross Investment (IBIF), measured in real terms, was in the region of 21% of GDP for 2010 with the following distribution: 10.15% for the durable goods sector and 10.85% for the construction sector.

The use of industrial installed capacity was 76.7% in June 2011, a stable figure compared to the level posted in the same month of 2010. The sectors that benefited the most were tobacco products and the mechanic steel industry (excluding the car-making sector). Despite the rise in the general level of activity, there were sectors with unfavorable performance, such as the printing and publishing sectors.

Our Segments

The rates of growth in the construction industry remained in excess of 10% on an year-on-year basis. According to INDEC s Summary Construction Activities Indicator (ISAC, as per the initials in Spanish), the construction industry posted 10.2% growth in the first half of 2011, compared to a year earlier and gained momentum in the second quarter, reaching 11% y-o-y growth in the second quarter. In the year to date, the construction industry has grown at a rate higher than in 2010 and 2009. In the first half of 2009, the sector s activity had shrunk by 2.6% y-o-y due to the international financial crisis whilst in the first half of 2010 it had grown at a 9.8% rate y-o-y.

The captions that were at the forefront in terms of growth in the construction industry for 2011 were the oil-related works, which grew by 15.4% year on year in the first six months of the year, followed by infrastructure works (13.4%), road works (12.5%) and homes (9.5%) together with other residential projects (11%), all of them, for the first half of 2011. This notwithstanding, all the captions in the sector contributed to the increase, to a lesser or larger extent, with no major deviations from the median.

As regards the surface area covered by the permits granted for construction works, it spanned 3.51 million square meters in the first half of the year. Compared to the first half of 2010, there was a 6% increase in the number of permits granted, indicative of an improvement against the year-on-year drops of 12.6% and 17.6% seen in the first halves of 2010 and 2009.

When it comes to the residential market, the level of activity exhibited outstanding performance in 2010 and in the first six months of 2011 with the prices going hand in hand with such growth, due in part to the reliance placed on investments in property to safeguard value. However, in recent months the market has been closely watching the run-up to the upcoming October elections. Hence, due to the expectations of an increase in the US Dollar/Peso exchange rate by the end of 2012, a part of the demand considers it best to keep its US Dollars on hand for the time being.

Although the threshold sales prices of high-end apartments located in traditionally exclusive areas have been the same or slightly higher than a year earlier, the ceiling prices have risen by almost 20%.

The Shopping Centers sector has exhibited major sales growth in the first half of 2011. Shopping Centers turnover benefitted greatly from the expansion that is being perceived in consumption amidst a context of high inflation in which wages outgrow retail prices. Based on the information released by INDEC, sales during fiscal 2011 rose by 35% compared to fiscal 2010, boosted by the good mood amongst consumers and the tangible improvements in household nominal income.

Most retail offerings exhibited outstanding dynamics in that month. The principal increases were in Food Courts and Food , Apparel and in Entertainment and Leisure , with increases in excess of 30%.

Economic indicators pointed to favorable performance in fiscal 2011, which ensured good sales performance in Shopping Centers. Forecasts for 2011 are favorable, which augurs well for the Company s business in so far as the level of economic activity, consumption and inflation accompanied by salary raises are the main propellers of sales in the Company s Shopping Centers.

As regards the Hotels sector, the Argentine Secretariat of Tourism reported that 5,287,850 tourists had arrived in Argentina during 2010, representative of a significant 22.8% increase compared to 2009, when 4,292,326 tourists had arrived. The future outlook is positive, as supported by an overall good regional performance with the forecast being that by 2012 there will be more than twice as many tourists as those recorded in 2002. There has also been an increase in tourism associated with meetings and congresses, which has already placed the country amongst the twenty top preferred venues in the world.

By nationality, the ranking of tourists visiting Argentina is led by our Brazilian neighbors who consider that the appreciation of the Reais affords them an opportunity to increase consumption in Argentina. The number of tourists coming from Europe and the USA, affected to varying degrees by the economic hurdles in their home countries has decreased sensibly and our exchange rate is no longer appealing to them.

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BUSINESS

Overview

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

- the acquisition, development and operation of shopping centers, 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 ARS 5,633.4 million and ARS 6,315.3 million, respectively and shareholders equity of ARS 2,403.0 million and ARS 2,481.8 million, respectively. Our net income for the fiscal years ended June 30, 2009, 2010, and 2011 was ARS 158.6 million, ARS 334.5 million and ARS 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%[1] 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.

1 This figure does not consider the effect of Banco Hipotecario s treasury stock.

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Shopping centers

We are engaged in purchasing, developing and managing shopping centers through our subsidiary, Alto Palermo S.A. (APSA) (Alto Palermo). Alto Palermo operates and owns majority interests in twelve shopping centers in Argentina, eight of which are located in the Buenos Aires metropolitan area, and the other four are located in the Provinces of Mendoza, Santa Fé, Córdoba and Salta. APSA has recently started to operate, through a concession, its 13th Shopping Center in the Province of Santa Fe. Our Shopping center segment had assets of ARS 1,934.3 million as of June 30, 2010 and ARS 2,238.5 million as of June 30, 2011, representing 34.3% and 35.4%, respectively, of our consolidated assets at such dates, and generated operating income of ARS 268.0 million and ARS 385.1 million during our 2010 and 2011 fiscal years respectively, representing 49.6% and 65.8%, respectively, of our consolidated operating income for such years.

Consumer Finance

We have developed a consumer finance business through our subsidiaries, Tarshop S.A. (Tarshop) and Metroshop S.A. (Metroshop). As of fiscal year-end, we had sold 80% of our interest in Tarshop to Banco Hipotecario and we had a majority equity interest in Metroshop. Tarshop and Metroshop s credit card operations consist primarily of lending and servicing activities relating to the credit card products we offer to consumers at shopping centers, hypermarkets and street stores. A substantial part of our credit card advances is financed through securitization of the receivables underlying the accounts originated. Our revenues from credit card operations are derived from interest income generated by financing and lending activities, merchants fees, insurance charges for life and disability insurance, and fees for data processing and other services. As from September 1, 2010, Tarshop was deconsolidated from our financial statements, leaving a marginal activity in this segment. The Consumer Finance segment had assets of ARS 327.3 million as of June 30, 2010 and ARS 48.7 million as of June 30, 2011, which represented 5.8% and 0.8%, respectively, of our consolidated assets at such dates, and generated an operating income of ARS 53.3 million and ARS 19.0 million for our 2010 and 2011 fiscal years, respectively, representing 9.9% and 3.2%, respectively, of our consolidated operating income for such years.

Development and Sale of Properties

Our activity of sale of and office buildings and land reserves is reflected in this segment.

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

Office buildings

As of June 30, 2011, we directly and indirectly owned a majority interest in 11 office buildings and other non-shopping center rental properties in Argentina that in the aggregate represented 327,838 square meters of gross leaseable area. Our Offices and other non-shopping center rental properties segment had assets of ARS 1,088.8 million as of June 30, 2010 and ARS 1,412.6 million as of June 30, 2011, representing 19.3% and 22.4%, respectively, of our consolidated assets at such dates, and generated operating income of ARS 73.5 million and ARS 84.1 million during our 2010 and 2011 fiscal years, respectively, representing 13.6% and 14.4%, respectively, of our consolidated operating income for such years.

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Hotels

We own a 50% equity interest in Hotel Llao Llao, located in the outskirts of Bariloche, and a 76.34% equity interest in the Hotel Intercontinental in the City of Buenos Aires and an 80% equity interest in Hotel Sheraton Libertador in Buenos Aires. Our Hotels segment had assets of ARS 248.3 million as of June 30, 2010 and ARS 239.5 million as of June 30, 2011, representing 4.4% and 3.8%, respectively, of our consolidated assets at such dates, and generated operating income of ARS 5.4 million and ARS 12.2 million during our 2010 and 2011 fiscal years, representing 1.0% and 2.1%, respectively, of our consolidated operating income for such years.

Banco Hipotecario

During fiscal year 2011, we continued to increase our interest in Banco Hipotecario, reaching to a 29.77% investment, held in the form of Class D shares, which are currently entitled to three votes per share, affording us, as of this fiscal year end, a right to 46.46% of the total votes that can be cast at Banco Hipotecario s shareholders meetings. As of June 30, 2011, our investment in Banco Hipotecario represented 14.5% of our consolidated assets, and during our fiscal years ended June 30, 2009, 2010 and 2011, this investment generated income for ARS 142.1 million, ARS 151.6 million and ARS 76.7 million, respectively.

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 Argentine and possibly, other places abroad. To achieve this strategy, 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, whose main 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.

Description of Operations

Offices and other non-shopping center rental properties

We are engaged in the acquisition, development and management of Offices and other non-shopping center rental properties in Argentina. As of June 30, 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 ARS 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.

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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) June-11	IRSA s Effective Interest	Monthly Rental Income (in thousands of ARS) (3)	Annual accumulated rental income over fiscal periods (12 months) (in thousands of ARS) (4) 2011	2010	2009	Book Value (in thousands of ARS) (5)
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%	96%	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
Terreno Catalinas Norte (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 3 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.

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.

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Fiscal year of lease expiration	Number of leases expiring	Area subject to expiring leases (m^2)	Percentage of total area subject to expiration (%)	Annual rental income under expiring leases (ARS)	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%	180,218,929	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).

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 (ARS/m2)	2010 (ARS/m2)	2009 (ARS/m2)
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).

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 Kimberley 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., IRSA, Alto Palermo, Cognizat Technology Solutions Argentina and Industrias Pugliese S.A.

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.

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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 sqm adjacent to Dot Baires Shopping. This building was opened in July 2010, which means our landing in the booming rental office corridor in the northern area of the City of Buenos Aires. 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 ARS 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 ARS 95 million, ARS 19 million of which were paid upon the execution of the preliminary sales agreement (on December 17, 2009), whereas the balance of ARS 76 million was paid upon the execution of the deed on May 26, 2010.

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Shopping Centers

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 USD31.7 million of Alto Palermo s convertible notes due July 2014. If we, and all the other holders of such convertible Notes were to exercise their options to convert the convertible notes into shares of Alto Palermo s common stock, our shareholding in Alto Palermo would increase to 97.5% of its fully diluted capital.

As of June 30, 2011, Alto Palermo s shopping centers comprised a total of 299,326 square meters of gross leaseable area (excluding certain space occupied by hypermarkets which are not Alto Palermo s tenants). For fiscal period 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.

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

	Date of Acquisition	Leaseable Area sqm (1)	APSA s Effective Interest (3)	Occupancy rate (2)	Accumulated Annual Rental Income for the fiscal year (in ARS/000) (4) 2011	2010	2009	Book Value (ARS/000) (5)
Shopping Centers [6]								
Alto Palermo	11/97	18,701	100.0%	99.6%	120,338	98,020	82,450	279,937
Abasto Shopping [7]	07/94	37,622	100.0%	99.8%	118,259	91,304	77,773	325,352
Alto Avellaneda	11/97	36,589	100.0%	96.0%	77,121	59,833	47,488	169,456
Paseo Alcorta	06/97	13,816	100.0%	98.4%	52,027	42,714	39,067	133,090
Patio Bullrich	10/98	11,742	100.0%	100.0%	45,033	37,254	31,537	136,466
Alto Noa Shopping	03/95	19,001	100.0%	99.7%	19,275	13,701	10,838	40,912
Buenos Aires Design	11/97	13,786	53.7%	98.6%	17,329	14,613	12,965	18,103
Alto Rosario Shopping [7]	11/04	28,648	100.0%	95.0%	42,642	30,821	24,141	138,472
Mendoza Plaza Shopping	12/94	40,659	100.0%	92.6%	36,441	27,206	25,478	123,312
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	49,526	80.0%	99.6%	77,169	64,515	8,499	495,836
Córdoba Shopping Villa Cabrera	12/06	15,203	100.0%	97.7%	19,113	13,446	11,262	78,527
Soleil	07/10	14,033	100.0%	91.9%	14,200			68,578
TOTAL SHOPPING CENTERS		299,326	95.1%	97.3%	674,779	518,355	396,733	2,025,104
Consumer Finance Revenues [11]		N/A	20.0%	N/A	68,576	265,346	236,827	
GENERAL TOTAL [12]		299,326	90.1%	97.3%	743,355	783,701	633,560	2,025,104

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. IRSA has a 95.59% interest in APSA.-
(4) Corresponds to total leases, consolidated as per the Technical Resolution 21 method.-
(5) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment in value, plus recovery of allowances, if applicable. 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 is 100%.
(12) Corresponds to the shopping center business unit mentioned in Note 3 to the Consolidated Financial Statements; includes revenues from Credit Cards (Tarshop and Metroshop).-

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Our Tenants Retail Sales

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

	Accumulated Tenants retail sales as of June 30, (ARS 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	318,443	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]	4,194,159	5,778,239	7,766,319

Notes:

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

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

Lease Expirations

The following table shows a schedule of lease expirations for our shopping center properties in place as of June 30, 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 (m^2)	Percentage of Total Surface Area subject to Expiration (%)	Annual Base Rent under Expiring Leases (thousands of ARS)	Percentage of Total Base Rent Under Expiring Leases (%)
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	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.

Occupancy Rate

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

	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
Alto Noa	99.9	99.9	100
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	99.7
Soleil			
Weighted Average	**98.5**	**97.5**	**97.6**

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Rental Price

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

	Rental Prices as of June 30 for the fiscal periods (ARS/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.

Principal Terms of the Leases

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

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 4% and 8% of tenant s gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant s Base Rent generally increases between 7% and 12% each year on an annual and cumulative basis as from the thirteenth (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. We may require tenants to make these extraordinary contributions up to four times a year provided that each such extraordinary contribution may not exceed 25% of the preceding monthly rental payment of the tenant.

Each tenant leases its rental unit as a shell without any fixtures. Each tenant is responsible for the interior design of its rental unit. Any modifications and additions to the rental units must be pre-approved by 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 our shopping center revenues for our fiscal years ended June 30, 2009, 2010 and 2011:

	Accumulated Tenants Sales as of June 30 for the fiscal periods (in millions of ARS)		
Type of Business	**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**

Description of each Shopping Center

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

Alto Palermo Shopping, City of Buenos Aires. Alto Palermo Shopping is a 145-store shopping center that opened in 1990 and is located in the densely populated neighborhood of Palermo in the City of Buenos Aires. Alto Palermo Shopping is located only a few minutes from downtown Buenos Aires and with nearby subway access. Alto Palermo Shopping has a total constructed area of 65,029 square meters that consists of 18,701 sqm 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 ARS 1,100.3 million, which represents annual sales for approximately ARS 58,839.6 per square meter. Principal tenants currently include Zara, Garbarino, Sony Style, Frávega and Just For Sport. Alto Palermo s five largest tenants (in terms of sales) accounted for approximately 15% 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 sqm of gross leaseable area.

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Alto Avellaneda has a six-screen multiplex movie theatre, a Wal-Mart megastore, an entertainment center, an 20-restaurant food court and starting in April 28, 2008, it also hosts a Falabella department store. Wal-Mart (not included in the gross leaseable area) acquired the space it occupies, but it pays a share of the common expenses of Alto Avellaneda s parking lot. This shopping center offers free-of-charge parking space for 2,700 cars over an area of 47,856 square meters. In the fiscal year ended June 30, 2011, the public visiting the shopping center generated nominal retail sales that totaled approximately ARS 1,132.6 million, which represents annual revenues for approximately ARS 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 ARS 525.8 million, which represents annual sales for approximately ARS 37,794.6 per square meter.

Principal tenants currently include Zara, Frávega, Rapsodia, Kartun and Jazmín Chebar. Paseo Alcorta s five largest tenants (in terms of sales in this shopping center) accounted for approximately 13.5% 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 sqm 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 sqm, entertainment facilities and the museum for children, covering an area of 3,732 sqm (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 ARS 1,227.4 million, which represents annual sales for approximately ARS 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 sqm of gross leaseable area. The four-story shopping center includes a 13-store food court, an entertainment area, a four-screen multiplex movie theatre and a parking lot with 215 spaces. In the fiscal year ended June 30, 2010, the shopping center s tenants generated nominal retail sales that totaled approximately ARS 432.3 million, which represents sales for approximately ARS 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 18,867 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 ARS 381.2 million, which represents annual sales for approximately ARS 20,060.8 per sqm. 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 ARS 188.5 million, which represents annual sales for approximately ARS 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 ARS 610.9 million, which represents annual sales for approximately ARS 21,326.8 per sqm. 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 ARS 733.4 million, which represents annual sales for approximately ARS 18,037 per sqm 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 ARS 244.2 million, which represents annual sales for approximately ARS 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.

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

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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 ARS 985.7 million, which represents annualized sales for approximately ARS 19,901.5 per sqm. 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.

Soleil Factory, San Isidro, Province of Buenos Aires. On December 28, 2007, Alto Palermo S.A. agreed with INC S.A. to buy a shopping center located in San Isidro, Province of Buenos Aires, called Soleil Factory . The purchase price was USD 20.7 million, USD7.1 million of which have been paid. At that time, Alto Palermo signed a letter of offer for the acquisition, construction and operation of a Shopping Center in the premises owned by INC S.A. in the City of San Miguel de Tucumán, Province of Tucumán.

On July 1, 2010, INCSA and APSA executed the final deed of partial conveyance of title of the Ongoing Concern and the Closing Minutes, pursuant to which INCSA transferred the Shopping Center s Ongoing Concern to APSA, which shopping center started to operate on the referred date. The transaction was exclusive of any debt or credit prior to the transaction with respect to INCSA s business, as well as of the real property where a hypermarket currently operates located in the premises. As from such date, the balance price of USD 13.6 million accrues interest at an annual rate of 5%.

Soleil Factory is a one-story shopping center, with a surface area of 48,313 sqm, 14,091 sqm of which are gross leaseable area, in respect of which APSA is also authorized to build more than 9,697 sqm. 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 ARS 204.1 million, representing average sales for the period of approximately ARS 14,483.2 per sqm. 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.

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 ARS 341.1 million, compared to ARS 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.

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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.

