

CRESUD INC  
Form 20-F  
December 30, 2010  
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**United States**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 20-F**

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

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

OR

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

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

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

Commission file number: 001-29190

**CRESUD SOCIEDAD ANONIMA COMERCIAL INMOBILIARIA  
FINANCIERA Y AGROPECUARIA**

(Exact name of Registrant as specified in its charter)

CRESUD INC.

(Translation of Registrant's name into English)

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**Republic of Argentina**

(Jurisdiction of incorporation or organization)

**Moreno 877, 23<sup>rd</sup> Floor,**

**(C1091AAQ) Buenos Aires, Argentina**

(Address of principal executive offices)

**Gabriel Blasi**

**Chief Financial Officer**

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

**Moreno 877 23<sup>rd</sup> Floor**

**(C1091AAQ) Buenos Aires, Argentina**

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

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

| <b>Title of each class</b>                           | <b>Name of each exchange on which registered</b> |
|--|--|
| <b>American Depositary Shares, each representing</b> | <b>Nasdaq National Market of the</b>             |
| <b>ten shares of Common Stock</b>                    | <b>Nasdaq Stock Market</b>                       |
| <b>Common Stock, par value one Peso per share</b>    | <b>Nasdaq National Market of the</b>             |
|  | <b>Nasdaq Stock Market*</b>                      |

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

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

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

The number of outstanding shares of the issuer's common stock as of June 30, 2010

was

**501,560,508**

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or

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for such shorter period that the registrant was required to submit and post such files).  Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer

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

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

GAAP

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

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

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**INMOBILIARIA FINANCIERA Y AGROPECUARIA**

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**DISCLOSURE REGARDING FORWARD-LOOKING INFORMATION**

The Private Securities Litigation Reform Act of 1995 provides a Safe Harbor for forward looking statements.

This Annual Report contains or incorporates by reference statements that constitute forward-looking statements, regarding the intent, belief or current expectations of our directors and officers with respect to our future operating performance. Such statements include any forecasts, projections and descriptions of anticipated cost savings or other synergies. Words such as anticipate, expect, intend, plan, believe, seek, variations of such words, and similar expressions are intended to identify such forward-looking statements. You should be aware that any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties, and that actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, without limitations, the actions of competitors, future global economic conditions, market conditions, foreign exchange rates, and operating and financial risks related to managing growth and integrating acquired businesses), many of which are beyond our control. The occurrence of any such factors not currently expected by us would significantly alter the results set forth in these statements.

Factors that could cause actual results to differ materially and adversely include, but are not limited to:

changes in general economic, business or political or other conditions in Argentina or changes in general economic or business conditions in Latin America;

changes in capital markets in general that may affect policies or attitudes toward lending to Argentina or Argentine companies;

changes in exchange rates or regulations applicable to currency exchanges or transfers;

unexpected developments in certain existing litigation;

increased costs;

unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms; and

the factors discussed under Risk Factors .

You should not place undue reliance on such statements, which speak only as of the date that they were made. Our independent public accountants have not examined or compiled the forward-looking statements and, accordingly, do not provide any assurance with respect to such statements. These cautionary statements should be considered in connection with any written or oral forward-looking statements that we might issue in the future. We do not undertake any obligation to release publicly any revisions to such forward-looking statements after filing of this Form to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

**CERTAIN MEASURES AND TERMS**

As used throughout this Annual Report, the terms Cresud , Company , we , us , and our refer to Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria, together with our consolidated subsidiaries, except where we make clear that such terms refer only to the parent company.

References to Tons , tons or Tns. are to metric tons, to kgs are to kilograms, to ltrs are to liters, Hct ~~and hectares~~ are the square meters, while in the United States and certain other jurisdictions, the standard measure of area is the square foot (sq.ft). A metric ton is equal to 1,000 kilograms. A kilogram is equal to approximately 2.2 pounds. A metric ton of wheat is equal to approximately 36.74 bushels. A metric ton

of corn is equal to approximately 39.37 bushels. A metric ton of soybean is equal to approximately



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36.74 bushels. One gallon is equal to 3.7854 liter. One hectare is equal to approximately 2.47 acres and 10.000 square meters. One square meter is equal to approximately 10.764 square feet. One kilogram of live weight beef cattle is equal to approximately 0.5 to 0.6 kilogram of carcass (meat and bones).

**PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION**

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

This Annual Report contains our audited consolidated financial statements as of June 30, 2010 and 2009 and for the years ended June 30, 2010, 2009 and 2008 (our *Audited Consolidated Financial Statements* ). Our Audited Consolidated Financial Statements have been audited by Price Waterhouse & Co. S.R.L. Buenos Aires Argentina, a member firm of PricewaterhouseCoopers, an independent registered public accounting firm, whose report is included herein. We prepare our Audited Consolidated Financial Statements in Pesos and in conformity with generally accepted accounting principles used in Argentina, as set forth by the Federación Argentina de Consejos Profesionales de Ciencias Económicas ( *FACPCE* ) and as implemented, adapted, amended, revised and/or supplemented by the Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires ( *CPCECABA* ) (collectively Argentine GAAP). In addition, we must comply with the regulations of the Comisión Nacional de Valores ( *CNV* ), the National Securities Commission in Argentina, which differ in certain significant respects from generally accepted accounting principles in the United States of America ( *US GAAP* ). Such differences involve methods of measuring the amounts shown in the Audited Consolidated Financial Statements as well as additional disclosures required by US GAAP and Regulation S-X of the Securities and Exchange Commission ( *SEC* ). See Note 30 to our Audited Consolidated Financial Statements for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and reconciliation to U.S. GAAP of net income and shareholders' equity.

As discussed in Note 2.d) to our Audited Consolidated Financial Statements, in order to comply with regulations of the CNV, we discontinued inflation accounting as from February 28, 2003. Since Argentine GAAP required companies to discontinue inflation adjustments only as from October 1, 2003, the application of CNV resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March to September 2003, such a departure has not had a material effect on the Consolidated Financial Statements.

As of June 30, 2010, IRSA Inversiones y Representaciones Sociedad Anónima ( *IRSA* ) has a significant investment in Banco Hipotecario S.A. ( *Banco Hipotecario* ) that accounts for approximately 14.4% of IRSA's total consolidated assets.

As discussed in Note 2.b) to our Audited Consolidated Financial Statements, from July 1, 2008 to October 31, 2008, we acquired an additional 11.57% equity interest in IRSA and we started consolidating IRSA accounts as of that date. Therefore, the separate consolidated financial statements of IRSA are no longer included in this Annual Report. As of June 30, 2010, we have an indirect 28.03% (without considering treasury shares) equity interest in Banco Hipotecario Nacional, through our subsidiary IRSA. In compliance with Rule 3-09 of Regulation S-X, this Annual Report includes the consolidated financial statements of Banco Hipotecario and Metropolitan 885 Third Avenue LLC ( *Metropolitan* ), as of June 30, 2010 and 2009 and for the twelve months periods ended June 30, 2010, 2009 and 2008.

On March 20, 2009, the FACPCE issued Technical Resolution No. 26 *Adoption of International Financial Reporting Standards (IFRS)* as issued by the International Accounting Standards Board ( *IASB* ) which requires that companies under the supervision of the Comisión Nacional de Valores to prepare their financial statements in accordance with IFRS as published by the IASB for fiscal periods beginning on or after January 1, 2011, including comparative information for earlier periods. There are *Consejos Profesionales* or standard setters

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in each provincial jurisdiction in Argentina, which have the power to adopt, reject or modify a resolution issued by the FACPCE. The jurisdiction where we are located is the Federal District. On April 25, 2009, the CPCECABA approved Resolution No. 26. The CNV issued Resolution No. 562/09, as amended by Resolution 576/10, formally adopting application of Resolution No. 26 to its regulated entities for fiscal years beginning on January 1st, 2012. We will be required to prepare our financial statements in accordance with IFRS as issued by the IASB for our fiscal year ended June 30, 2012. Our transition date to IFRS will be July 1, 2011. On April 29, 2010, our Board of Directors approved a plan for implementing IFRS. We are in the early stages of completing a diagnosis of the principal differences between Argentine GAAP and IFRS. We have not quantified the effect any potential change in accounting principles would have on our financial condition or results of operations and therefore can give no assurance that such changes will not have an adverse effect on our financial condition or results of operations.

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

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

**MARKET DATA**

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

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**PART I**

**Item 1. Identity of directors, Senior Management and Advisers**

This item is not applicable.

**Item 2. Offer statistics and expected timetable**

This item is not applicable.