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

Sales and Development Properties

Developments	Date of Acquisition	Estimated / Real Cost (in thousands of ARS) (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 ARS) (5)	Accumulated Sales for the nine-month period as of June 30 of Fiscal Years (in thousands of ARS) (6) 2011	2010	2009	Book Value (in thousands of ARS) (7)
Residential Apartments												
Torres Renoir[15]	09/09/99	22,861	5,383	28	100.00%	100.00%	100.00%	53,940		142	53,798	
Caballito Nuevo [16]	11/03/97		6,833	118	100.00%	100.00%	81.18%	39,170	39,170			5,473
Torres de Rosario [8] [15]	04/30/99		4,692	80	95.59%	100.00%	3.08%	1,530	1,530			13,708
Libertador 1703 /1755 (Horizons) [14] [17]	01/16/07	399,355	44,648	467	50.00%	100.00%	100.00%	92,362	92,362			209,458
Other Residential Apartments [9]	N/A	231,677	158,747	1,660				310,128	1,599	117	3,483	84,069
Subtotal Residential Apartments		**653,893**	**220,303**	**2,353**				**497,131**	**134,661**	**259**	**57,281**	**312,708**
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	9,904	1,085
El Encuentro [18]	11/18/97		125,889	110	100.00%	100.00%	64.24%	24,147	20,665	3,482		5,918
Villa Celina I, II y III	05/26/92	4,742	75,970	219	100.00%	100.00%	100.00%	14,028			76	
Subtotal Residential Communities		**135,697**	**1,610,764**	**1,602**				**276,844**	**22,272**	**8,549**	**9,980**	**7,003**
Land Reserves												
Puerto Retiro	05/18/97		82,051		50.00%	0.00%	0.00%					54,370
Santa María del Plata	07/10/97		715,951		100.00%	0.00%	10.00%					158,742
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		95.59%	0.00%	100.00%	34,003	22,931		7,644	25,511
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	95.59%	0.00%	100.00%	9,102	9,102			
Terreno Baicom	12/23/09		6,905		50.00%	0.00%	0.00%					4,459
Canteras Natal Crespo	07/27/05		4,300,000		50.00%	0.00%	0.00%	336	63	21	29	5,779
Terreno Beruti [8]	06/24/08		3,207		95.59%	0.00%	100.00%	75,373	75,373			
Pilar	05/29/97		740,237		100.00%	0.00%	0.00%					3,408
Coto Air Space [8]	09/24/97		24,000		95.59%	0.00%	0.00%					16,110
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		95.59%	0.00%	0.00%					45,814
Patio Olmos [8]	09/25/07		5,147		95.59%	100.00%	0.00%					33,475
Other Land Reserves [11]	N/A		13,603,466	1				4,182	1,969	1,172	1,041	72,334
			20,849,942	**2**				**233,445**	**173,576**	**47,504**	**8,714**	**420,002**

Subtotal Land Reserves												
Others												
Madero 1020	12/21/95		5,069	N/A	100.00%	100.00%	100.00%	18,848		71	1,830	
Della Paolera 265	08/27/07		472	N/A	100.00%	100.00%	100.00%	6,850			6,850	
Madero 942	08/31/94		768	N/A	100.00%	100.00%	100.00%	6,137			6,137	
Dock del Plata	11/15/06		7,942	N/A	100.00%	100.00%	100.00%	84,206		42,136	42,070	
Libertador 498	12/20/95		7,439	N/A	100.00%	100.00%	100.00%	93,462	10,504	46,608	36,350	
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			74,510	
Reconquista 823	11/12/93		5,016	N/A	100.00%	100.00%	100.00%	31,535			31,535	
Locales Crucero I			192	N/A	100.00%	100.00%	100.00%	2,006			2,006	
Others (12)	N/A			N/A	N/A	N/A	N/A	1,028	59	912	63	
Subtotal Other			**40,485**					**422,424**	**10,563**	**169,255**	**204,387**	
Total (13)		**789,590**	**22,721,494**	**3,957**				**1,429,844**	**341,072**	**225,567**	**280,362**	**739,713**

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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), Caballito barter receivable and Lotes Pereiraola through IRSA.
10. Includes the sales of Abril s shares.
11. Includes the following land reserves: Terreno Pontevedra, Isla Sirgadero, Terreno San Luis, Mariano Acosta, Merlo and Intercontinental Plaza II through IRSA, 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: Puerto Madero 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 3 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 ARS 373.3 thousand representing 1% of the total sqm.
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 ARS 1,051.0 thousand representing 3% of the total sqm.
19. The book value includes net realizable value for ARS 14,964.4 thousand following offer letters representing 41% of the total sqm.

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 sqm 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 sqm 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 sqm in the case of Alto Palermo Park and of 294.5 sqm, in the case of Alto Palermo Plaza. Each unit includes an average of 18 and 29 sqm parking/storage space, respectively. These buildings were included with the assets that the Company acquired in November 1997 from Pérez Companc. As of the date of this report, 100% of 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, IRSA and KOAD S.A. (KOAD), an Argentine developer, entered into an asset exchange agreement valued at USD7.5 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 sqm, totaling approximately 28,000 saleable sqm. The project offers a wide variety of amenities and services. As a result of this transaction, Koad delivered to IRSA 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 pending sale.

Horizons Project, Vicente López, Olivos, Province of Buenos Aires. In January, 2007, we acquired the total shares of Rummaala S.A., the main asset of which is a plot of land located in Vicente Lopez, Province of Buenos Aires. The purchase price was USD21.17 million, payable as follows: (i) USD4.25 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 USD16.92 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 USD15.0 million, payable as follows: (i) USD0.5 million in cash; (ii) through the delivery of certain units of buildings Cruceros I and II in the amount of USD1.25 million and (iii) trough the delivery of certain units of the building to be constructed in the land acquired for a total purchase price of USD13.25 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. (CYRSA) 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

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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 Partiçipacões for the development of residential projects in the Republic of Argentina through CYRSA, which will operate under the name of IRSA - CYRELA.

IRSA-CYRELA s development project in this plot made up by two adjacent blocks in the Vicente López neighborhood, was launched in March under the name Horizons . It is one of the most significant developments in Greater Buenos Aires, which entailed a new concept in residential complexes given its emphasis on the use of common spaces. This project includes two complexes with a total of six buildings; one of them facing the river with three 14-floor buildings (the River complex) and the other on Avenida del Libertador with three 17-floor buildings (the Park complex), totaling 59,000 sqm of constructed surface area for sale distributed in 467 units (to the exclusion of the units to be delivered in exchange for the acquisition of land). With its unique and innovating style in residential complexes, Horizons has 32 amenities, including a meeting room; a work zone; indoor swimming pools; club house and spa, sauna, gym, children room, teen room; theme-park areas; and aerobic trail, to name but a few. The showroom was opened to the public in March 2008 with immediate success.

As of June 30, 2011, preliminary sales agreements had been executed for 100% of our own units on sale. The Towers located in the River block are completed and the title deeds of its units are being executed. Delivery of the untis will be completed during fiscal year 2012. In the Park block, completion of the last tower is expected to occur soon and delivery of the relevant units is scheduled to take place during fiscal year 2012. The results have started to be reflected as the works progress, consolidated at 50%.

Private Residential Communities

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

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

As of June 30, 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 sqm of saleable area in El Encuentro (Benavidez). Both residential communities are located in the province of Buenos Aires.

Abril, Hudson, Greater Buenos Aires. Abril is a 312-hectare private residential community located near Hudson City, approximately 34 kilometers south of the City of Buenos Aires. We have developed this property into a private residential community for the construction of single family homes targeting the upper-middle income market. The project includes 20 neighborhoods subdivided into 1,273 lots of approximately 1,107 square meters each. Abril also includes an 18-hole golf course, 130 hectares of woodlands, a 4,000-square meter mansion and entertainment facilities. A bilingual school, horse stables and sports centers and the construction of the shopping center were concluded in 1999. The neighborhoods have been completed, and as of June 30, 2011, 99.5% of the property had been sold for an aggregate of ARS 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 sqm 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 USD 4.0 million to our subsidiary Inversora Bolívar, of which USD 1.0 million were paid in

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cash and the balance of USD3.0 million was paid on December 22, 2009, with the transfer of 110 residential plots already chosen, totaling a saleable area of 127,795 sqm. 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, 64 units have been sold and there are portfolio reserves for 8 additional units for an amount of USD 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 had sold 10% of Solares de Santa María capital stock for USD10.6 million to Mr. Israel Sutton Dabbah, who is part of the Sutton Group. An initial payment of USD1.5 million was made and the balance of USD9.1 million was due on December 23, 2009. In order to secure his obligations under the share purchase agreement, the buyer created a pledge on certain assets owned by it for our and our subsidiary, Palermo Invest S.A. s benefit.

On the first days of September 2010, and after the end of fiscal year 2010, we acquired (through E-commerce Latina S.A.) a 100% interest in Unicity for the sum of USD 2.5 million. The main asset of Unicity includes 31,491,932 shares representative of 10% of Solares de Santa María S.A. s stock capital and pursuant to which it holds liabilities with IRSA for the purchase price balance, which as of even date amounts to USD 9.1 million.

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 June 2007, we sold 10% of the capital stock of Solares de Santa María for the amount of USD 10.6 million to Mr. Israel Sutton Dabbah, an unrelated third party, who is affiliated to the Sutton Group. USD 1.6 million of the purchase price were paid and the balance of USD 9.0 million will be paid on June 23, 2010.

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

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 that has the referred decree for the company, alternatively, Agreement 5/10 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 sqm financial center. The launching date has not been settled and consequently, the estimated cost and financing method are not decided. We own a 50% indirect interest in Puerto Retiro through our subsidiary Inversora Bolívar.

Caballito lot, Ferro Project. This is a property of approximately 23,791 sqm in the City of Buenos Aires, neighborhood of Caballito, one of the most densely populated of the city, which Alto Palermo purchased in November 1997. This plot would allow developing a shopping center having 30,000 sqm, 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 quite close to our Shopping Center known as Alto Palermo Shopping . The transaction involved a surface area of 3,207 sqm for a price of USD 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 USD 18.8 million. As consideration for the sale, APSA received USD 10.7 million in cash upon the execution of the preliminary sales 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 security for the transaction, TGLT delivered to APSA a performance bond for USD 4.0 million and a first-degree mortgage in the name of APSA for USD 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 sqm 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 USD 0.5 million, of which at the beginning of July 2010, the sum of USD 0.05 million was paid as advance payment, in August 2010 USD 0.1 million was paid, and the remaining USD 0.35 million will be paid upon the execution of the title deed.

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 sqm: 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.

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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 USD 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 IRSA a first-degree mortgage over the property in the amount of USD 12.75 million.

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

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

Land reserves in the Province of Buenos Aires

Sale of Pereiraola, Hudson. Through Inversora Bolivar, we had a 100.0% interest in Pereiraola S.A., a company whose principal asset is a 130-hectare undeveloped property adjacent to Abril, a private residential community developed by IRSA.

On April 21, 2010, the Company entered into a purchase and sale agreement with a third party whereby IRSA agrees to sell 100% of Pereiraola S.A. s shares. The total price of the transaction was established at USD 11.8 million plus VAT, which meant a gain of ARS 21.7 million over book value.

On June 25, 2010, we accepted a purchase bid for USD 11,786,972, to be paid partly in cash and partly in kind. For the cash-based payment, the buyer has paid us USD 1,940,000. The USD 7,760,000 balance will be paid in 4 half-yearly, equal and consecutive installments of USD 1,940,000 each. As to the non-monetary part of the transaction, the buyer will transfer ownership to us over certain lots within the 36 months starting on the date its bid is accepted.

To secure payment of the price, the buyer sets up a pledge over Pereiraola s shares, which remain in our custody. Besides, the buyer raised 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 ARS 3.4 million as of June 30, 2010.

Land reserves in other provinces

Torres Rosario Project, City of Rosario, Province of Santa Fe. APSA owns a block of land of approximately 50,000 sqm divided into 8 smaller plots. in the City of Rosario, near the Alto Rosario Shopping Center. At June 30, 2011, 2 of the plots had been bartered with Condominios del Alto S.A. (plots 2-G and 2-H).

As consideration for the barter of parcel 2-G (totaling a surface of 10,128 sqm for sale), Condominios de Alto S.A. will transfer 15 apartments, with a total constructed area of 1,504.45 sqm (representative of 14.85% of the total building to be constructed in this parcel) and 15 parking spaces (representative of 15% of the total parking surface to be constructed in this property). As of the end of fiscal 2010, APSA and Condominios del Alto S.A. executed a supplementary deed that specifically determines the units involved in the barter that should be transferred to APSA and the deed of possession of the 15 functional units corresponding to parking spaces. These units are already for sale since May 2010.

As consideration for the barter of parcel 2-H (totaling a surface area of 14,500 sqm for sale), Condominios de Alto S.A. will transfer 42 apartments, with a total constructed surface of 3,188 sqm (representative of 22% of the total building to be constructed in this parcel) and 47 parking spaces (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.

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As of June 30, 2011, the rest of the parcels of Block 2 had been sold, as per the following detail. Parcel 2-A was sold for USD 4.2 million and its title deed was executed in June 2011; parcel 2-B was sold for USD 1.51 million and its title deed was executed in June 2011; parcel 2-C was sold for USD 1.51 million and its title deed was executed in June 2011; parcel 2-D was sold for USD 1.54 million, to be collected in 5 installments (4 installments of USD 0.257 million collected in February, June and August 2011, a fourth one to be collected in November 2011 and the fifth one to be collected in February 2012 for USD 0.513 million, on which date the title deed will be executed); parcel 2-E was sold for USD 1.43 million and its title deed was executed in May 2010; and parcel 2-F was sold for USD 1.93 million and its title deed was executed in June 2011.

Condominios del Alto I- (parcel 2-G)

The project is composed of two opposite blocks of buildings, commercially divided into 8 sub-blocks. Apartments (97 units) are distributed in 6 storeys with parking spaces (98 units) in the basement. 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 at a medium-high income segment.

As of June 30, 2011, the project had been completed and 2 apartments with parking space had been sold, with 13 apartments and 13 parking spaces being 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 6 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 42 apartments (4,211 sqm), 47 parking spaces and 6 storage spaces were available for sale.

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

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

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

The first stage of the works is to be finished in a maximum 22-month period counted as from the date of commencement of the construction works. In the event of a breach in the conditions agreed upon, the Municipality of Neuquén is entitled to terminate the agreement and proceed as necessary, which means that the Municipality of Neuquén is entitled to demand that the parcels it sold to the Company be returned.

On June 18, 2009, Shopping Neuquén S.A. received from the company G&D Developers S.A. USD 119 thousand as price for the sale of a lot of approximately 4,332 sqm located in the surroundings, of the property that will host the shopping center, though separate from it, in the framework of the negotiations conducted with the Municipality of Neuquén.

Ex Escuela Gobernador Vicente de Olmos, Córdoba, Province of Córdoba. In November 2006 we participated in a public bidding called by Corporación Inmobiliaria Córdoba S.A. for the sale of the building known as Ex Escuela Gobernador Vicente de Olmos, located in the City of Córdoba. The building has 5,147 sqm of surface area. Inside the building there is a portion of the Patio Olmos shopping center,

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which operates in four commercial plants and has two underground parking lots. This shopping center also includes two neighboring buildings with cinemas and a commercial annex connected to sector covered by the call for bids and legally related through easement contracts. The building is under a concession contract effective for a 40-year term, expiring in February 2032, in which we acted as grantor. On September 25, 2007, the Government of the Province of Córdoba executed and delivered the title deed conveying the property where the Patio Olmos Shopping Center is currently operating.

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

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

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

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 sqm with a built area of 81.786 sqm. 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 sqm including storehouses and offices and during the second year of lease, the leased area will be reduced to 27,614 sqm.

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 ARS(2)	Accumulated sales in ARS 000 as of June, 30 (in thousand ARS) 2011	2010	2009	Book value (ARS 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 twelve-month period.
(2) Accumulated average in the twelve-month period.
(3) Indirectly owned through Nuevas Fronteras S.A. (Subsidiary of IRSA).
(4) Indirectly owned through Hoteles Argentinos S.A.
(5) Indirectly owned through Llao Llao Resorts S.A.

Hotel Llao Llao, San Carlos de Bariloche, Province of Rio Negro. In June 1997 we acquired the Hotel Llao Llao from Llao Llao Holdings S.A. 50% is currently owned by the Sutton Group. The Hotel Llao Llao is located on the Llao Llao peninsula, 25 kilometers from San Carlos de Bariloche and is one of the most important tourist hotels in Argentina. Surrounded by mountains and lakes, this hotel was designed and built by the famous architect Bustillo in a traditional alpine style and first opened in 1938. The hotel was renovated between 1990 and 1993 and has a total constructed surface area of 15,000 sqm 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 sqm 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 USD23 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 USD4.7 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 sqm of surface area in the City of San Carlos de Bariloche in the Province of Río Negro. The total price of the transaction was USD7.0 million, of which USD4.2 million were paid cash and the balance of USD2.8 million was financed by means of a mortgage to be paid in 36 monthly, equal and consecutive installments of USD0.086 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 sqm of surface area designed by the architect Ezequiel Bustillo.

Other Investments in Argentina and Abroad

Acquisition of companies in the real estate business in the Republic of Uruguay

In the course of fiscal 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 had 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 USD 7.8 million. The remaining 10% ownership interest in both companies is in the hands of 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 USD 7.0 million; there has been a down payment for USD 2.0 million and it has been agreed that the balance shall be cancelled in 5 installments of USD 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 the Company. 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 USD 0.83 million, as follows: there has been a USD 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, the Company sold a 50% stake in Liveck to Cyrela Brazil Realty S.A for USD 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 other real property totaling USD 1.9 million; there has been a USD 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 additional real estate for a total of USD 1.0 million in exchange for a down payment of USD 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, IRSA and Cyrela executed a stock purchase agreement pursuant to which IRSA purchased from Cyrela a 50% stake in Liveck S.A. for USD 2.7 million. Accordingly, as of June 30, 2011, IRSA s stake, 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, IRSA (through its subsidiaries) acquired a 30% equity interest in Metropolitan, whose net equity is mainly 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 USD 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 USD 210.0 million to USD 130.0 million at a Libor rate + 400 basis points, subject to a cap of 6.25% and a 7-year maturity term;

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(ii) the junior debt, amounting to USD 45.0 million (excluding accrued interest) was repaid with the payment of USD 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 USD 15.0 million (previously contributed by IRSA) was made under the new restructured mortgage debt, reducing it from USD 130.0 million to USD 115.0 million.

Following such closing, IRSA indirectly holds 49% of New Lipstick LLC, a holding company that is owner of Metropolitan, and under the scope of these agreements, it 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 sqm distributed in 34 stories.

As of June 30, 2011, this building had an occupancy rate over 89% generating average revenues above USD 60.0 per sqm 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 sold 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 USD 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 USD 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.

In January 2010, we acquired 4.8 million additional shares for a total price of USD 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 USD 4.25, for a total amount of USD 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 USD 5.8 for a total amount of USD 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 USD 5.63 for a total amount of USD 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, IRSA, through Rigby 183 LLC (Rigby 183), in which it indirectly holds a 49% stake through IMadison LLC (IMadison), jointly with other partners, acquired a building located at 183 Madison Avenue, Midtown South, Manhattan, New York. This area involves famous and prominent buildings such as, the Empire State Building, the Macy s Herald Square, and the Madison Square Garden and it also has one of the largest office and store markets, excellent means of transport, 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 23,200 sqm, 3,523 sqm of which correspond to retail storesand 19,677 sqm are offices.

The total purchase price was USD 98 million (USD 4,224 per leaseable sqm) composed of USD 48 million of principal (IMadison contributed USD 23.5 million), USD 40 millon under a loan granted by M&T Bank at a rate of 5.01% per annum due in 5 years and a loan for USD 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 USD 35 per sqm. 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.

Competition

Offices and other non-shopping center rental properties

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

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

Company	Shopping Center	Location (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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SUBSEQUENT EVENTS

These events took place subsequent to our year-end date, June 30, 2011:

La Ribera Shopping Santa Fe

APSA Centros Comerciales acquired 50% of Nuevo Puerto Santa Fe S.A. s shares, a corporation that is tenant of a building in which La Ribera Shopping was built and currently operates, located at Dique I of the Santa Fe City s Port. As it is a building under a concession agreement, the purchase of shares of Nuevo Puerto Santa Fe S.A. was subject to the condition that the Santa Fe Port Administration Office approved the change in the company s shareholding and that the Santa Fe s Lottery Retirement Fund (*Caja de Previsión Social Lotería de Santa Fé*) did not challenge it. The execution date of the documents was 06/15/2011 and the final execution including the referred approval occurred during August 2011.

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SUMMARY SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following table shows a summary of our financial and other information as of June 30, 2011 and 2010 and for the fiscal years ended on such dates. This information has been derived from our audited financial statements and their related notes (the Consolidated Financial Statements or financial statements). As the following information is a summary, it does not include all the information reflected in the Audited Consolidated Financial Statements and in the relevant notes:

	As of June 30 and for the fiscal years ended on such dates,(1)	
	2011	**2010**
Information from the Consolidated Statement of Income		
Sales, leases and services	1,441,930	1,323,326
Cost of sales, leases and services	(600,755)	(475,295)
Gross profit	841,175	848,031
Selling expenses	(106,704)	(185,401)
Administrative expenses	(200,359)	(195,291)
Subtotal	(307,063)	(380,692)
Gain from recognition of inventories at net realizable value	45,442	33,831
Net gain from retained interest in securitized receivables	4,707	37,470
Gain from operations and holdings of real estate assets, net	1,140	1,091
Operating income	585,401	539,731
Amortization of goodwill	17,427	1,641
Asset-generated financial income:		
Interest income	20,000	20,204
Foreign exchange gains/losses	23,340	6,774
Other results from holdings	(2,898)	8,197
Subtotal	40,442	35,175
Liabilities-generated financial (loss):		
Interest expenses	(230,811)	(146,402)
Foreign exchange losses	(82,855)	(49,392)
Other financing expenses	(9,022)	(4,477)
Subtotal	(322,688)	(200,271)
Total financial results and holding results, net	(282,246)	(165,096)
Gain on equity investees	138,304	160,416
Other income and expenses, net	(14,697)	(10,311)
Income before tax and minority interest	444,189	526,381
Income tax and minimum presumed income tax	(104,524)	(148,427)

Minority interest	(57,561)	(43,453)
Net income	282,104	334,501
Income per share - basic	0.487	0.578
Income per GDS - basic	4.870	5.780
Income per share - diluted	0.487	0.578
Income per GDS - diluted	4.870	5.780
Información from the Consolidated Balance Sheet		
Cash and Bank and current Investments	378,353	330,343
Current Inventories	262,600	259,569
Receivables from sales, leases and services	248,998	359,529
Total current assets	**1,045,180**	**1,205,019**
Long-term investments	1,946,145	1,480,805
Fixed assets	3,405,851	2,692,637
Total assets	**6,315,310**	**5,633,441**
Short-term debt	683,813	609,190
Total current liabilities	**1,305,757**	**1,341,620**
Long-term debt[3]	1,756,919	1,031,528
Total non-current liabilities	**2,210,912**	**1,325,668**
Net shareholders equity	2,481,815	2,403,046

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Other accounting information		
EBITDA(3)	785,993	700,355
Depreciations and amortizations(4)	174,732	161,715
Capital expenditures(5)	800,692	168,460
Net cash flows generated by (applied to):		
Operating activities	571,832	235,817
Investing activities	(746,042)	(470,202)
Financing activities	335,130	199,797

(1) In thousands of Pesos, except income per ordinary share. Sums may not total due to rounding.
(2) Includes current financial loans and the current portion of mortgages payable.
(3) EBITDA: Consolidated operating income plus Consolidated Depreciations and Amortizations, less Consolidated Gain from operations and holdings of real estate assets, net.
(4) Corresponds to depreciations and amortizations included in operating income.
(5) Includes the purchase of fixed assets (including premises and equipment), land reserves and renewal and redesigning of hotels and shopping centers. It also includes escrow deposits in favor of third parties relating to the acquisition of certain fixed assets.

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

The following management s discussion and analysis of financial condition and results of operations as of June 30, 2011 and 2010 and for the fiscal years ended on such dates should be read in conjunction with our Audited Consolidated Financial Statements .

Variability of Results

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

Consolidation

We have consolidated our Balance Sheets, Income and Cash Flow statements for the fiscal years ended June 30, 2011 and 2010 line by line with the financial statements of our controlled companies in accordance with the procedure set forth in Technical Resolution No. 21 of the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (F.A.C.P.C.E.), approved by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* (CPCECABA) and the *Comisión Nacional de Valores* (Argentine Securities Commission). All significant intercompany balances and transactions have been eliminated in consolidation.

Certain reclassifications have been made from the financial statements as of June 30, 2010 originally released for purposes of their comparison with the figures as of June 30, 2011.

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

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

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

IFRS Implementation Plan: Progress Report

On April 29, 2010, our Board of Directors approved a specific plan for implementing the International Financial Reporting Standards (IFRS)[1]. In conformity with the planned schedule, the

1 The International Organization of Securities Commissions (IOSCO) has recommended that the entities that sell their securities through public offering should adopt the IFRS as issued by the International Accounting Standards Board (IASB) in the preparation and presentation of their financial statements. Against this backdrop, the Argentine Securities Commission (CNV) General Resolution No. 562 imposed on the companies subject to its oversight a duty to adopt the IFRS as they foster consistency in financial statement preparation and help attract foreign and local investors.

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Company is set to start training its own accounting and tax area personnel and that of its subsidiaries and related companies. The Company expects to have completed the training during fiscal year 2011. Besides, as it was expected, works are being carried out in connection with the process to prepare an initial diagnosis of the differences between standards.

Having monitored the specific plan for implementing the IFRS, our Board has not become aware of any circumstance calling for changes in the plan and/or hinting at any potential deviation from the stipulated objectives and terms.

Revenue Recognition

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

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

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

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

- we have a receivable not subject to future subordination (our receivable shall not occupy a rank, class or position junior to the remaining liabilities of the buyer) and

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

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

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

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

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

Under this method of accounting, revenues for work completed may be recognized in the statement of income prior to the period in which actual cash proceeds from the sale are received. In this situation, a deferred asset is recorded. Alternatively, and as is more common for us, where property and/or unit purchasers pay us an advance down-payment and monthly cash installments prior to the commencement of construction, a liability is recorded. This is recorded as a customer advance in the financial statements.

Offices and other non-shopping center rental properties leases and services. We account for our leases with tenants as operating leases. We charge tenants a base rent on a monthly basis. We recognize rental income on a straight-line basis over the term of the leases and unpaid leases are included in the receivables account from sales, leases and services in the financial statements.

Shopping center operations, leases and services. We account for our leases with tenants as operating leases. We generally charge tenants a rent which consists of the higher of (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant s monthly gross sales (the Percentage Rent) (which generally ranges between 4% and 10% of tenant s gross sales). Furthermore, pursuant to the rent escalation clause in most leases, the tenant s Base Rent generally increases between 7% and 12% each year during the term of the lease. Mininum rental income is accounted for on an accrual basis.

Certain lease agreements contain provisions which provide for rents based on a percentage of sales or based on a percentage of sales volume above a specified threshold. We determine the compliance with specific targets and calculate the additional rent on a monthly basis as provided for in the contracts. Thus, contingent rents are not recognized until the required thresholds are exceeded.

In general, our lease agreements vary from 36 to 120 months. Law No. 24,808 provides that tenants may rescind commercial lease agreements after the initial six months, upon not less than 60 days written notice, subject to penalties that range from one to one and a half month rent if the tenant rescinds during the first year of its lease, and one month of rent if the tenant rescinds after the first year of its lease.

We also charge our tenants a monthly administration fee, prorated among the tenants according to the amounts established in their leases, which vary from shopping center to shopping center, relating to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the entirety of the shopping centers operations. We recognize administration fees monthly as they accrue. In addition to rent, we generally charge tenants admission rights that they may be required to pay upon entering into a lease or upon lease renewal. An admission right is normally paid in one lump sum or in a small number of monthly installments. We recognize admission rights using the straight-line method over the life of the respective lease agreements.

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

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In addition, we act as lease agents by contacting potential tenants of available spaces in our shopping centers. As a result, we principally obtain revenues from fees charged by us for the execution of lease agreements, which are calculated as a percentage of rental income and admission rights. This income is accounted for at the time of successful conclusion of the transaction.

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

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

Operating Costs and Expenses

Allocation of expenses and other income to business segments

Allocation of selling expenses to business segments.

Selling expenses directly attributable to the Shopping centers, Consumer finance and 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 finance 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, 47.2% and 52.8% of administrative expenses (excluding expenses directly attributable to the Shopping centers, Consumer finance 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 finance)

These results are allocated to the Consumer finance segment.

Allocation of results from real estate transactions and holdings

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

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Allocation of financial results 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 finance 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 Finance 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.

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 finance , 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.

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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 Finance. It includes the results from the management of the credit portfolio by the companies Tarshop S.A. and Metroshop S.A.

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.

The following tables contain some operating data by business segment:

As of and for year ended June 30, 2011	Development and sale of properties	Offices and other non-shopping center rental properties[1]	Shopping centers	Hotels	Consumer Finance	Financial transactions and other	Total
	(in thousands of ARS)						
Consolidated Income Statement data							
Sales, leases and services	341,074	164,618	674,779	192,883	68,576		1,441,930
Costs of sales, leases and services	(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 gain from retained interest in securitized receivables					4,707		4,707
Gain from operations and holdings of real estate assets, net	128	1,012					1,140
Operating income	**85,059**	**84,054**	**385,142**	**12,171**	**18,975**		**585,401**
Goodwill amortization	981	725	15,621		100		17,427
Financial results and holding 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)
Income 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	(3,351)	2,840	(104,750)	(7,046)	5,212	2,571	(104,524)
Minority interest	768		(39,374)	(19,161)		2	(57,765)
Income / (loss) for the year	**65,565**	**49,250**	**131,944**	**(14,640)**	**16,010**	**33,975**	**282,104**
Gross margin [2]	0.28	0.8	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]	0.19	0.3	0.2	(0.08)	0.23		0.2
Depreciations and amortizations [5]	180	25,315	132,592	14,369	2,276		174,732
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 Finance	Financial transactions and other	Total
			(in thousands of ARS)				
Consolidated Income Statement data							
Sales, leases and services	225,567	154,164	518,355	159,894	265,346		1,323,326
Costs of sales, leases and services	(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 gain from retained interest in securitized receivables					37,470		37,470
Gain from operations and holdings of real estate assets, net	730	361					1,091
Operating income	**139,516**	**73,526**	**267,971**	**5,414**	**53,304**		**539,731**
Goodwill amortization	844	863	561		(627)		1,641
Financial results and holding 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)
Income / (loss) 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	0.8	0.69	0.36	0.63		0.64
Operating margin [(3)]	0.62	0.48	0.51	0.03	0.2		0.41
Net margin [(4)]	0.39	0.26	0.11	0.02	0.08		0.25
Depreciations and amortizations [(5)]	373	24,535	112,675	16,138	7,994		161,715
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**

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

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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 Finance	Financial transactions and other	Total
			(in thousands of ARS)				
Consolidated Income Statement data							
Sales, leases and services	280,362	147,749	396,733	158,913	236,827		1,220,584
Costs of sales, leases and services	(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 gain from retained interest in securitized receivables					(46,012)		(46,012)
Gain from operations and holdings of real estate assets, net	51	1,073					1,124
Operating income / (loss)	**121,169**	**76,485**	**214,903**	**8,590**	**(125,431)**		**295,716**
Goodwill amortization	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)
Income / (loss) 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
Income / (loss) for the year	**76,288**	**46,841**	**50,908**	**1,432**	**(48,557)**	**31,723**	**158,635**
Gross margin [2]	0.47	0.8	0.72	0.38	0.48		0.58
Operating margin [3]	0.43	0.52	0.54	0.05	(0.53)		0.24
Net margin [4]	0.27	0.32	0.13	0.01	(0.21)		0.13
Depreciations and amortizations [5]	782	24,781	86,643	18,001	5,584		135,791
Consolidated Balance Sheet data							
Operating assets	467,808	940,280	1,831,428	219,158	153,892		3,612,566
Non-operating assets	40,020	74,633	189,244	27,231	20,973	971,320	1,323,421
Total assets	**507,828**	**1,014,913**	**2,020,672**	**246,389**	**174,865**	**971,320**	**4,935,987**
Operating liabilities	25,379	122,869	413,381	31,236	136,853		729,718
Non-operating liabilities	303,808	304,426	672,794	174,765	106,761	83,672	1,646,226
Total liabilities	**329,187**	**427,295**	**1,086,175**	**206,001**	**243,614**	**83,672**	**2,375,944**

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

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Results of IRSA s Operations for the Fiscal Years ended June 30, 2011 and 2010

Sales, leases and services

Revenues grew by 9.0%, from ARS 1,323.3 million for the fiscal year 2010 to ARS 1,441.9 million in the fiscal year 2011 due to the increases in revenues posted by each one of our segments, except for the Consumer finance segment that will be further discussed below.

Development and sale of properties

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

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

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

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

- ARS 20.7 million as income from the sale of lots of El Encuentro ;
- ARS 91.8 million as income from the sale and barter of Caballito lots;
- ARS 92.4 million as income from the sale of completed units of Horizons;
- ARS 75.4 million as income from the sale and barter of Terreno Beruti; and
- ARS 22.9 million as income from the sale of parcels of Rosario s lots.

Offices and other non-shopping center rental properties

The revenues from our segment Offices and other non-shopping center rental properties were up by 6.8%, from ARS 154.2 million for the fiscal year 2010 to ARS 164.6 million for the fiscal year 2011. The factors that primarily account for this rise is that in fiscal 2011 the average price per leasable square meter increased and that the properties occupancy rates were also up (from 82% to 85%).

Shopping centers

The revenues from our segment Shopping centers grew by 30.2%, from ARS 518.4 million for the fiscal year 2010 to ARS 674.8 million for the fiscal year 2011. The reasons are to be primarily found in the ARS 128.5 million increase in revenues from leases and admission rights,

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explained in turn by: (i) a 34.4% increase in our lessees total sales, which rose from ARS 5,778.2 million during the fiscal year ended on June 30, 2010 to ARS 7,766.3 million in the fiscal year ended on June 30, 2011 thus resulting in higher percentage leases and (ii) an increase in the average price per square meter.

Hotels

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

Consumer Finance

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

Costs of sales, leases and services

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

Development and sale of properties

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

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

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

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The costs associated to our Development and sale of properties segment as a percentage of this segment s revenues shrank from 52.9% for fiscal year 2009 to 36.9% for fiscal 2010.

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

ARS 88.9 million as costs related to the sale of completed units of Horizons;

ARS 57.3 million as costs related to the sale and barter of Caballito lots;

ARS 53.8 million as costs related to the sale and barter of Terreno Beruti.

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

Offices and other non-shopping center rental properties

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

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

Shopping centers

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

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

Hotels

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

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

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Consumer Finance

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

Gross profit

As a result of the factors described in the preceding paragraphs, Gross profit decreased by 0.8%, from ARS 848.0 million for the fiscal year 2010 to ARS 841.2 million for the fiscal year 2011, primarily on account of the decline in the Gross profit posted by our Consumer Finance and Development and sale of properties segments, partly offset by an increase in the Gross profit of our Shopping Centers, Hotels and Offices and other non-shopping center rental properties segments. When measured as a percentage of our revenues, Gross profit declined from 64.1% for fiscal year 2010 to 58.3% for fiscal 2011.

Development and sale of properties

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

Offices and other non-shopping center rental properties

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

Shopping centers

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

Hotels

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

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Consumer Finance

The Gross profit of our Consumer Finance segment declined by 72.2%, from ARS 165.9 million for the fiscal year 2010 to ARS 46.1 million for the fiscal year 2011.

Selling expenses

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

When measured as a percentage of revenues, Selling expenses decreased from 14.0% for fiscal year 2010 to 7.4% for fiscal 2011.

Development and sale of properties

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

When measured as a percentage of the segment s revenues, the Selling expenses related to the Development and sale of properties were up from 1.1% for fiscal year 2010 to 4.5% for fiscal 2011.

Offices and other non-shopping center rental properties

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

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

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Shopping centers

The Selling expenses associated to our Shopping centers segment grew by 8.3% from ARS 37.1 million for the fiscal year 2010 to ARS 40.2 million for the fiscal year 2011, by reason of: (i) a ARS 4.7 million increase in the turnover tax charge; and (ii) a ARS 2.0 million increase in the salaries and social security contributions expenses, partially offset by: (iii) a ARS 2.6 million decrease in expenses associated to courses, exhibitions and events and (iv) lower loan losses of ARS 2.5 million during this fiscal year in comparison with the previous one.

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

Hotels

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

Consumer Finance

The Selling expenses associated to our Consumer Finance segment decreased by ARS 100.0 million from ARS 124.9 million for the fiscal year 2010 to ARS 24.9 million for the fiscal year 2011, primarily on account of: (i) a ARS 22.1 million decrease in the turnover tax charge; (ii) a ARS 19.4 million decrease in salaries and social security contributions, (iii) a ARS15.1 million decrease in fees for services; (iv) a ARS 14.5 million decrease in advertising expenses and (v) a ARS 13.8 million decline in loan losses during this fiscal year in comparison with the previous one. When measured as a percentage of the segment revenues, the Selling expenses associated to our Consumer Finance segment dropped from 47.1% for fiscal year 2010 to 36.3% for fiscal 2011.

Administrative expenses

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

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

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Development and sale of properties

The Administrative expenses associated to our Development and sale of properties segment grew by 18.1%, from ARS 35.1 million for the fiscal year 2010 to ARS 41.4 million for the fiscal year 2011, mainly due to a ARS 4.2 million increase in taxes, rates and contributions, a ARS 1.6 million increase in salaries and a ARS 1.2 million increase in third parties fees and services.

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

Offices and other non-shopping center rental properties

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

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

Shopping centers

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

Hotels

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

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

Consumer Finance

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

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

Gain on recognition of inventories at net realizable value

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

Net gain from retained interest in securitized receivables

The line Net gain from retained interest in securitized receivables declined ARS 32.8 million, from a ARS 37.5 million loss for the fiscal year ended June 30, 2010 to ARS 4.7 million for the fiscal year ended June 30, 2011, mainly on account of the sale of Tarshop S.A. s 80% interest.

Gain from operations and holdings of real estate assets, net

This line reflects the income and losses associated to the recognition and/or the reversal of impairment charges. The gains and losses resulting from real estate holdings and transactions remained stable in fiscal 2011 compared to 2010, in the region of ARS 1.1 million in income.

Operating income

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

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

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Development and sale of properties

The Operating income of our Development and sale of properties segment declined by 39.0% from ARS 139.5 million in income for the fiscal year 2010 to ARS 85.1 million in income for the fiscal year 2011, mainly by reason of cost increases in selling expenses, in administrative expenses and in Gain from operations and holdings of real estate assets, net, partially offset by increases in revenues and gain on recognition of inventories at net realizable value. The Operating income of our Development and sale of properties segment when measured as a percentage of this segment s revenues dropped from 61.9% for fiscal year 2010 to 24.9% for fiscal 2011.

Offices and other non-shopping center rental properties

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

Shopping centers

The Operating income of our Shopping centers segment grew by 43.7%, up from ARS 268.0 million in income for the fiscal year 2010 to ARS 385.1 million in income for the fiscal year 2011, mainly by reason of higher revenues, partly offset by increases in costs, Administrative expenses and Selling expenses. When measured as a percentage of this segment s revenues, the Operating income of our Shopping centers increased from 51.7% for fiscal year 2010 to 57.1% for fiscal 2011.

Hotels

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

Consumer Finance

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

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Goodwill amortization

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

Financial and holding results, net

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

i. a ARS 84.4 million increase in the financing expenses associated to the payments of interest accrued on our financial debts.

ii. a ARS 16.9 million loss for foreign exchange differences, both in fiscal 2011 and compared to the previous fiscal year due to a greater variation in the US Dollar offer rate throughout fiscal 2011 (it rose from ARS 3.931 at June 30, 2010 to ARS 4.110 at June 30, 2011), in contrast to the situation a year earlier when the USD/ARS exchange rate had slightly varied (up from ARS 3.797 at June 30, 2009 to ARS 3.931 at June 30, 2010).

Gain on equity investees

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

Other income and expenses, net

The line Other income and expenses, net, went up by ARS 4.3 million, from a ARS 10.3 million loss for the fiscal year 2010 to a ARS 14.9 million loss for the fiscal year 2011, mainly due to: (i) a ARS 2.3 million increase in lawsuit-related contingencies and (ii) a ARS 2.8 million increase in non-computable VAT.

Income tax and minimum presumed income tax

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

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Minority interest

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

Net income

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

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Results of IRSA s Operations for the Fiscal Years ended June 30, 2010 and 2009

Sales, leases and services

Revenues grew by 8.4%, from ARS 1,220.6 million for the fiscal year 2009 to ARS 1,323.3 million in the fiscal year 2010 due to the increases in revenues posted by each one of our segments, except for the Development and sale of properties segment that will be further discussed below.

Development and sale of properties

This segment s revenues often exhibit major variations between periods by reason of (i) the non-recurrent nature of real estate purchase and sale transactions (and of the price obtained from them), (ii) the quantity of construction works in progress and (iii) the date of completion of these construction works projects. The revenues of our Development and sale of properties segment declined by 19.5% from ARS 280.4 million for the fiscal year 2009 to ARS 225.6 million for the fiscal year 2010.

The revenues of our Development and sale of properties segment for fiscal year 2009 included, mainly:

- ARS 53.8 million as income from the sale of Torre Renoir in its entirety;
- ARS 74.5 million as income from the sale of the Laminar Plaza building;
- ARS 42.1 million as income from the sale of Dock del Plata finished units;
- ARS 36.4 million as income from the sale of 4 stories in the building located at Libertador 498;
- ARS 31.5 million as income from the sale of the Reconquista 823 building;
- ARS 9.9 million as income from the sale of parcels at Abril;
- ARS 7.6 million as income from the sale of the H parcel at the Torres Rosario Project (formerly, Rosario lot);
- ARS 6.9 million as income from the sale of a Torre BankBoston story;
- ARS 6.1 million as income from the sale of the building located at Avda. Madero 942.

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

- ARS 68.6 million as income from the sale of Edificios Costeros (Dock II);
- ARS 46.3 million as income from the sale of the Pereiraola property;

ARS 42.1 million as income from the sale of Dock del Plata finished units; and

ARS 10.9 million as income from the sale of Libertador 602 in its entirety; and

ARS 46.6 million as income from the sale of stories at the building located in Av. Del Libertador 498.

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Offices and other non-shopping center rental properties

The revenues from our segment Offices and other non-shopping center rental properties were up by 4.3%, from ARS 147.7 million for the fiscal year 2009 to ARS 154.2 million for the fiscal year 2010. The factors that primarily account for this rise is that in fiscal 2010 the average price per leasable square meter was up by 1.1% on the previous year, that the properties occupancy rates were also up (from 91% to 93%) and that 11,298 square meters of new leasable space from the Dique IV office building, located at Juana Manso 295, and finished in May 2009, were incorporated into our portfolio. These positive factors were partially offset by the 14,777 square meter reduction in the segment s total leasable square meters sustained in fiscal 2010 basically on account of the sale of Edificios Costeros (Dock II) and of units in Dock del Plata, Libertador 498 and in other non-strategic properties, as further explained under Development and sale of properties.

Shopping centers

The revenues from our segment Shopping centers grew by 30.7%, from ARS 396.7 million for the fiscal year 2009 to ARS 518.4 million for the fiscal year 2010. The reasons are to be primarily found in the ARS 109.8 million increase in revenues from leases and admission rights, explained in turn by: (i) an increase in Dot Baires Shopping s turnover for the whole year, up on its results for one and a half month posted a year earlier; (ii) a 37.8% increase our lessees total sales, which rose from ARS 4,194.2 million during the fiscal year ended on June 30, 2009 to ARS 5,778.2 million in the fiscal year ended on June 30, 2010 thus resulting in higher percentage leases and (iii) an increase in the average price per square meter.

Hotels

The revenues from our segment Hotels rose slightly, up 0.6% on the ARS 158.9 million posted in the fiscal year 2009 to ARS 159.9 million for the fiscal year 2010, owing mainly to an increase in the average price per room offset in turn by a decrease in the average occupancy rate, which was down to 65.6% for fiscal 2010 from 69.8% for fiscal year 2009.

Consumer Finance

The revenues from our Consumer Finance segment grew by 12.0%, from ARS 236.8 million for the fiscal year 2009 to ARS 265.3 million for the fiscal year 2010. This increase was mainly due to rises in: (i) sales at retail stores and supermarkets; (ii) the loans granted and (iii) the cards issued.

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Costs of sales, leases and services

The costs of sales, leases and services decreased by 6.5%, from ARS 508.5 million for the fiscal year 2009 to ARS 475.3 million for the fiscal year 2010, by reason of cost reductions in our Development and sale of properties and Consumer Finance segments, partially offset by an increase in the costs of our Shopping centers, Offices and other non-shopping center rental properties and Hotels segments. Our consolidated costs, as a percentage of our consolidated income shrank from 41.7% for fiscal year 2009 to 35.9%, for fiscal year 2010.

Development and sale of properties

This segment s costs often exhibit major variations between periods by reason of (i) the non-recurrent nature of real estate purchase and sale transactions (and of the price obtained from them), (ii) the quantity of construction works in progress and (iii) the date of completion of these construction works projects. The costs associated to our Development and sale of properties segment shrank by 43.9%, from ARS 148.3 million for the fiscal year 2009 down to ARS 83.1 million for the fiscal year 2010.

The costs incurred by our Development and sale of properties segment for fiscal year 2009 primarily included:

- ARS 49.4 million as costs related to the sale of Torre Renoir in its entirety;
- ARS 29.6 million as costs related to the sale of the Laminar Plaza building;
- ARS 18.8 million as costs related to the sale of the building located at Reconquista 823;
- ARS 12.0 million as costs related to the sale of 4 stories in the building located at Libertador 498;
- ARS 5.0 million as costs related to the sale of the H parcel at the Torres Rosario Project (formerly, Rosario lot);
- ARS 5.1 million as costs related to the sale of a Torre BankBoston story;
- ARS 13.3 million as costs related to the sale of Dock del Plata finished units;
- ARS 4.2 million as costs related to the sale of parcels at Abril;
- ARS 2.3 million as costs related to the sale of the building located at Avda. Madero 942.

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

- ARS 22.4 million as costs related to the sale of the Pereiraola property;
- ARS 21.4 million as costs related to the sale of Edificios Costeros (Dique II);

ARS 14.5 million as costs related to the sale of Dock del Plata finished units; and

ARS 14.1 million as costs related to the sale of stories at the building located in Av. Del Libertador 498.

ARS 3.1 million as costs related to the sale of Libertador 602 in its entirety.

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The costs associated to our Development and sale of properties segment as a percentage of this segment s revenues shrank from 52.9% for fiscal year 2009 to 36.9% for fiscal 2010.

Offices and other non-shopping center rental properties

Depreciation accounts for the largest portion of this segment s costs. The costs of our Offices and other non-shopping center rental properties segment grew by 5.2%, from ARS 29.3 million for the fiscal year 2009 to ARS 30.9 million for the fiscal year 2010, mainly owing to an increase in real estate maintenance costs and taxes, rates and contributions.

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

Shopping centers

The costs of our Shopping centers segment grew by 45.4% from ARS 109.3 million for the fiscal year 2009 to ARS 158.9 million for the fiscal year 2010, mainly by reason of: (i) higher amortization and depreciation charges, which rose by ARS 23.3 million; (ii) a ARS 9.0 million increase in parking lot costs; (iii) a ARS 14.7 million increase in non-recovered common maintenance expenses and (iv) higher lawsuit-related contingencies charges, which amounted to ARS 2.2 million.

The costs associated to our Shopping centers segment as a percentage of this segment s revenues grew from 27.5% for fiscal year 2009 to 30.7% for fiscal 2010.

Hotels

The costs of our Hotels segment grew by 4.1%, from ARS 98.9 million for the fiscal year 2009 to ARS 102.9 million for the fiscal year 2010, mainly by reason of a ARS 4.1 million rise in salaries and social security contributions explained, in turn, by salary raises partly offset by the ARS 1.3 million increase in tax benefits that reduced such expenses.

The costs associated to our Hotels segment as a percentage of this segment s revenues rose from 62.2% for fiscal year 2009 to 64.4% for fiscal 2010.

Consumer Finance

The costs of our Consumer Finance segment shrank by 18.9%, from ARS 122.7 million for the fiscal year 2009 to ARS 99.5 million for the fiscal year 2010. The reason is to be found, primarily, in the decreases sustained by: (i) interest and commission costs and, (ii) the costs of salaries and social security contributions partly offset by (iii) an increase in third-party fees and services charges.

The costs associated to our Consumer Finance operations as a percentage of this segment s revenues shrank from 51.8% for fiscal year 2009 to 37.5% for fiscal 2010.

Gross profit

As a result of the factors described in the preceding paragraphs, Gross profit expanded by 19.1%, from ARS 712.1 million for the fiscal year 2009 to ARS 848.0 million for the fiscal year 2010, primarily on account of the increase in the Gross profit posted by our Shopping centers, Consumer Finance, Development and sale of properties and Offices and other non-shopping center rental properties, partly offset by a decrease in the Gross profit of our Hotels segment. When measured as a percentage of our revenues, Gross profit rose from 58.3% for fiscal year 2009 to 64.1% for fiscal 2010.

Development and sale of properties

The Gross profit of our Development and sale of properties segment rose by 7.9%, from ARS 132.0 million for the fiscal year 2009 to ARS 142.4 million for the fiscal year 2010.

Offices and other non-shopping center rental properties

The Gross profit of our Offices and other non-shopping center rental properties segment grew by 4.1%, from ARS 118.4 million for the fiscal year 2009 to ARS 123.3 million for the fiscal year 2010.

Shopping centers

The Gross profit of our Shopping centers segment climbed 25.0%, from ARS 287.5 million for the fiscal year 2009 to ARS 359.4 million for the fiscal year 2010.

Hotels

The Gross profit of our Hotels segment went down by 5.0%, from ARS 60.0 million for the fiscal year 2009 to ARS 57.0 million for the fiscal year 2010.

Consumer Finance

The Gross profit of our Consumer Finance segment rose by 45.3%, from ARS 114.1 million for the fiscal year 2009 to ARS 165.9 million for the fiscal year 2010.

Selling expenses

Selling expenses dropped by 21.5% from ARS 236.2 million for the fiscal year 2009 to ARS 185.4 million for the fiscal year 2010, mainly by reason of a reduction in the Selling expenses of our Consumer Finance, Offices and other non-shopping center rental properties and Hotels segments, which were in turn partly offset by increases in the Selling expenses of our Shopping centers and Development and sale of properties segments.

When measured as a percentage of revenues, Selling expenses decreased from 19.4% for fiscal year 2009 to 14.0% for fiscal 2010.

Development and sale of properties

The Selling expenses of our Development and sale of properties segment are made up by turnover tax, commissions and expenses derived from sales, advertising and promotion and the allowance for doubtful accounts. Selling expenses grew by 12.9%, from ARS 2.1 million for the fiscal year 2009 to ARS 2.4 million for the fiscal year 2010, mainly by reason of a ARS 0.4 million increase in the advertising and promotion bills.

When measured as a percentage of the segment s revenues, the Selling expenses related to the Development and sale of properties were up from 0.8% for fiscal year 2009 to 1.1% for fiscal 2010.

Offices and other non-shopping center rental properties

The Selling expenses associated to our Offices and other non-shopping center rental properties segment dropped by 61.2% from ARS 11.5 million for the fiscal year 2009 to ARS 4.5 million for the fiscal year 2010, mainly by reason of a ARS 8.6 million decrease in doubtful accounts (bad debts), partly offset by a ARS 0.8 million increase in advertising and promotions and by ARS 0.8 million in commissions and expenses associated to real property sales.

The Selling expenses associated to our Offices and other non-shopping center rental properties segment as a percentage of this segment s revenues dropped from 7.8% for fiscal year 2009 to 2.9% for fiscal 2010.

Shopping centers

The Selling expenses associated to our Shopping centers segment grew by 26.7% from ARS 29.3 million for the fiscal year 2009 to ARS 37.1 million for the fiscal year 2010, mainly by reason of: (i) a ARS 2.4 million increase in the turnover tax charge; (ii) a ARS 2.6 million increase in the salaries and social security contributions expenses and (iii) a ARS 2.4 million increase in expenses associated to courses, exhibitions and events.

The Selling expenses associated to our Shopping centers segment as a percentage of this segment s revenues shrunk from 7.4% for fiscal year 2009 to 7.2% for fiscal 2010.

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Hotels

The Selling expenses associated to our Hotels segment remained stable, in the region of ARS 16.5 million for both fiscal years.

The Selling expenses associated to our Hotels segment as a percentage of this segment s revenues decreased slightly from 10.4% for fiscal year 2009 to 10.3% for fiscal 2010.

Consumer Finance

The Selling expenses associated to our Consumer Finance segment decreased by ARS 51.9 million from ARS 176.8 million for the fiscal year 2009 to ARS 124.9 million for the fiscal year 2010, primarily on account of: (i) a ARS 60.1 million decrease in loan losses; (ii) a ARS 5.5 million decrease in salaries and social security contributions, partially offset by (iii) a ARS 8.0 million increase in fees for services.

When measured as a percentage of the segment revenues, the Selling expenses associated to our Consumer Finance segment dropped from 74.6% for fiscal year 2009 to 47.1% for fiscal 2010.

Administrative expenses

Administrative expenses is basically comprised of salaries and social security contributions, directors fees, third parties fees and services and taxes, rates and contributions (except for turnover tax). Administrative expenses grew by 32.6%, from ARS 147.3 million for the fiscal year 2009 to ARS 195.3 million for the fiscal year 2010, mainly on account of increases in all of our segments.

When measured as a percentage of revenues, Administrative expenses rose from 12.1% for fiscal year 2009 to 14.8% for fiscal 2010.

Development and sale of properties

The Administrative expenses associated to our Development and sale of properties segment grew by 68.1%, from ARS 20.9 million for the fiscal year 2009 to ARS 35.1 million for the fiscal year 2010, mainly due to a ARS 6.7 million increase in directors fees, ARS 3.0 million in salaries, bonuses and social security contributions and ARS 2.0 million in taxes, rates and contributions.

The Administrative expenses associated to our Development and sale of properties segment as a percentage of this segment s revenues were up from 7.4% for fiscal year 2009 to 15.6% for fiscal 2010.

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Offices and other non-shopping center rental properties

The Administrative expenses of our Offices and other non-shopping center rental properties segment grew by 44.8%, from ARS 31.5 million for the fiscal year 2009 to ARS 45.7 million for the fiscal year 2010. The increase was mainly due to an increase of ARS 8.3 million in directors fees, of ARS 2.4 million in salaries and social security contributions and of ARS 2.0 million in taxes, rates and contributions.

The Administrative expenses associated to our Offices and other non-shopping center rental properties segment as a percentage of this segment s revenues went up from 21.4% for fiscal year 2009 to 29.6% for fiscal 2010.

Shopping centers

The Administrative expenses associated to our Shopping centers segment grew by 25.6%, from ARS 43.2 million for the fiscal year 2009 to ARS 54.3 million for the fiscal year 2010, mainly on account of: (i) a ARS 10.3 million increase in directors fees, (ii) a ARS 2.1 million increase in taxes, rates and contributions and, (iii) a ARS 1.1 million increase in salaries and social security contributions; these increases were partially offset by a ARS 2.4 million decrease in fees for services.

When measured as a percentage of this segment s revenues, the Administrative expenses associated to our Shopping centers segment, shrank from 10.9% for fiscal year 2009 to 10.5% for fiscal 2010.

Hotels

The Administrative expenses associated to our Hotels segment grew by 0.5%, from ARS 34.9 million for the fiscal year 2009 to ARS 35.1 million for the fiscal year 2010, primarily as a result of a ARS 1.1 million increase in the charge for lawsuits and a ARS 0.7 million increase in taxes, rates and contributions, partially offset by a ARS 1.2 million decrease in salaries.

The Administrative expenses associated to our Hotels segment as a percentage of this segment s revenues remained stable as they went from 22.0% for fiscal year 2009 to 21.9% for fiscal 2010.

Consumer Finance

The Administrative expenses associated to our Consumer Finance segment rose by ARS 8.3 million, from ARS 16.8 million for the fiscal year 2009 up to ARS 25.1 million for the fiscal year 2010.

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When measured as a percentage of the segment s revenues, the Administrative expenses associated to our Consumer Finance segment rose from 7.1% for fiscal year 2009 to 9.5% for fiscal 2010.

Gain on recognition of inventories at net realizable value

During fiscal 2010, we recognized ARS 33.8 million as income on the recognition of inventories at net realizable value, mainly in connection with Horizons for ARS 26.4 million and Receivable on the Caballito property swap for ARS 4.8 million, which compares to the ARS 12.1 million income that had been recognized for fiscal year 2009, mainly attributable to Torre Renoir for ARS 5.5 million and Receivable on the Caballito property swap for ARS 5.0 million.

Net gain from retained interest in securitized receivables

The line Net gain from retained interest in securitized receivables sustained a ARS 83.5 million increase, from a ARS 46.0 million loss for the fiscal year 2009 to ARS 37.5 million in income for the fiscal year 2010, mainly on account of: (i) the valuation of the Participation Certificates in various series of Consumer Finance Financial Trusts, (ii) the comparison of these valuations against their recoverable values (fair values) and (iii) the gains/losses on the placement of the notes (at the time of the Public Offering) associated to the various series of Consumer Finance financial trusts. When it comes to the valuation of the certificates, it yielded ARS 23.7 million in income. The reasons for this variation are to be found in the decrease in portfolio delinquency (bad debt charges according to minimum requirements, recoveries and refinancing) due in turn to increased volumes in recoveries and changes in lending policies and a decrease in the borrowing interest rates accrued by the debt instruments.

The comparison of their equity values with their recoverable values (fair values) yielded ARS 3.5 million in income. In turn, the series placed through Public Offering resulted in ARS 7.6 million in income, broken down as follows: placement of 9 series for a total placement amount of ARS 420.1 million.

Gain from operations and holdings of real estate assets, net

This line reflects the income and losses associated to the reversal of previously recognized impairment charges. The gains and losses resulting from real estate holdings and transactions remained stable in fiscal 2010 compared to 2009, in the region of ARS 1.1 million in income.

Operating income

Operating income expanded by ARS 244.0 million, from ARS 295.7 million in income for the fiscal year 2009 to ARS 539.7 million in income for the fiscal year 2010, mainly due to an increase in our Consumer Finance, Shopping centers and Development and sale of properties segments, which was partly offset by a reduction in the Operating income of our Offices and other non-shopping center rental properties and Hotels segments.

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When measured as a percentage of revenues, our Operating income increased from 24.2% for fiscal year 2009 to 40.8% for fiscal 2010.

Development and sale of properties

The Operating income of our Development and sale of properties segment rose by ARS 18.3 million, from ARS 121.2 million in income for the fiscal year 2009 to ARS 139.5 million in income for the fiscal year 2010, mainly by reason of cost reductions and an increase in gain on recognition of inventories at net realizable value. The Operating income of our Development and sale of properties segment when measured as a percentage of this segment s revenues climbed from 43.2% for fiscal year 2009, to 61.9% for fiscal 2010.

Offices and other non-shopping center rental properties

The Operating income of our Offices and other non-shopping center rental properties segment shrank by 3.9%, down from ARS 76.5 million in income for the fiscal year 2009 to ARS 73.5 million in income for the fiscal year 2010, mainly on account of an increase in Administrative expenses and costs, partly offset by decreased Selling expenses and increased revenues. The Operating income of our Offices and other non-shopping center rental properties segment as a percentage of this segment s revenues declined from 51.8% for fiscal year 2009 to 47.7% for fiscal 2010.

Shopping centers

The Operating income of our Shopping centers segment grew by 24.7%, up from ARS 214.9 million in income for the fiscal year 2009 to ARS 268.0 million in income for the fiscal year 2010, mainly by reason of higher revenues, partly offset by increases in costs, Administrative expenses and Selling expenses. When measured as a percentage of this segment s revenues, the Operating income of our Shopping centers dropped from 54.2% for fiscal year 2009 to 51.7% for fiscal 2010.

Hotels

The Operating income of our Hotels segment shrank by 37.0%, down from ARS 8.6 million in income for the fiscal year 2009 to ARS 5.4 million in income for the fiscal year 2010, mainly due to an increase in costs that was partly offset by an increase in revenues. When measured as a percentage of the segment s revenues, the Operating income of Hotels shrank from 5.4% for fiscal year 2009 to 3.4% for fiscal 2010.

Consumer Finance

The Operating income of our Consumer Finance segment rose by ARS 178.7 million, up from a ARS 125.4 million loss for the fiscal year 2009, to ARS 53.3 million in income for the

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fiscal year 2010, as a result of an increase in the net gain from retained interest in securitized receivables, a decrease in Selling expenses and in costs and an increase in revenues which was partly offset by an increase in Administrative expenses. When measured as a percentage of this segment s revenues, the Operating income associated to Consumer Finance rose from (53.0%) for fiscal year 2009 to 20.1% for fiscal 2010.

Goodwill amortization

Goodwill amortization primarily includes: (i) the amortization of the goodwill associated to the following Alto Palermo S.A. subsidiaries: Tarshop, Fibesa, Empalme S.A.I.C.F.A. y G., Mendoza Plaza Shopping S.A. and Emprendimiento Recoleta S.A., and (ii) the amortization of IRSA s negative goodwill arising from the acquisition of shares in Alto Palermo S.A. and Palermo Invest S.A. Goodwill amortization remained stable in this fiscal year when compared to the previous fiscal year, in the region of a ARS 1.6 million gain.

Financial and holding results, net

Our Financial results, net (a loss) grew by ARS 28.7 million, up from a ARS 136.0 million loss for the fiscal year 2009 to a ARS 165.1 million loss for the fiscal year 2010, mainly by reason of:

i. the fact that none of the non-recurring gains recognized in fiscal 2009, which had amounted to ARS 105.9 million and ARS 12.0 million and arisen, respectively, from our repurchases of Alto Palermo s notes and hedging transactions, were recognized in fiscal 2010;

ii. a ARS 25.4 million increase in the financing expenses associated to the payments of interest accrued on our notes; and

iii. a ARS 115.1 million reduction in the foreign exchange losses, both in fiscal 2010 and compared to the previous fiscal year due to a slighter variation in the US Dollar offer rate throughout fiscal 2010 (it rose from ARS 3.797 at June 30, 2009 to ARS 3.931 at June 30, 2010), in stark contrast to the situation a year earlier when the USD/ARS exchange rate had varied greatly (up from ARS 3.025 at June 30, 2008 to ARS 3.797 at June 30, 2009).

Gain on equity investees

Gain on equity investees rose by ARS 98.9 million, up from ARS 61.5 million in income for the fiscal year 2009 to ARS 160.4 million in income for the fiscal year 2010. This increase is mainly attributable to (i) ARS 70.4 million arising from our acquisition of additional shares in fiscal 2010 at prices below the market value of the shares, which in turn yielded a result equivalent to the difference between the market value and the price actually paid, and (ii) a ARS 81.2 million increase arising from the appreciation of Banco Hipotecario shares and due, in turn, to the increase in Banco Hipotecario s net income and the increase in our ownership interest in Banco Hipotecario, up from 21.34% at June 30, 2009 to 28.03% at June 30, 2010 (both figures, without considering the effect of treasury shares in portfolio).

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Other income and expenses, net

The line Other income and expenses, net, went up by ARS 1.5 million, from a ARS 8.9 million loss for the fiscal year 2009 to a ARS 10.3 million loss for the fiscal year 2010, mainly due to: (i) a ARS 3.7 million increase in donations and (ii) a ARS 1.2 million increase in lawsuit-related contingencies, partly offset by a ARS 3.8 million decrease in non-computable VAT.

Income tax and minimum presumed income tax

Income tax and minimum presumed income tax rose by ARS 68.1 million, up from a ARS 80.3 million loss for the fiscal year 2009, to a ARS 148.4 million loss for the fiscal year 2010. We applied the deferred tax method upon assessing income tax for the two fiscal years, thus recognizing temporary differences in the books and in the deferred tax assets and liabilities.

Minority interest

This line includes the results of third parties minority interests in those subsidiaries in which we exercise control or in which we have effective control. The minority interest shrank by ARS 68.8 million, down from ARS 25.3 million in income for the fiscal year 2009, to a ARS 43.5 million loss for the fiscal year 2010, mainly on account of the income earned by the companies in which we have a majority stake during fiscal 2010.

Net income

As a result of the factors described in the preceding paragraphs, income for the year rose by ARS 175.9 million, up from ARS 158.6 million for the fiscal year 2009 to ARS 334.5 million for the fiscal year 2010.

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IRSA s Indebtedness

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

	Currency	Less than 1 year	More than 1 year and up to 2 years	More than 2 years and up to 3 years	More than 3 years and up to 4 years	More than 4 years	Total [1]	Annual Average Interest Rate
Schedule of Maturities or Amortization		(In million Pesos, constant currency, as of June 30, 2011)[2]						(%)
Banking debt and other								
Bank loans [3]	ARS/USD	529,496	27,585				557,081	
Hoteles Argentinos secured loans	ARS	18,984					18,984	
APSA s 2011 Notes for USD 6 M (Series IV)	USD							7%
APSA s 2011 Notes for ARS 55 M (Series III)	ARS							Badlar+3%
APSA s 2012 Notes for ARS 154 M (Series II)	ARS	28,889					28,889	11%
APSA s 2014 Convertible Notes for USD 50 M [4]	USD	3		4,640			4,643	10%
APSA s 2017 Notes for USD 120 M (Series I)	USD	4,490				432,591	437,081	8%
IRSA s 2017 Notes	USD	30,800	(710)	(710)	(710)	614,550	643,219	9%
IRSA s 2020 Notes	USD	20,960	(875)	(875)	(875)	600,740	619,076	12%
Equity investees and other related parties	USD	2,345						
Debt financed by the seller [2]	ARS/USD	47,846	19,523	19,523		42,523	129,414	
Total banking debt and other		683,813	45,522	22,577	(1,585)	1,690,404	2,438,387	
Total debt		683,813	45,522	22,577	(1,585)	1,690,404	2,438,387	

(1) Figures may not sum due to rounding.
(2) Exchange rate as of June 30, 2011 USD1.00 = ARS 4.1100.
(3) Includes bank overdrafts.
(4) Disclosed net of the notes held by the Company

Hoteles Argentinos Loan

On March 15, 2010, we entered into a loan agreement with Standard Bank Argentina S.A., whereby it lent to Hoteles Argentinos the sum of ARS 19.0 million, which were used to repay the loan with Credit Suisse First Boston International. In addition, on March 15, 2010, the mortgage and swap agreement entered into with Credit Suisse First Boston International were cancelled. The new loan with Standard Bank Argentina S.A. was repayable in a single payment that fell due on the first anniversary of the agreement s execution date, and accrues interest at a fixed rate of 16.25% payable every three months in arrears. On March 15, 2011, such loan was replaced and three loans with Standard Bank Argentina S.A. were agreed upon: one loan for ARS 15.8 million, due on March 14, 2012 accruing interest at a rate of 16.75%, and two loans in dollars, each for USD 0.4 million, the first one due on September 12, 2011 and accruing interest at a rate of 3.70% and the second one due on March 14, 2011 accruing interest at a rate of 3.90%.

Alto Palermo 10% convertible notes due 2014

On July 19, 2002, Alto Palermo issued USD 50.0 million in unsecured Convertible Notes in exchange for cash and the settlement of certain liabilities owed to its shareholders. The proceeds received by Alto Palermo were used to repay short term bank loans for ARS 27.3 million and to redeem secured notes issued by Alto Palermo for ARS 52.8 million. The convertible notes accrue interest (payable semi-annually) at a 10.0% fixed interest rate per annum and are convertible at any time at the holder s option into shares of common stock of ARS 0.10 par value each. The

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conversion rate per U.S. dollar is the lower between (i) ARS 3.08642 and (ii) the result from dividing the exchange rate prevailing on the conversion date by Alto Palermo s common shares par value. The convertible notes original maturity date was July 19, 2006, but the noteholders meeting held on May 2, 2006 extended the initial maturity date to July 19, 2014. The rest of the terms and conditions remained unaltered. During fiscal years 2011, 2007, 2006, 2005, 2004 and 2003, holders of USD 18.24 million convertible notes of Alto Palermo exercised their conversion rights. Consequently, Alto Palermo issued 477,544,197; 101,582; 52,741,373, 22,852,514, and 4,829,745 common shares, respectively. If all the holders of Convertible Notes exercised their conversion rights, Alto Palermo s total amount of outstanding shares would increase from 1,259.6 million to 2,239.7 million. As of June 30, 2011 we held USD31.7 million of Alto Palermo s convertible notes.

APSA has expressed its intention to repurchase those Convertible Notes for an amount of USD 36.1 million, as approved by the Shareholders Meeting held on May 26, 2011. On such date, our Shareholders Meeting approved the sale of those convertible Notes, contingent upon the consummation of the Global Offer of APSA s New Shares resolved upon by the Ordinary and Extraordinary Shareholders Meeting dated May 26, 2011 and APSA s Board of Directors Meeting dated June 24, 2011. The price offered for the repurchase of the Convertible Notes was approved by our Shareholders Meeting dated May 26, 2011. APSA s Audit Committee resolved that the terms of its proposal for the repurchase of the Convertible Notes are reasonable, and obtained favorable opinions from third parties with respect to the repurchase price offered.

Alto Palermo series I and series II notes

On May 11, 2007, Alto Palermo issued two new series of notes under its global program. Series I consists of notes for a principal amount of USD120 million, which accrue interest at a fixed rate of 7.875% per annum, payable semi-annually, and with maturity on May 11, 2017.

Series II consists of notes for a principal amount of ARS 154 million (equivalent to USD50 million), which accrue interest at 11% per annum, payable semi-annually, and are repayable in seven semi-annual installments commencing on June 11, 2009.

Acquisition of Alto Palermo s Series I Notes

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

In turn, in the course of fiscal 2009, our subsidiary Alto Palermo repurchased some of its Series I notes for USD 5.0 million in nominal value. As a weighted average, the price paid was USD 0.3978 for a total of USD 1.9 million.

In fiscal year 2011, we sold these notes for a principal amount of USD 39.6 million at an average price of USD 0.9605 totaling USD 38.08 million. In addition, during this fiscal period, APSA repurchased its Series I notes for a principal amount of USD 5.0 million. The weighted average price was USD 1.0201 for a total of USD 5.1 million.

Therefore, as of June 30, 2011, our consolidated holdings of Alto Palermo s Series I notes amounted to USD 10.0 million[1] in nominal value.

1 The entire amount is held by APSA.

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Acquisition of Alto Palermo s Series II Notes

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

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

Therefore, as of June 30, 2011, IRSA s consolidated holdings of Alto Palermo Series II notes amounted to USD 19.9 million in nominal value including previous holdings.

Alto Palermo s Series III and Series IV Notes

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

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

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

8.5% Series I notes due 2017

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

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

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

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11.5% Series II notes due 2020

On July 20, 2010, we issued fixed-rate notes due in 2020 for a total amount of USD 150.0 million, which accrue interest at an annual interest rate of 11.5% payable semi-annually and which mature in a single installment on July 20, 2020.

These Series II notes are subject to the same covenants as described for Series I notes due 2017.

Debt structuring for the acquisition of Edificio República

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

Off-balance sheet arrangements

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

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CORPORATE SERVICE AGREEMENT ENTERED INTO WITH CRESUD SACIF Y A. AND APSA

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

Within this context, on June 30, 2004, a Framework Agreement for the Exchange of Corporate Services was executed by and between our Company, Cresud and APSA, which was subsequently amended on August 23, 2007, August 14, 2008, November 27, 2009 and July 11, 2011.

The Framework Agreement for the Exchange of Corporate Services executed by and between us, CRESUD and APSA currently involves the following areas in the exchange of services: Human Resources, Finance, Institutional Relations, Administration and Control, Systems and Technology, Insurance, Purchases and Procurement, Messenger Services, Contracts, Technical, Infrastructure and Services, Purchases, Architecture and Design, Development of Works, Audit and Control, Real Estate, Hotels and Tourism, Board of Directors positions to be distributed, General Management Department s positions to be distributed and Board of Directors Safety.

The exchange of services consists in the provision of services for value in relation to any of the above mentioned areas, carried out by one or more of the parties to the Framework Agreement for the Exchange of Corporate Services on behalf of the other party or parties, invoiced and payable primarily through offsetting based on the provision of services in any such areas, and secondarily in cash, in case of a difference in value of the services provided. Under this agreement, the companies have hired an external consulting company to review and evaluate on a six-month basis the criteria used in the settlement of corporate services, as well as the bases of distribution and supporting documentation used in the process, to be reflected in a report prepared for each six-month period.

On March 12, 2010 we entered into a new amendment to the Framework Agreement for the Exchange of Corporate Services with CRESUD and APSA so as to simplify the issues arising from the consolidation of the financial statements resulting from the increase or Cresud s investment in our Company. In this regard, our Board of Directors has deemed it convenient and advisable for achieving such simplification, to unify in Cresud and to assign to Cresud our and APSA s employment agreements. Effective since January 1, 2010, labor costs of such employees were transferred to Cresud s payroll, which will continue to be distributed with us and APSA pursuant to the conditions of the Framework Agreement for the Exchange of Corporate Services.

In the future, and in order to follow the policy of making the most efficient distribution of corporate resources among the different areas, the Framework Agreement for the Exchange of Corporate Services may be extended to other areas shared by the Company with Cresud and APSA.

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

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Corporate Governance

At IRSA we understand that good corporate governance practices should be supported and framed in an environment of adequate interaction and operation of its corporate bodies in accordance with the regulations in force, as the most efficient manner of protecting our shareholders.

Furthermore, the Company is subject to the provisions of the Sarbanes Oxley Act; therefore, it must assure the effectiveness of its internal control system for financial reporting purposes. It has passed its Code of Ethics, which is applicable to all its employees and sets forth a strict system of authorization and information disclosure practices aligned with the highest international standards insofar as concerns investor relations.

The foregoing principles, along with the ongoing updating of its corporate governance practices in line with the most stringent market practices, place IRSA as the leading company in the Argentine capital markets.

In addition, a summary of the most significant differences between IRSA s corporate governance practices and the practices applied by US companies as per the standards set by the New York Stock Exchange (NYSE) for such companies may be consulted in Spanish and English in the Company s web page (www.irsa.com.ar).

In compliance with the provisions of Decree No. 677/01, below is a brief description of the aspects related to the decision taking processes and internal control system as of the date of this Annual Report.

Therefore, for further illustration we refer to Exhibit I to this Annual Report, which includes the corporate governance report required by the Corporate Governance Code implemented by General Resolution No. 516/2007 issued by the Argentine Securities Commission (hereinafter, the Code and the CNV , respectively).

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BOARD OF DIRECTORS AND MANAGEMENT

Board of Directors

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

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

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

Name	Date of Birth	Position in IRSA	Date of current appointment	Term expiration	Current position held since
Eduardo S. Elsztain	01/26/1960	Chairman	2009	2012	1991
Saúl Zang	12/30/1945	Vice-Chairman I	2009	2012	1994
Alejandro G. Elsztain	03/31/1966	Vice-Chairman II	2007	2013	2001
Fernando A. Elsztain	01/04/1961	Regular Director	2008	2011	1999
Carlos Ricardo Esteves	05/25/1949	Regular Director	2008	2011	2005
Cedric D. Bridger	11/09/1935	Regular Director	2009	2012	2003
Marcos Fischman	04/09/1960	Regular Director	2009	2012	2003
Fernando Rubín	06/20/1966	Regular Director	2007	2013	2004
Gary S. Gladstein	07/07/1944	Regular Director	2007	2013	2004
Mario Blejer	06/11/1948	Regular Director	2008	2011	2005
Mauricio Wior	10/23/1956	Regular Director	2009	2012	2006
Gabriel A. G. Reznik	11/18/1958	Regular Director	2008	2011	2008
Ricardo H. Liberman	12/18/1959	Regular Director	2008	2011	2008
Juan C. Quintana Terán	06/11/1937	Alternate Director	2008	2011	1996
Emilio Cárdenas	08/13/1942	Alternate Director	2008	2011	2003
Salvador D. Bergel	04/17/1932	Alternate Director	2008	2011	1996
Enrique Antonini	03/16/1950	Alternate Director	2007	2013	2007
Daniel Ricardo Elsztain	12/22/1972	Alternate Director	2007	2013	2007

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Daniel Ricardo Elsztain. Mr. Elsztain graduated with a major in Economic Sciences from the Torcuato Di Tella University and has a Master in Business Administration from the Austral IAE University. At present, he is our Commercial Manager, since 2004. Mr. Elsztain is the brother of both the Chairman of the Board of Directors, Mr. Eduardo S. Elzstain, and of the Executive Vice-Chairman, Mr. Alejandro G. Elzstain and cousin of Director Fernando A. Elzstain.

Employment contracts with our directors

We do not have written contracts with our directors. However, Messrs. Eduardo Elsztain, Saúl Zang, Alejandro Elsztain, Fernando Elsztain and Fernando Rubín are employed by our Company under the Labor Contract Law No. 20744.

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Law No. 20744 governs certain conditions of the labor relationship, including remuneration, protection of wages, hours of work, holidays, paid leave, maternity protection, minimum age requirements, protection of young workers and suspension and termination of the contract.

Executive Committee

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

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

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

Senior Management

Appointment of Senior Management

Our Board of Directors appoints and removes senior management.

Senior Management Information

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

Name	Date of birth	Position	Current position held since
Eduardo S. Elsztain	01/26/1960	Chief Executive Officer	1991
Gabriel Blasi	11/22/1960	Chief Financial Officer	2004

Jorge Cruces	11/07/1966	Chief Real Estate Officer	2007
Daniel Ricardo Elsztain	12/22/1972	Chief Real Estate Business Officer	2007
David A. Perednik	11/15/1957	Chief Administrative Officer	2002

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

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

David A. Perednik. Mr. Perednik obtained a degree in accounting from the Universidad de Buenos Aires. He has worked for several companies such as Marifran Internacional S.A., a subsidiary of Louis Dreyfus Amateurs where he worked as chief financial officer from 1986 to 1997. He also worked as a senior consultant in the Administration and Systems Department of Deloitte & Touche since 1983 to 1986. He also serves as chief administrative officer of Cresud and Alto Palermo.

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

Supervisory Committee

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

The following table shows information about the members of our supervisory committee, who were elected at the annual ordinary shareholders meeting, held on October 29, 2010:

Name	Date of Birth	Position	Expiration Date	Current position held since
José D. Abelovich	07/20/1956	Member	2011	1992
Marcelo H. Fuxman	11/30/1955	Member	2011	1992
Noemí Cohn	05/20/1959	Member	2011	2010
Silvia De Feo	10/07/1958	Alternate Member	2011	2003
Roberto Murmis	04/07/1959	Alternate Member	2011	2005
Alicia Rigueira	12/02/1951	Alternate Member	2011	2006

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

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

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

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

Silvia De Feo. Mrs. De Feo obtained a degree in accounting from the University of Belgrano. She is a manager at Abelovich, Polano & Asociados S.R.L., a law firm member of Nexia International, an accounting firm in Argentina and former manager at Harteneck, Lopez & Cía./Coopers & Lybrand. She is also a member of the Supervisory Committees of Cresud, Alto Palermo Shopping, Inversora Bolívar and Baldovinos S.A.

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

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

Internal Control - Audit Committee

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

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

- Effectiveness and efficiency of operations
- Reliability on financial reporting, and
- Compliance with applicable laws and regulations

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

- the board of directors, by establishing the objectives, principles and values, setting the tone at the top and making the overall assessment of results;
- the management of each area is responsible for the internal control in relation to objectives and activities of the relevant area, i.e. the implementation of policies and procedures to achieve the results of the areas and, therefore, those of the entity as a whole;

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

Audit Committee

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

The Audit Committee is a committee of the board of directors, the main function of which is to assist the board of directors in (i) exercising its duty of care, diligence and competence in issues relating to us, specifically as concerns the enforcement of accounting policies, disclosure of accounting and financial information, (ii) management of our business risk, the management of our internal control systems, (iii) ethical conduct of the Company s businesses, (iv) monitoring the sufficiency of our financial statements, (v) our compliance with the laws, (vi) independence and capacity of independent auditors, (vii) performance of our internal audit duties both by our company and the external auditors and (viii) it may render, upon request of the Board of Directors, its opinion on whether the conditions of the related parties transactions for relevant amounts may be considered reasonably sufficient under normal and habitual market conditions.

The Audit Committee must meet at least once a year.

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

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

Compensation

Directors

Under the Argentine Business Corporations Law (Law No. 19,550), if the compensation of the members of the Board of Directors and the Supervisory Committee is not established in the by-laws of the Company, it should be determined by the shareholders meeting. The maximum amount of total compensation to the members of the Board of Directors and the Supervisory Committee, including compensation for technical or administrative permanent activities, cannot exceed 25% of the earnings of the company. That amount should be limited to 5% when there is no distribution of dividends to shareholders and will be increased proportionally to the distribution. For purposes of applying this provision, the reduction in the distribution of dividends derived from reducing the Board of Directors and Supervisory Committee s fees will not be considered.

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

In the course of our shareholders meeting held on October 29, 2010, the shareholders approved total compensation in the amount of ARS 27.8 million for all our directors for the fiscal year ended on June 30, 2010. At the end of this fiscal year, these amounts had been totally paid.

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

Senior Management

We pay our senior management pursuant to a fixed amount, established by taking into consideration their background, capacity and experience and an annual bonus which varies according to their individual performance and our overall results. The total and aggregate cash compensation of our Senior Management for the fiscal year ended June 30, 2011 was ARS 11.3 million.

Supervisory Committee

The shareholders meeting held on October 29, 2011, approved by majority vote the decision not to pay any compensation to our Supervisory Committee.

Audit Committee

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

Compensation plan for executive management

During this fiscal year, we have developed a special compensation plan for key managers by means of contributions to be made by the employees and by the Company.

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

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

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

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

- ordinary retirement in accordance with applicable labor regulations;
- total or permanent incapacity or disability; and
- death.

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

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Code of Ethics

The Code of Ethics is effective as from July 31, 2005 with the aim of providing a wide range of guidelines as concerns accepted individual and corporate behavior. It is applicable to directors, managers and employees of the Company and its controlled companies. The Code of Ethics that governs our business, in compliance with the laws of the countries where we operate, may be found on our website www.irsa.com.ar.

A Committee of Ethics composed of three Board members is responsible for providing solutions to issues related to the Code of Ethics and is in charge of taking disciplinary measures in case of breach of the Code.

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MARKET INFORMATION

New York Stock Exchange

Our Global Depositary Shares (GDSs), representing 10 common shares each, are listed on the New York Stock Exchange under the trading symbol IRS . Our GDSs started to be listed on the New York Stock Exchange on December 20, 1994 and they were issued by the Bank of New York, Inc., acting as depositary. However, it should not be assumed that our GDSs will be listed at a multiple 10 times higher than the price per common share. The table below shows the high and low closing prices of our GDSs in the New York Stock Exchange for the indicated periods.

	USD per GDS	
	High	**Low**
Fiscal year		
2011	**17.56**	**10.41**
2010	**13.23**	**1.87**
2009	**12.00**	**3.01**
2008	**20.84**	**11.19**

	High	**Low**
Quarter		
2011		
4th quarter	**13.78**	**12.46**
3rd quarter	**16.77**	**13.80**
2nd quarter	**17.56**	**13.92**
1st quarter	**14.79**	**10.41**
2010		
4th quarter	**13.23**	**10.22**
3rd quarter	**10.83**	**9.05**
2nd quarter	**9.87**	**7.85**
1st quarter	**8.30**	**4.75**
2009		
4th quarter	**5.00**	**3.54**
3rd quarter	**4.53**	**3.01**
2nd quarter	**7.11**	**3.08**
1st quarter	**12.00**	**7.27**
2008		
4th quarter	**15.10**	**11.19**
3rd quarter	**14.31**	**12.54**
2nd quarter	**18.05**	**14.53**
1st quarter	**20.84**	**14.45**

	High	**Low**
Month (calendar year 2011)		
June	**13.76**	**12.81**
May	**13.29**	**12.83**
April	**13.78**	**12.46**
March	**14.41**	**13.80**
February	**16.43**	**14.00**
January	**16.77**	**15.45**

Source: Bloomberg.

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Buenos Aires Stock Exchange

Our common shares are listed on the Buenos Aires Stock Exchange (BASE) under the trading symbol IRSA . Our common shares started to be traded on the BASE in 1948. The table below shows the high and low closing prices of our common shares in the BASE for the indicated periods:

	Pesos per share	
	High	**Low**
Fiscal year		
2011	**6.97**	**4.12**
2010	**5.23**	**1.87**
2009	**3.70**	**1.10**
2008	**6.45**	**3.62**

	High	**Low**
Quarter		
2011		
4th quarter	**5.90**	**5.29**
3rd quarter	**6.85**	**5.72**
2nd quarter	**6.97**	**5.52**
1st quarter	**5.80**	**4.12**
2010		
4th quarter	**5.23**	**4.28**
3rd quarter	**4.24**	**3.40**
2nd quarter	**3.75**	**2.89**
1st quarter	**3.15**	**1.87**
2009		
4th quarter	**1.95**	**1.40**
3rd quarter	**1.50**	**1.10**
2nd quarter	**2.25**	**1.15**
1st quarter	**3.70**	**2.26**
2008		
4th quarter	**4.78**	**3.62**
3rd quarter	**4.65**	**3.98**
2nd quarter	**5.75**	**4.60**
1st quarter	**6.45**	**4.68**

	High	**Low**
Month (fiscal year 2011)		
June	**4.43**	**4.18**
May	**5.90**	**5.49**
April	**5.86**	**5.29**
March	**6.13**	**5.72**
February	**6.69**	**5.85**
January	**6.85**	**6.35**

Source: Bloomberg.

Dividends and Dividend Policy

Pursuant to Argentine law, the distribution and payment of dividends to shareholders is allowed only if they result from realized and net earnings of the company pursuant to annual financial statements approved by our shareholders. The approval, amount and payment of dividends are subject to the approval by our shareholders at our annual ordinary shareholders meeting. The approval of dividends requires the affirmative vote of a majority of the shares entitled to vote at the meeting.

In accordance with Argentine law and our by-laws, net and realized profits for each fiscal year are allocated as follows:

5% of such net profits is allocated to our legal reserve, until such reserve amounts to 20% of our capital stock;

a certain amount determined at a shareholders meeting is allocated to compensation of our directors and the members of our Supervisory Committee;

additional amounts may be allocated for the payment of optional reserve funds, or to establish contingency reserves or for whatever other purpose our shareholders determine.

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According to rules issued by the *Comisión Nacional de Valores*, cash dividends must be paid to shareholders within 30 days of the resolution approving their distribution. In the case of stock dividends, the shares must be delivered to shareholders within three months of the annual ordinary shareholders meeting that approved them.

On February 2, 2007 we issued our 2017 fixed rate notes for a total amount of USD150.0 million at an annual interest rate of 8.5% payable semi-annually and maturing on February 2, 2017. This bond limits our ability to pay dividends, which may not exceed the sum of:

50% of our cumulative consolidated net income; or

75% of our cumulative consolidated net income if the consolidated interest coverage ratio is at least 3.0 to 1; or

100% of our cumulative consolidated net income if the consolidated interest coverage ratio is at least 4.0 to 1.

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

Our dividend policy consists in the distribution of an amount up to the highest of a) twenty per cent (20%) of the Sales, leases and services of Offices and other Non-Shopping Center Rental Properties segment, defined in Segment information, as of June 30 of each year, or b) twenty per cent (20%) of Net income defined in the Consolidated Statements of Income as of June 30 of each year. This policy requires that we must at all times comply with the covenants imposed by our financial obligations.

The table below presents the dividend payment ratio and the total amount of dividends paid for, each paid entirely in common shares, for the mentioned years. Figures in Pesos are stated in historical Pesos of their respective payment date.

Year declared	**Cash dividends (in million of ARS)**	**Cash dividends[1] (ARS)**	**Stock dividends[1] (ARS)**	**Total per common share (ARS)**
1997	15.0	0.110		0.110
1998	13.0	0.060	0.05	0.110
1999	18.0	0.076	0.04	0.116
2000			0.20	0.204
2001				
2002				
2003				
2004				
2005				
2006				
2007				
2008				
2009	31.7	0.055		0.055
2010	120.0	0.207		0.207
2011	100.0	0.173		0.173

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Notes:

(1) Corresponds to payments per common share.

The table below presents the dividend payment ratio and the total amount of dividends paid for by our subsidiary Alto Palermo, from which we collect dividends in our capacity of shareholders, each fully paid, for the mentioned years.

Dividends paid by our subsidiary Alto Palermo

Year declared	Cash dividends[1] (ARS)	Stock dividends[1] (ARS)	Total per common share (ARS)
2004	17,895,663		0.0229
2005	29,000,000		0.0371
2006	47,000,000		0.0601
2007	55,721,393		0.0712
2008	60,237,864		0.0770
2009	56,000,000		0.0716
2010	113,000,000		0.0897
2011	130,824,500		0.1039

Notes:

(1) Corresponds to payments per common share.

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PROSPECTS FOR THE NEXT FISCAL YEAR

During fiscal year 2011, the Company has achieved a strong growth and consolidation in all its lines of business, achieving a unique position to face next fiscal year 2012.

During fiscal year 2011, Shopping center activity has shown a sharp increase in sales, in line with other consumption related businesses and keeping track of the economic growth in the country.

Regarding organic growth, we will continue executing our expansion strategy in Buenos Aires and other locations in Argentina. In this sense, we have recently acquired 50% of a company entitled to the concession of La Ribera shopping in the City of Santa Fe, in partnership with Grainco S.A, thus adding the 13th shopping mall to our portfolio.

Moreover, we will continue with the improvement, reconditioning and redistribution of spaces in our Shopping Centers in order to take advantage of their GLA potential and provide further functionality and appeal to our tenants and consumers. In this sense, we expect to expand and optimize GLA in the Soleil Factory; thus intending to position it as the first Premium outlet in Argentina.

Regarding other new shopping center developments, we are planning to launch a new outlet in Palermo through our subsidiary Arcos del Gourmet S.A., and a mall in the city of Neuquen, in line with our expansion strategy both in the City of Buenos Aires and in Argentine Provinces.

We will continue executing marketing campaigns, events and promotions in our shopping centers targeted to attract consumers. These actions will be carried forward with the joint effort of the Company, our tenants and banks issuers of credit cards. All these should enhance the long term cash generation of our shopping centers as well as their market positioning.

Regarding the Offices for Rental segment, we will aim to continue consolidating the best Premium portfolio in the City of Buenos Aires. Thus, we are developing a building in Catalinas, on a plot of land that the Company had acquired in December 2009. Moreover, we will continue working towards achieving maximum occupancy in our assets and the best possible lease agreements, trying to attract new firms whishing to relocate in the spaces we offer.

Regarding the Sales and Development segment, we expect to continue selling non strategic assets and small land reserves while completing the delivery of the units of the Horizons Project. We also expect to make progress with the sales of the units received following barter agreements in the residential projects Caballito Nuevo, Torres Rosario and El Encuentro.

Finally, as concerns opportunities outside Argentina, we will aim to optimize the operation of the Lipstick Building and 183 Madison Ave. We expect these assets to continue improving their NOI levels. Also we will continue seeking for selective investments including high quality assets with attractive prices or capital structures with potential for improvement.

Given the Company s solid level of cash generation, its asset quality, low indebtedness level, its experience in taking advantage of market opportunities and its credentials in the international capital markets, we believe that we are on the right way to continue consolidating the best real estate portfolio of Argentina.

City of Buenos Aires, September 8, 2011.

Saúl Zang
Vicepresident I

acting as president

Exhibit I: Corporate Governance Report

General Resolution CNV 516/2007 of the Argentine Securities Commission (CNV)

Preliminary Considerations

Pursuant to its General Resolution No. 516/2007, the Argentine Securities Commission approved the minimum contents of the Corporate Governance Code (the Code) whereby all publicly traded companies shall, upon preparing their annual financial statements, include in their annual reports and as a separate exhibit, a report detailing whether they are heeding the Code recommendations, and if so, how, and explaining the reasons why they have not adopted the Code recommendations in whole or in part and whether they are planning to adopt them in the future. Therefore, on September 8, 2010 our Board of Directors approved the report prescribed by the Code, which constitutes an integral part of these financial statements and reads as follows:

SCOPE

1.) Relationship between the Issuer and the Conglomerate. The Board must thoroughly report any policies applicable to the relationship between the issuer and the conglomerate as such and its integral parts, if any.

In particular, the Board must report the transactions with affiliates and related companies and, in general, those that might be relevant to determine the degree of effectiveness and compliance with the loyalty, diligence and independence duties. Furthermore, the Board must report the transactions conducted with shareholders, management and the Board.

In connection with related companies, it is Company policy to enter into transactions in arm s length conditions.

The transactions with related parties are, as prescribed by the law, subject to the Audit Committee s opinion. The Audit Committee analyzes the reasonableness of transactions in the terms of Executive Decree No. 677/01 and issues reports in this respect.

In the event of the Company conducting transactions with its shareholders, management and/or the Board, it shall abide by the provisions under Law No. 19,550, section 271.

2) Inclusion of Corporate Governance matters in the Company s By-laws. The Board must assess whether its Corporate Governance Code provisions are to be reflected, in whole or in part, in the Company s by-laws, including the Board s specific and general duties. The Board must make sure that the Company s By-laws should lay down rules to compel directors to disclose any personal interests related to the decisions submitted to Board consideration in order to avoid vested interests.

The Board of Directors considers that some of the provisions referred to in the Corporate Governance Code (hereinafter, the Code) are already within the scope of Argentina s currently applicable corporate law legislation.

However, the Board understands that other Code provisions should not be included in the current wording of the By-laws because if they were changed and/or fine-tuned in the future, the need would arise for amending the By-laws accordingly and this would be burdensome and costly. It is thus the Board s understanding that the configuration of the new code as a body separate from the

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By-laws would help to its enforcement and contribute to a more agile review and adaptation of provisions, as necessary, based on whether the law mandates such inclusion or whether conduct of business calls for it.

As regards the Directors duty to avoid conflicts of interest, the Board considers that its actions are aligned to the Argentine Companies Law, Sections 272 and 273, and specifically to the provisions concerning this matter and that the Company s Code of Ethics (hereinafter Ethics Code) deals specifically with this matter. Additionally, the Company s transactions are underpinned by counterparty analyses, including suppliers, in order to identify potential related parties and thus prevent vested interests.

ABOUT THE BOARD IN GENERAL

3) The Board is responsible for the Company s Strategy. The Board of Directors is in charge of managing the Company and approving the general policies and strategies appropriate to the different phases in the Company s life cycles and in particular:

a) The strategic and/or business plan, as well as management objectives and annual budgets;

b) Investment and funding policies;

c) Corporate Governance policies;

d) Enterprise Social Responsibility policies;

e) Risk control and management policies as well as any other policy aimed at a regular follow-up on the Company s internal reporting and control systems; and

f) The implementation of continuous education programs targeted at directors and management executives.

Being an essential part, and the raison d être, of its management actions, the strategic and business plan for the Company is laid down by the Board. The Board also lays down and sets, together with the appropriate departments, management objectives and the annual budget.

In harmony with the preceding sub-paragraph, the Board considers, on an annual basis, the Company s planned investments and the appropriate financing requirements.

The Company has in place Corporate Governance policies (in accordance with the Argentine Executive Decree No. 677/01 and/or the Sarbanes-Oxley Act) and the Board has approved the Corporate Governance Code report.

The Company has in place policies in this respect, such as those implemented through donation to non-profits as would be the case of the donations channeled through the IRSA foundation. The Company also has in place policies to recycle paper and other reusable materials such as plastics and disposable packaging.

The Company enforces the US Sarbanes-Oxley Act as concerns business controls, corporate level controls and general controls through information technology. In this respect, the Board is permanently updated of the company s management control policies. The same holds true in connection with internal reporting and control systems, which are deployed by the IT, Organization and Methods and Internal Audit departments, responsible in turn for keeping the Board abreast of new developments.

There are continuous education programs for the managementteam, as discussed in further detail in paragraph 11).-

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4) Management Control. The Board is duty-bound to verify that the above-mentioned strategies and policies are implemented, that the budget and the operations plan are met and to control management performance, i.e., to make sure that management meets the objectives laid down, including expected profits, in furtherance of the Company s corporate interest.

The Company has in place a management control system pursuant to which each department is responsible for administering its budget and for seeing to it that it is duly executed; mandatory signature authority levels are assigned based on transaction amounts, etc. This control system is permanently monitored by the Internal Audit Department.-

On a quarterly basis, the Board assesses the degree of compliance with the annual budget, analyzes the potential causes of any deviations from budget and recommends to management any necessary corrective measures in furtherance of the Company s corporate interest in order to align them with each matter s best practices.

5) Reporting and Internal Control. Risk Management. The Board must report on whether it relies on risk control and management policies, stating also whether these are permanently updated in line with the applicable best practices and also on whether it relies on other policies which, in the same nature, are aimed at a periodical follow-up on the Company s internal information and control systems.

The Company enforces these policies.

In this respect, there are internal committees, such as IT Security and Risks, that are permanently updating their activities in line with the best practices criteria.-

6) Audit Committee. The Board of Directors must state whether the Audit Committee members are nominated by any of its members or only by its Chairman.

The Company has had an Audit Committee in place since the year that audit committees became a legal requirement. At present, the Company s Audit Committee is made up by three independent members as prescribed by the applicable legal provisions.

The members of the Audit Committee are nominated by the Board in its entirety, in line with the provisions under Executive Decree No. 677/01 and they are chosen by a unanimous vote.

7) Number of Board Members. The Board of Directors is made up by the directors appointed by the Shareholders Meeting, or, if applicable, by the Supervisory Committee, in accordance with the requirements laid down in the Company s By-laws.

The Board of Directors must determine, on a case-by-case basis, in harmony with the size of the issuer and abiding by the decision-making procedure, if its numerical composition is adequate so that, should the need arise, a well-grounded proposal should be submitted to the Shareholders Meeting to request a change in the Board s numerical composition.

The numerical composition of the Board must include a sufficient number of independent directors. The Board must create a sufficient number of committees to carry out its mission effectively and efficiently.

According to the provisions under the Argentine Companies Law, the Board of Directors is appointed by the Shareholders Meeting.

As a matter of principle, the Board is made up by reliable prominent individuals of integrity, reputation and demonstrated ethics. Besides, they must be free from conflicts of interest and

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available to discharge their functions, which must be performed in full observance of the Company s values; they should have demonstrated skills in the matters concerning their missions, master the best practices in corporate governance, be seasoned in legal entities management and possess a full understanding of the role to be played by a publicly traded company.

It is the Board s understanding that in the light of the current circumstances and the size of the issuer, the number of directors laid down in the Company s by-laws is fit and sufficient for the Company to conduct business guided by its management objectives for the fiscal year.

Besides, the Company has established several committees to focus closely on certain aspects of its management.

8) Board Membership. The Board of Directors must determine whether the enforcement of a policy geared towards the involvement of former executives in management is in the Company s best interest and make any relevant recommendations.

The Board understands that there is no need, for the time being, to establish an express policy to permit former executives to participate in management. However, it does not rule it out either in so far as these executives knowledge of the company and their experience add a plus to their qualifications as directors, which are estimated to contribute to more efficient management.

9) Multiple Directorships. The Board must examine the advisability of directors and/or statutory auditors serving as such on a limited number of entities or the relevance of this aspect and make any recommendations it may see fit.

The Board finds it advisable for its members and statutory auditors to serve on the board of other companies making up the same conglomerate/group of companies as it helps to add synergies, reduce operating costs and ensure harmonious operation in the various companies, on top of the advantages this lends to management activities themselves.

10) Board Performance Assessment. The Board of Directors must, before holding the Ordinary Shareholders Meeting called to consider and adopt resolutions concerning the matters detailed in the Argentine Companies Law section 234, sub-sections 1 and 2, evaluate its own performance. To that end, the Board must prepare, in writing, a guide for assessing and laying down the criteria necessary to measure its performance.

As mandated by the Argentine Companies Law, the Board submits its own actions to the consideration by the Shareholders Meeting. The Company drafts an annual report that is made available to the shareholders, corporate governance bodies and regulators, in advance as prescribed by the applicable statutory terms and along the lines established by current rules and regulations, prior to the date set for the shareholders meeting.

The Board estimates that the term in advance as currently mandated is sufficient for the those concerned to duly weigh the information.

11) Director Training and Development. The Board must establish a continuous education program for its members and management executives in order to maintain and refresh their knowledge and skills and to boost Board efficacy overall.

The Company encourages its members to take part in training and professional update activities for Board and senior management members. In the Board s opinion, it is vital to improved business management that the Company s officers should be permanently trained and take part in local and international congresses and events in their respective fields of expertise.

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DIRECTOR INDEPENDENCE CRITERIA

12) Independent Directors. The Board of Directors must determine if the party that nominates a director is duty-bound to outwardly express, for public disclosure, sufficient evidence in support of his/her independence and make any relevant recommendations.

When it comes to director independence criteria, independent director nominations are accompanied by the reasons and sufficient expression of their condition as independent, as it arises from the minutes, which are widely disclosed through publication in the Argentine Securities Commission (CNV) Financial Information Highway and in the Securities and Exchange Commission (SEC).

13) Appointment of Management Executives. The Board of Directors must determine, in connection with the selection, nomination and/or appointment of management executives if it is advisable to outwardly express the reasons underpinning the nomination and to disclose them to the public at large.

It is the Board s opinion that there is no need, for the time being, to publicly disclose the reasons why management executives are appointed. This notwithstanding, and on account of the company being listed not only on the local securities exchange but also on other international securities markets, as has already been indicated, this recommendation is deemed to have been fully heeded.

14) Proportion of Independent Directors. The Board of Directors must outwardly express and, if applicable, provide a description- whether it has in place a policy to maintain a proportion of independent directors on the total number of directors. There is also the duty to publicly disclose the proportion of executive directors, of non executive directors and of independent directors and to state the status of each Board member in this respect.

The proportion of independent directors in the Company s board of directors is adequate as per the Argentine Securities Commission and the SEC requirements.

When it comes to the classification of directors as executive and non-executive, the Board understands that there is no need to implement those statuses for the time being.

The above notwithstanding, investors may rely on the so-called 20F form, which contains an in-depth, personalized description by function of each one of the directors as well as the roster of the Steering Committee s members.

15) Independent Directors Meetings. The Board must determine the suitability of holding Independent Directors-only meetings. When the Chairman of the Board is not an independent director, the independent directors must appoint a lead independent director to coordinate its committees operations, prepare Board meeting agendas and hold specific independent directors meetings.

At the date of this report, the Chairman of the Board is a non-Independent Director and the Board s independent directors share in the mission to safeguard observance of the Company s agenda together with the Board s chair and the remaining Board members.

Given that the Audit Committee is entirely made up by independent directors and that it sessions at regular intervals, we consider that any minimum requirements in this respect have been met.

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RELATIONS WITH SHAREHOLDERS

16) Information to Shareholders. The Board must report whether it encourages periodical informational meetings with shareholders other than shareholders meetings.

The Board of Directors maintains its shareholders informed through various means, mostly, electronic. Thus, for instance, meeting attendance by remote communication equipment allows the Company to provide details and/or further explanation to foreign shareholders at the time of releasing its quarterly and annual financials.

The Company also has a web-site where it posts updated information and has appointed an officer in charge of investors relations from amongst the staff of the Corporate Finance Department.

Ever since 2003 the Company has been publishing in its web-site annual reports on financial statements and special quarterly earnings reports with a focus on those matters that can be of special interest to shareholders and investors.

In addition, the Company arranges presentations to the market and road shows concerning debt instrument issuances to respond to shareholders and investors enquiries.

17) Response to shareholders concerns and enquiries. The Board of Directors must specify whether the Company relies on a specific office for dealing with shareholders concerns and enquiries, except for those that may affect the Company s future strategy or plans.

If any such arrangements were in place, the Board is to report on its duty to produce periodical reports on the matters consulted to be subsequently disclosed to shareholders, corporate governance bodies and regulators.

The Company has appointed an officer in charge of shareholders concerns and enquiries. The job title is Investors Relations Officer and has been appointed from amongst the staff of the Corporate Finance Department.

The Board analyzes the advisability and suitability of preparing general periodical reports to post in its website which could be of general interest to its shareholders in view of the concerns and enquiries voiced by investors, and always exercising care so that the Company s strategic position is not adversely affected.

18) Minority Shareholder Presence at Shareholders Meetings. The Board of Directors is to render a well-grounded opinion as to the advisability of taking particular action to foster minority shareholder attendance at shareholders meetings.

The Company complies in full with the Argentine Companies Law and with the regulations laid down by local regulators (CNV) and the US regulators (SEC): such rules and regulations provide for multiple mechanisms for minority shareholder attendance at shareholders meetings. Their attendance at shareholders meetings is strictly accounted for and they exercise their rights to vote and to voice their opinions.

Additionally, as soon as the shareholders meetings are called, the Company performs a survey and a control of its minority and institutional shareholders, through Caja de Valores S.A. (shares) and Bank of New York (ADRs), proactively encouraging them to timely obtain any certification they may need to attend general and/or special shareholders meetings in due time.

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19) The market for Tender Offers. The Board of Directors must analyze, based on the interests of minority shareholders, the advisability of resorting to the market for tender offers. If so, it must recommend specific measures to be adopted by the Company to foster the formation of such mechanism.

In particular, the Board is to primarily furnish grounds for its decision to adhere or not to the mandatory public tender offer regime (tag-along provisions).

Even though the Company has recently resorted to tender offers, in instances known by the controlling authorities, in the light of the conditions prevailing in the market and to safeguard the interests of shareholders, the Board of Directors does not think it advisable that tag-along provisions and/or a market for tender offers should be in place.

Pursuant to a resolution adopted by the Company s shareholders meeting, the Company does not adhere to the mandatory public tender offer regime. The Board does not deem it necessary to recommend changes in this respect.

20) Dividend Policy. The Board of Directors must assess, in accordance with the Company s particular conditions, the suitability of establishing policies for payment of cash dividends and must explain the conclusions reached and the reasons for such conclusions. If applicable, it must describe the mechanism applied to propose to the Shareholders Meeting whether or not to pay dividends.

The Company is under certain restrictions regarding the payment of dividends arising from financial covenants undertaken by it, which circumstance is generally known by the market. Notwithstanding, at present the Board of Directors does not deem it necessary to be governed by any specific policy in this regard.

COMMUNITY RELATIONS

21) Internet Communications. The Board of Directors must report whether the Company has its own, freely accessible web-site, where it posts information that is updated, easy to understand, sufficient and differentiated by target audience and whereby the Company provides information and responds to user concerns.

The Company has its own web-site http://www.irsa.com.ar/ to receive users inquiries, complaints and reports.

22) Web-site requirements. Should the Company rely on a web-site, the Company must guarantee that the information transmitted through electronic media should meet the highest confidentiality and integrity standards whilst simultaneously preserving information and maintaining any requisite logs.

The Company guarantees that the information posted in the web-site should meet the standards that are customary in these types of web-sites.

COMMITTEES

23) Committee to be chaired by an Independent Director. The Board of Directors must render an opinion as to the advisability of the Audit Committee being at all times chaired by an independent member.

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The Board of Directors has decided as from the creation of its Audit Committee that it must be chaired by an independent director.

24) Rotation of Statutory Auditors and External Auditors. The Board of Directors must analyze the advisability of the Company having in place specific policies concerning rotation in Supervisory Committee membership and/or rotation of External Auditors; and in connection with the latter, whether the rotation includes the external audit firm or only the individuals.

The Audit Committee must assess on an annual basis the skills, independence and performance of the external audit and of the members of the audit committee.

The Company complies with the rotation requirement mentioned above, which, according to the rules and regulations of the CNV and the standards laid down by the Professional Council in Economic Sciences of the City of Buenos Aires, is mandatory. The Audit Committee assesses on annual basis the performance of the External Auditor and of the members of the audit team as per applicable rules and regulations and issues the respective reports to be submitted to the consideration of the Shareholders Meetings.

25) Dual capacity as Statutory Auditor and as External Auditor. The Board of Directors must consider if it is advisable that the members of the Supervisory Committee should also discharge functions as external auditors and/or belong to the firm that renders external audit services to the Company.

The Board of Directors considers that such dual capacity is admissible. And that is also the position adopted by the Shareholders Meeting that is required to consider, on an annual basis, such circumstance upon considering performance for the year and appointments.-

26) Compensation Systems. The Board of Directors is to render an express pronouncement on whether it is adequate or not to rely on a Remuneration Committee made up by non-executive directors and entrusted with the mission to establish clear director remuneration policies with special focus on respect for by-laws and/or contractual limitations based on the availability or not of profits.

If created, the Remuneration Committee is responsible for laying down Company policy concerning remuneration and benefits and it is therefore equally responsible for:

a) Reviewing and assessing its internal regulations on an annual basis and submitting any changes to consideration by the Board for its approval.

b) Reporting every year to the Board of Directors the valuation guidelines followed to determine the level of remuneration of the Company s directors, senior management, advisors and consultants compared to companies sampled as comparable and recommending the amount of the remuneration to be paid to the Company s directors, senior management, advisors and consultants;

c) Reviewing the competitive position of the Company s policies and practices in connection to remunerations and benefits and approve any requisite changes;

d) Managing the stock option system;

e) Having a minimum numerical composition of three members;

f) Having a majority of independent directors;

g) Regularly reporting to the Board of Directors on the actions taken and the issues discussed in their meetings;

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h) Meeting at least twice a year;

i) Requesting external advice if necessary;

j) Reporting the guidelines for determining the retirement plans of directors and of senior management.

The Chairman of the Remuneration Committee must be available to attend the Shareholders Meeting convened to approve Board remuneration in order to explain the Company s policies.

Each member of the Remuneration Committee must evidence sufficient skills and experience in human resources, compensation policies and risk management.

The Board of Directors deems it adequate to not create a Remuneration Committee: the Board, given its inherent nature, establishes the remuneration of its officers in full compliance with the Argentine Companies Law.

In order to foster the continued development of its human capital and to fill vacant job positions with the persons fittest for the position from within the Company s own ranks or from outside the Company, the Human Resources department has as a priority to train, to foster career advancement and to determine a competitive compensation package in harmony with the market conditions which are periodically monitored.

27) Nominations and Corporate Governance Committee. The Nominations and Corporate Governance Committee must lay down the standards and procedures inherent in the selection of directors and key executives and must determine the Company s Corporate Governance policies and oversee their enforcement.

To that end it must:

a) Review and assess every year its internal regulations and propose to the Board any changes necessary for the Board s approval;

b) Lay down the criteria that will guide the selection of new directors, the CEO and key executives;

c) Design the succession plans for the CEO and for key executives;

d) Identify and recommend the candidates for Board membership to be proposed by the Committee to the Shareholders Meeting;

e) Recommend the directors proposed for membership in the various Board committees;

f) Lay down the policies and procedures to assess the performance of the CEO and of the key executives;

g) Recommend and draft the standards and procedures that will guide the Company s Corporate Governance practices and supervise their enforcement considering that all the aspects herein included must be contemplated;

h) Recommend alternatives for improving the performance of the Board of Directors and its Committees; and

i) Suggest mechanisms for improving relations and communications between the Company and its shareholders.

The Shareholders Meeting is responsible for choosing the regular and alternate directors according to current rules and regulations.

In turn, the Board is responsible for performing the functions that are conferred to it pursuant to the rules and regulations in force as detailed in the heading.

As of the date hereof, the Company does not have in place a Nominations and Corporate Governance Committee.

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28) Policy of Non-discrimination in Board membership. The Nominations and Corporate Governance Committee is to take all measures necessary so that the appointment of members to the Board should not be impeded on account on any form of discrimination.

The Company abides fully by Argentine rules and regulations that repudiate all types of discrimination.

City of Buenos Aires, September 8, 2011.

Saúl Zang
Vicepresident I

acting as president

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IRSA Inversiones y Representaciones

Sociedad Anónima and subsidiaries

Free translation of the Consolidated Financial Statements

As of and for the fiscal years

ended June 30, 2011 and 2010

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Company:	**IRSA Inversiones y Representaciones**
	Sociedad Anónima
Corporate domicile:	Bolívar 108 1º Floor Autonomous City of Buenos Aires
Principal activity:	Real estate investment and development

Financial Statements as of June 30, 2011

Presented in comparative form with the previous fiscal year. Stated In thousands of pesos

Fiscal year No. 68 beginning July 1st, 2010

DATE OF REGISTRATION WITH THE PUBLIC REGISTRY OF COMMERCE

Of the By-laws:	June 23, 1943
Of last amendment:	February 12, 2008
Registration number with the Superintendence of Corporations:	213,036
Duration of the Company:	April 5, 2043
Controlling Company:	Cresud Sociedad Anónima, Comercial, Inmobiliaria, Financiera y Agropecuaria (Cresud S.A.C.I.F. y A.)
Corporate Domicile:	Moreno 877, 23th floor, Autonomous City of Buenos Aires
Principal Activity:	Agricultural, livestock and real estate investment
Shareholding:	57.70%

Information related to subsidiaries is shown in Note 1.a.

CAPITAL COMPOSITION (Note 14 a. to the Basic Financial Statements)

Type of share	Authorized for Public Offer of Shares (*)	In thousands of pesos Subscribed	Paid in
Common share, 1 vote each	578,676,460	578,676	578,676

(*) Company not included in the Optional Statutory System of Public Offer of Compulsory Acquisition

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IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Consolidated Balance Sheets as of June 30, 2011 and 2010

In thousands of pesos (Notes 1 and 2)

Free translation from the original prepared in Spanish for publication in Argentina

	June 30, 2011	June 30, 2010		June 30, 2011	June 30, 2010
ASSETS			**LIABILITIES**		
CURRENT ASSETS			**CURRENT LIABILITIES**		
Cash and banks (Note 4)	168,170	71,175	Trade accounts payable (Note 11)	153,149	315,614
Investments (Note 5)	210,183	259,168	Customer advances (Note 12)	232,863	210,102
Accounts receivable, net (Note 6)	248,998	359,529	Short -term debt (Note 13)	683,813	609,190
Other receivables (Note 7)	155,169	240,891	Salaries and social security payable (Note 14)	35,792	37,375
Inventories (Note 8)	262,660	259,569	Taxes payable (Note 15)	119,053	101,111
Total Current Assets	1,045,180	1,190,332	Other liabilities (Note 16)	79,068	65,338
			Subtotal Current Liabilities	1,303,738	1,338,730
			Provisions (Note 17)	2,019	2,890
			Total Current Liabilities	1,305,757	1,341,620
			NON-CURRENT LIABILITIES		
			Trade accounts payable (Note 11)	47	23,368
NON-CURRENT ASSETS			Customer advances (Note 12)	94,244	90,370
Accounts receivable, net (Note 6)	14,300	42,123	Long-term debt (Note 13)	1,756,919	1,031,528
Other receivables (Note 7)	161,331	187,182	Taxes payable (Note 15)	328,692	110,441
Inventories (Note 8)	89,441	55,088	Other liabilities (Note 16)	18,129	62,021
Investments (Note 5)	1,946,145	1,480,805	**Subtotal Non-Current Liabilities**	2,198,031	1,317,728
Fixed assets, net (Note 9)	3,405,851	2,692,637	Provisions (Note 17)	12,881	7,940
Intangible assets, net	42,362	54,397	**Total Non-Current Liabilities**	2,210,912	1,325,668
Subtotal Non-Current Assets	5,659,430	4,512,232	**Total Liabilities**	3,516,669	2,667,288
Negative Goodwill, net (Note 10)	(389,300)	(69,123)	Minority interest	316,826	563,107
Total Non-Current Assets	5,270,130	4,443,109	**SHAREHOLDERS EQUITY**	2,481,815	2,403,046
Total Assets	6,315,310	5,633,441	**Total Liabilities and Shareholders Equity**	6,315,310	5,633,441

The accompanying notes are an integral part of these Consolidated Financial Statements.

Saúl Zang
Vicepresident I

Acting as President

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IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Consolidated Statements of Income

For the fiscal years ended June 30, 2011 and 2010

In thousands of pesos, except earnings per share (Notes 1 and 2)

Free translation from the original prepared in Spanish for publication in Argentina

	June 30, 2011	June 30, 2010
Revenues	1,441,930	1,323,326
Costs	(600,755)	(475,295)
Gross profit	841,175	848,031
Selling expenses	(106,704)	(185,401)
Administrative expenses	(200,359)	(195,291)
Subtotal	(307,063)	(380,692)
Gain from recognition of inventories at net realizable value	45,442	33,831
Net gain from retained interest in securitized receivables	4,707	37,470
Gain from operations and holdings of real estate assets, net	1,140	1,091
Operating income (Note 3)	585,401	539,731
Amortization of negative goodwill, net	17,427	1,641
Financial results generated by assets:		
Interest income	20,000	20,204
Foreign exchange gain	23,340	6,774
Other holding (loss) gain	(2,898)	8,197
Subtotal	40,442	35,175
Financial results generated by liabilities:		
Interest expense	(230,811)	(146,402)
Foreign exchange loss	(82,855)	(49,392)
Other financial expenses	(9,022)	(4,477)
Subtotal	(322,688)	(200,271)
Financial results, net (Note 18 a.)	(282,246)	(165,096)
Gain on equity investees	138,420	160,416
Other expenses, net (Note 18 b.)	(14,609)	(10,311)
Income before taxes and minority interest	444,393	526,381

Income tax and Minimum Presumed Income Tax (MPIT)	(104,524)	(148,427)
Minority interest	(57,765)	(43,453)
Net income for the year	282,104	334,501
Earnings per share (Note 13 to the Basic Financial Statements)		
Basic net income per share	0.487	0.578
Diluted net income per share	0.487	0.578

The accompanying notes are an integral part of these Consolidated Financial Statements.

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Vicepresident I

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Consolidated Statements of Cash Flows (1)

For the fiscal years ended June 30, 2011 and 2010

In thousands of pesos (Notes 1 and 2)

Free translation from the original prepared in Spanish for publication in Argentina

	June 30, 2011	June 30, 2010
CHANGES IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as of the beginning of the year	151,354	185,942
Cash and cash equivalents as of the end of the year	312,274	151,354
Net increase (decrease) in cash and cash equivalents	160,920	(34,588)
CAUSES OF CHANGES IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	282,104	334,501
Income tax and MPIT	104,524	148,427
Adjustments to reconcile net income to cash flows from operating activities:		
Gain on equity investees	(138,420)	(160,416)
Amortization of negative goodwill, net	(17,427)	(1,641)
Minority interest	57,765	43,453
Gain from recognition of inventories at net realizable value	(45,442)	(33,831)
Allowances and provisions	49,644	69,358
Depreciation and amortization	174,732	161,622
Accrued interest	194,063	134,251
Financial results, net	91,881	(2,219)
Gain from operations and holdings of real estate assets, net	(1,140)	(1,091)
Gain for fixed assets retired	(255)	(23,687)
Changes in certain assets and liabilities net of non-cash transactions and effects of acquisitions:		
Increase in accounts receivable, net	(112,828)	(108,890)
Increase in other receivables	(24,208)	(40,810)
Decrease (Increase) in inventories	57,094	(28,807)
Increase in other intangible assets, net	(3,051)	(2,316)
(Decrease) Increase in trade accounts payable	(7,115)	24,684
Decrease in customer advances, taxes payable, salaries and social security payable	(76,601)	(120,202)
Decrease in other liabilities	(13,488)	(15,928)
Net cash provided by operating activities	571,832	376,458
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in other investments	58,639	157
Share-holding increase in equity investees	(320,879)	(253,167)
Advance for sale of shares		19,951
Advance payments for the acquisition of shares	(1,798)	(23,735)
Acquisitions of undeveloped parcels of land	(185)	(11,930)
Acquisitions and improvements of fixed assets	(87,637)	(156,530)

Inflows (Outflows) for the acquisition of shares, net	(428,315)	2,707
Payments for the acquisition of minority interest Tarshop S.A.		(1,574)
Collection of loans granted, net	(1,217)	
Collection of dividends	11,119	3,904
Collection of equity investees credits	51,292	
Acquisition of intangible assets		(5,615)
Loans granted to related parties, net	(27,061)	(30,147)
Net cash used in investing activities	(746,042)	(455,979)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term and long term debt	225,760	371,305
Payment of short-term and long-term debt	(92,451)	(221,170)
Payment of seller financing	(10,873)	(50,024)
Capital contribution from minority shareholders	808	46,220
Repurchase of debt	(155,624)	
Interest paid	(142,000)	(136,515)
Proceeds/Expenses from issuance/repurchase of Non-Convertible Notes, net of expenses	149,995	(12,000)
Payment of dividends	(247,934)	(55,385)
Proceeds from issuance of Non-Convertible Notes, net of expenses	607,449	79,782
Proceeds from issuance of short-term debt		22,720
Net cash provided by financing activities	335,130	44,933
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	160,920	(34,588)

(1) Includes cash an banks and investments with a realization term not exceeding three months.
The accompanying notes are an integral part of these Consolidated Financial Statements.

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Consolidated Statements of Cash Flows (Continued)

For the fiscal years ended June 30, 2011 and 2010

In thousands of pesos (Notes 1 and 2)

Free translation from the original prepared in Spanish for publication in Argentina

	June 30, 2011	June 30, 2010
Supplemental cash flow information		
Income tax paid	72,844	34,310
Non-cash activities		
Increase in inventories through a decrease on fixed assets, net	2,947	43,984
Issuance of Trust Certificates		8,646
Increase in non-current investments through an increase in other liabilities	16,004	13,209
Increase in non-current investments through a decrease in other receivables	70,620	
Increase in fixed assets net, through an increase in trade accounts payable		4,996
Increase in minority interest, through a decrease in other liabilities	20,557	14,512
Cumulative translation adjustment of investments	16,665	4,610
Transfer of undeveloped parcels of land to inventories	3,030	7,789
Decrease in inventories through a decrease in customer advances	1,920	3,310
Decrease in other investments through an increase in inventories	64,150	
Decrease in inventories through an increase in non-current investments	14,451	
Increase in fixed assets through an increase in short-term and long-term debt	47,902	
Decrease in short-term and long-term debt through an increase in shareholders equity.	61,240	
Decrease in inventories through an increase in fixed assets, net	9,264	
Transfer of negative goodwill, net to intangible assets, net		20,873
Decrease in non-current investments through an increase in other receivables		8,402
Increase in intangible assets, net through an increase in other liabilities		7,545
Decrease in undeveloped parcels of land through an increase in other receivables		6,359
Capitalization of financial costs in fixed assets, net		5,331
Increase in minority interest through a decrease in short-term and long-term debt		1,310
Composition of cash and cash equivalents at the year end		
Cash and Banks	168,170	71,175
Current investments	210,183	259,168
Subtotal cash and banks and current investments	378,353	330,343
Less: (items not considered cash and cash equivalents)		
Retained interest in securitized receivables of Tarshop S.A. (CPs)		124,671
Mutual funds	60,063	53,988
Trust Debt Titles (TDFs)		2,846
Stock shares	2,912	4,075
Mortgage bonds issued by Banco Hipotecario S.A.	477	784
Interest to collect- Cresud S.A.C.I.F. y A. non-convertible notes	2,615	
Other investments	12	48
Allowance for impairment of CPs		(7,423)

Cash and cash equivalents	312,274	151,354

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Consolidated Statements of Cash Flows (Continued)

For the fiscal years ended June 30, 2011 and 2010

In thousands of pesos (Notes 1 and 2)

Free translation from the original prepared in Spanish for publication in Argentina

	June 30, 2011	June 30, 2010
Sale /Acquisition of subsidiaries		
- Accounts receivable, net	(254,345)	11
- Other receivables	(59,359)	797
- Inventories	3,021	
- Investments	(76,797)	(21,322)
- Fixed assets, net	780,577	289
- Intangible assets, net		11,278
- Trade accounts payable	164,486	(2,658)
- Short-term and long-term debts	88,215	
- Salaries and social security payable	10,703	(87)
- Taxes payable	(238,866)	(23)
- Other liabilities	(10,866)	(5,294)
- Provisions	(214)	
Net value of assets acquired/sold not considered cash and cash equivalents	406,555	(17,009)
- Sale of investments	15,327	(23,687)
- Remaining investment	28,967	
- Minority interest	378,790	(897)
- Negative goodwill, net	(337,378)	21,380
Net value of assets acquired/sold	492,261	(20,213)
- Inventories to receive		8,200
- Seller financings	(33,403)	11,560
- Advances	(30,543)	(2,254)
Collection/Payment of cash from sale/acquisition of subsidiaries	428,315	(2,707)

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Notes to Consolidated Financial Statements

For the fiscal years ended June 30, 2011 and 2010

In thousands of pesos

Free translation from the original prepared in Spanish for publication in Argentina

NOTE 1: BASIS OF CONSOLIDATION CORPORATE CONTROL

a. Basis of consolidation

Financial Statements have been prepared in constant currency.

The Company has consolidated its balance sheets at June 30, 2011, statements of income and cash flows for the fiscal years ended June 30, 2011 and 2010 line by line with the financial statements of its subsidiaries, following the procedure established in Technical Resolution No. 21 of the Federación Argentina de Consejos Profesionales de Ciencias Económicas (F.A.C.P.C.E.) and approved by the Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires and by the National Securities Commission. All significant intercompany balances and transactions have been eliminated in consolidation. The Consolidated Financial Statements include the assets, liabilities and results of operations of the following controlled subsidiaries:

COMPANIES	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	DIRECT AND INDIRECT % OF CAPITAL		DIRECT AND INDIRECT % OF VOTING SHARES	
Ritelco S.A.	100.00	100.00	100.00	100.00
Palermo Invest S.A.	100.00	100.00	100.00	100.00
Inversora Bolívar S.A.	100.00	100.00	100.00	100.00
E-Commerce Latina S.A.	100.00	100.00	100.00	100.00
Solares de Santa María S.A. (1)	100.00	90.00	100.00	90.00
Hoteles Argentinos S.A.	80.00	80.00	80.00	80.00
Alto Palermo S.A. (APSA) (2)	94.89	63.35	94.89	63.35
Llao Llao Resorts S.A.	50.00	50.00	50.00	50.00
Tyrus S.A.	100.00	100.00	100.00	100.00
Nuevas Fronteras S.A.	76.34	76.34	76.34	76.34
Torodur S.A. (3)		98.00		98.00
Unicity S.A. (1)	100.00		100.00	

(1) See Note 16.9 to the Basic Financial Statements
(2) See Note 16.4 and 18.2. to the Basic Financial Statements
(3) See Note 16.6 to the Basic Financial Statements

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Notes to Consolidated Financial Statements (Continued)

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NOTE 1: **(Continued)**

a. (Continued)

In addition, the assets, liabilities and results of operations of the Company subsidiaries (of which the Company holds a direct interest) that follow have been included in the Consolidated Financial Statements, applying the proportionate consolidation method.

COMPANIES	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
	DIRECT AND INDIRECT % OF CAPITAL		DIRECT AND INDIRECT % OF VOTING SHARES	
Cyrsa S.A. (CYRSA) (1)	50.00	50.00	50.00	50.00
Canteras Natal Crespo S.A. (2)	50.00	50.00	50.00	50.00
Quality Invest S.A. (Quality) (3)	50.00	100.00	50.00	100.00

(1) The Company holds joint control with Cyrela Brazil Realty S.A. Empreendimentos y Partiçipacões (see Note 22 A.1.).
(2) The Company holds joint control of this company with Euromayor S.A.
(3) The Company has joint control of this company with EFESUL S.A (See Note 16.11. to the Basic Financial Statements).
They also include assets, liabilities and net income of the companies controlled indirectly through subsidiaries.

b. Comparative Information

The financial statements as of June 30, 2010 originally issued have been subject to certain reclassifications required in order to present these figures comparatively with those stated as of June 30, 2011.

c. Additional information about Tarshop S.A. s sale

On September 13, 2010, APSA sold 80% of Tarshop S.A.. Consequently, the Consolidated Financial Statements as of June 30, 2011 are not comparable with those issued as of June 30, 2010. The Consolidated Balance Sheet as of June 30, 2011, does not include Tarshop S.A. s assets and liabilities, while the Statement of Income and the Statement of Cash Flows as of June 30, 2011 include income and cash flows, respectively, for the two-month period in which APSA still controlled it.

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Notes to Consolidated Financial Statements (Continued)

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NOTE 1: **(Continued)**

c. (Continued)

The following table shows a summary of the effect that would have had Tarshop S.A. s de-consolidation on the Balance Sheet as of June 30, 2010 and the Statement of Income and Statement of Cash Flows as of June 30, 2010.

Balance Sheet	Financial Statements as of June 30, 2010 Ps.	Tarshop S.A. as of June 30, 2010 Ps.	Financial Statements assuming the sale as of June 30, 2010 Ps.
Current Assets	1,190,332	(269,148)	921,184
Non- Current Assets	4,443,109	28,881	4,471,990
Total Assets	**5,633,441**	**(240,267)**	**5,393,174**
Current Liabilities	(1,341,620)	242,969	(1,098,651)
Non-Current Liabilities	(1,325,668)	(2,702)	(1,328,370)
Total Liabilities	**(2,667,288)**	**240,267**	**(2,427,021)**
Minority interest	**(563,107)**		**(563,107)**
Shareholders Equity	**(2,403,046)**		**(2,403,046)**

Statements of income	Financial Statements as of June 30, 2010 Ps.	Tarshop S.A. as of June 30, 2010 Ps.	Financial Statements assuming the sale as of June 30, 2010 Ps.
Revenues	1,323,326	(251,577)	1,071,749
Costs	(475,295)	92,825	(382,470)
Gross profit	**848,031**	**(158,752)**	**689,279**

Operating income (Note 3)	**539,731**	**(54,088)**	**485,643**
Gain on equity investees	**160,416**	**43,127**	**203,543**
Net income for the year	**334,501**		**334,501**

Statements of Cash Flow	Financial Statements as of June 30, 2010 Ps.	Tarshop S.A. as of June 30, 2010 Ps.	Financial Statements assuming the sale as of June 30, 2010 Ps.
Cash Flow:			
- Provided by operating activities	376,458	79,446	455,904
- Used in investing activities	(455,979)	(37,321)	(493,300)
- Provided by (Used in) financing activities	44,933	(49,369)	(4,436)

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Notes to Consolidated Financial Statements (Continued)

In thousands of pesos

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NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements of the subsidiaries mentioned in Note 1 a., have been prepared on a consistent basis with those applied by the Company. The Note 1 to the Basic Financial Statements details the most significant accounting policies. Below are the most relevant accounting policies adopted by the subsidiaries, which are not included in that note.

In addition to the description in the Basic Financial Statements:

a. Revenue recognition

Revenues from admission rights, leases and services

Leases with tenants are accounted for as operating leases. Tenants are generally charged a rent, which consists of the higher of: (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant s monthly gross retail revenues (the Percentage Rent) (which generally ranges between 4% and 10% of tenant s gross revenues).

Furthermore, pursuant to the rent escalation clause in most leases, a tenant s Base Rent generally increases between 7% and 12% each year during the term of the lease. Minimum rental income is recognized on the accrued criteria.

Certain lease agreements contain provisions, which provide for rents based on a percentage of revenues or based on a percentage of revenues volume above a specified threshold. APSA determines the compliance with specific targets and calculates the additional rent on a monthly basis as provided for in the contracts. Thus, these contingent rents are not recognized until the required thresholds are exceeded.

Generally, APSA s lease agreements vary from 36 to 120 months. Law No. 24,808 provides that tenants may rescind commercial lease agreements after the initial six-months, upon not less than 60 days written notice, subject to penalties which vary from one to one and a half months rent if the tenant rescinds during the first year of its lease, and one month of rent if the tenant rescinds after the first year of its lease.

Additionally, APSA charges its tenants a monthly administration fee related to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the overall shopping centers operations. The administration fee is prorated among the tenants according to their leases, which varies from shopping center to shopping center. Administration fees are recognized monthly when earned.

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Notes to Consolidated Financial Statements (Continued)

In thousands of pesos

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NOTE 2: (Continued)

a. (Continued)

In addition to rent, tenants are generally charged admission rights , a non-refundable admission fee that tenants may be required to pay upon entering into a lease or upon lease renewal. Admission right is normally paid in one lump sum or in a small number of monthly installments. Admission rights are recognized using the straight-line method over the life of the respective lease agreements.

Lease agent operations

Fibesa S.A., company in which Alto Palermo S.A. has shares of 99.999%, acts as the leasing agent for APSA bringing together the Company and potential lessees for the retail space available in certain of the APSA s shopping centers. Fibesa S.A. s revenues are derived primarily from collected commissions calculated as a percentage of the final rental income value, admission rights and commissions for rental of advertising spaces. Revenues are recognized at the time that the transaction is successfully concluded.

Consumer Financing operations

Revenues derived from credit card transactions consist of commissions and financing income, charges to clients for life and disability insurance and for statements of account, among other. Commissions are recognized at the time the merchants transactions are processed, while the rest financing income is recognized when accrued. Income generated from granting consumer loans mainly includes financial interests, which are recognized by the accrual method during the year, irrespective of whether collection has or has not been made.

Hotel operations

The Company recognizes revenues from its rooms, catering and restaurant facilities as accrued on the close of each business day.

b. Investments

Current investments

As of June 30, 2010 current investments included retained interests in securitized receivables pursuant to the securitization programs of Tarshop S.A. and Metroshop S.A. with a realization term not exceeding twelve months, which have been accounted for under the equity method, net of the allowances for impairment, if applicable. In addition, it included public bonds, mutual funds and mortgage bonds carried at market value at year-end.

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Notes to Consolidated Financial Statements (Continued)

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NOTE 2: (Continued)

b. (Continued)

Equity investees and other non-current investments

As of June 30, 2010 included retained interests in securitized receivables of Tarshop S.A., which have been accounted for under the equity method, net of the corresponding allowances for impairment, if applicable.

In addition, the interests held in entities over which the Company does not exert control, joint control or significant influence have been measured for accounting purposes at cost plus any declared dividends.

Given the sale of 80% of Tarshop S.A. s shares described in Note 22 B.3.ii), as of the date of issuance of these financial statements, APSA maintains a 20% investment in Tarshop S.A. which has been recognized by application of the equity method on account of the economic group being able to exercise significant influence on its decisions and of the economic group s intention to maintain it as a long-term investment.

The equity investments in TGLT S.A. and Hersha Hospitality Trust were valued at their acquisition cost.

c. Intangible assets, net

Intangible assets are carried at restated cost less accumulated amortization and corresponding allowances for impairment in value, if applicable. Included in the Intangible Assets caption are the following:

Concession

Intangible assets include Arcos del Gourmet S.A. s concession right, which will be amortized over the life of the concession agreement (see Note 22 B.1.), after the opening of the shopping center.

Trademarks

Trademarks include the expenses and fees related to their registration.

Pre-operating and organization expenses

These expenses are amortized by the straight-line method in 3 years, starting upon the opening of the shopping center.

The net carrying value of these assets does not exceed their estimated recoverable value at year end.

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Notes to Consolidated Financial Statements (Continued)

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NOTE 2: (Continued)

c. (Continued)

Non-compete agreement

These expenses were amortized by the straight-line method in 28 months, beginning from December 1st, 2009.

In the framework of the agreement executed with Banco Hipotecario S.A. for the sale of Tarshop S.A. s shares, APSA has signed a non-compete agreement in favor of BHSA and has thus written off this intangible (See Note 22 B.3.).

d. Negative Goodwill, net

Amortizations were calculated through the straight-line method on the basis of an estimated useful life considering the weighted average of the remaining useful life of the assets acquired.

The residual value of goodwill arising from the acquisition of net assets and shares in companies has been shown in the Negative goodwill, net caption. Amortizations were classified in the Amortization of the Negative Goodwill, net caption of the Statement of Income. Goodwill related to the acquisition of interest in subsidiaries is included in non-current investments.

Values thus obtained do not exceed the respective estimated recoverable values at year end.

e. Liabilities in kind related to barter transactions

Liabilities in kind corresponding to obligations to deliver units to be built are valued considering the value of the assets received or the cost of construction of the units to deliver plus necessary additional costs to transfer the assets to the creditor, the largest, thus reducing its value pro rata the units that are granted notarial titled deed. Liabilities in kind have been shown in the Trade account payables .

NOTE 3: NET INCOME BY BUSINESS SEGMENT

The Company has determined that its reportable segments are those that are based on the Company s method of internal reporting. Accordingly, the Company has six reportable segments. These segments are Development and Sale of properties, Office and other Non-Shopping center Rental Properties, Shopping centers, Hotel Operations, Consumer financing and Financial operations and others.

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Notes to Consolidated Financial Statements (Continued)

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NOTE 3: (Continued)

A general description of each segment follows:

Development and Sale of properties
This segment includes the operating results of the Company s construction and/or sale of property business.

Office and other Non-Shopping center Rental Properties
This segment includes the operating results of lease and service revenues of office space and other building properties from tenants.

Shopping centers
This segment includes the operating results of shopping centers activities.

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

Consumer financing
This segment includes the origination of loans and credit card receivables and related securitization programs carried through Tarshop S.A. (see Note 1 c.) and Metroshop S.A. (see Note 22 B.3.ii).

Financial operations and others
This segment primarily includes results related to securities-related transactions and other non-core activities of the Company. This segment also includes gain/loss in equity investments of the Company related to the banking industry.

The Company measures its reportable segments based on operating result. Inter-segment transactions, if any, are accounted for at current market prices. The Company evaluates performance of its segments and allocates resources to them based on operating result. The Company is not dependent on any single customer.

The accounting policies of the segments are the same as those described in Note 1 to the Basic Financial Statements and in Note 2 to the Consolidated Financial Statements.

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NOTE 3: **(Continued)**

The following information provides the operating results from each business segment:

As of June 30, 2011

	Development and Sale of Properties	Office and Other Non-Shopping Center Rental Properties (a)	Shopping Centers	Hotel Operations	Consumer Financing (1)	Financial Operations and Others	Total
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)
Subtotal	**(56,821)**	**(49,017)**	**(108,164)**	**(61,241)**	**(31,820)**		**(307,063)**
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 investees	443		41	9,682	9,298	118,956	138,420
Other income (expenses), net:	(1,621)		(2,745)	1,040	9,245	(20,528)	(14,609)
Income before taxes and minority interest	**68,148**	**46,410**	**276,068**	**11,567**	**10,798**	**31,402**	**444,393**
Income tax and Minimum Presumed Income Tax (MPIT)	(3,351)	2,840	(104,750)	(7,046)	5,212	2,571	(104,524)
Minority interest	768		(39,374)	(19,161)		2	(57,765)
Net income for the year	**65,565**	**49,250**	**131,944**	**(14,640)**	**16,010**	**33,975**	**282,104**
Depreciation and amortization (b)	180	25,315	132,592	14,369	2,276		174,732
Acquisition of fixed assets, net and intangible assets, net	76	38,424	751,044	8,145	3,003		800,692
Non-current investments in equity investees	84,062	207,074		277,248	49,459	923,807	1,541,650

Operating assets	671,738	1,367,767	2,413,943	202,633	26,198	367,427	5,049,706
Non-operating assets	40,754	44,846	(175,462)	36,913	22,510	1,296,043	1,265,604
Total assets	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

(a) Includes offices, commercial and residential premises.

(b) Included in operating income

(1) See Note 1.c.

IRSA Inversiones y Representaciones Sociedad Anónima

and subsidiaries

Notes to Consolidated Financial Statements (Continued)

In thousands of pesos

Free translation from the original prepared in Spanish for publication in Argentina

NOTE 3: **(Continued)**

The following information provides the operating results from each business segment:

As of June 30, 2010

	Development and Sale of Properties	Office and Other Non-Shopping Center Rental Properties (a)	Shopping Centers	Hotel Operations	Consumer Financing (1)	Financial Operations and Others	Total
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)		