**Item 3. Key information**

**A. SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial data has been derived from our audited consolidated financial statements as of the dates and for each of the periods indicated below. This information should be read in conjunction with and is qualified in its entirety by reference to our Consolidated Financial Statements and the discussion in Operating and Financial Review and Prospects, included elsewhere in this Annual Report.

The selected consolidated statement of income data for the years ended June 30, 2010, 2009 and 2008 and the selected consolidated balance sheet data as of June 30, 2010 and 2009 have been derived from our Consolidated Financial Statements which have been audited by Price Waterhouse & Co. S.R.L. Buenos Aires Argentina, a member firm of PricewaterhouseCoopers, Buenos Aires, Argentina, an independent registered public accounting firm.

The selected consolidated statement of income data for the years ended June 30, 2007 and 2006 and the selected consolidated balance sheet data as of June 30, 2008 and 2007 have been derived from our audited consolidated financial statements as of June 30, 2008 and 2007 and for the years ended June 30, 2008, 2007, and 2006 which are not included herein. The selected consolidated balance sheet data as of June 30, 2006 has been derived from our audited consolidated financial statements as of June, 30, 2007 and 2006 and for the years ended June 30, 2007, 2006 and 2005 which are also not included herein.

Certain reclassifications have been made to the audited consolidated financial statements as of June 30, 2008 and 2007 and for the years ended June 30, 2008, 2007 and 2006, and to the audited consolidated financial statements as of June 30, 2007 and 2006 and for the years ended June 30, 2007, 2006 and 2005 in order to conform to the presentation of the Consolidated Financial Statements. These reclassifications had no impact on previously reported net income, net income per share, shareholders' equity or cash flows.

During the fiscal year ended June 30, 2010, we acquired directly or indirectly 10,667,870 additional shares of IRSA. Our equity interest in IRSA is 57.49% as of June 30, 2010. We started consolidating the accounts and results of operations of IRSA as from October 1, 2008. Our consolidated financial information for periods prior to October 1, 2008 does not include the accounts of IRSA on a consolidated basis. Therefore, the income statement, balance sheet and cash flow data as of June 30, 2010 and 2009 and for the years then ended is not comparable to prior periods.

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|   | 2010 <sup>(1)</sup><br>(in<br>thousand<br>US\$,<br>except for<br>percentages) | For the years ended on June, 30 |                      |                  |                 |                 |
|---|---|---------------------------------|----------------------|------------------|-----------------|-----------------|
|   |   | 2010 <sup>(15)</sup>            | 2009 <sup>(15)</sup> | 2008             | 2007            | 2006            |
| <b>INCOME STATEMENT DATA</b>  |   |                                 |                      |                  |                 |                 |
| <i>Argentine GAAP</i>   |   |                                 |                      |                  |                 |                 |
| Agricultural production income:   |   |                                 |                      |                  |                 |                 |
| Crops   | 43,462  | 170,848                         | 134,179              | 117,474          | 72,426          | 37,006          |
| Beef cattle   | 5,299   | 20,830                          | 18,120               | 23,927           | 19,463          | 20,453          |
| Milk  | 6,625   | 26,043                          | 20,213               | 18,420           | 10,911          | 7,892           |
| <b>Total agricultural production income</b>   | <b>55,386</b>   | <b>217,721</b>                  | <b>172,512</b>       | <b>159,821</b>   | <b>102,800</b>  | <b>65,351</b>   |
| Cost of agricultural production:  |   |                                 |                      |                  |                 |                 |
| Crops   | (40,632)  | (159,724)                       | (175,916)            | (82,151)         | (51,538)        | (34,636)        |
| Beef cattle   | (5,558)   | (21,850)                        | (16,241)             | (19,316)         | (15,050)        | (18,780)        |
| Milk  | (5,185)   | (20,383)                        | (18,286)             | (14,283)         | (8,477)         | (5,845)         |
| <b>Total cost of agricultural production</b>  | <b>(51,375)</b>   | <b>(201,957)</b>                | <b>(210,443)</b>     | <b>(115,750)</b> | <b>(75,065)</b> | <b>(59,261)</b> |
| <b>Gross income (loss) from agricultural production</b>   | <b>4,011</b>  | <b>15,764</b>                   | <b>(37,931)</b>      | <b>44,071</b>    | <b>27,735</b>   | <b>6,090</b>    |
| Sales:  |   |                                 |                      |                  |                 |                 |
| Crops   | 49,517  | 194,651                         | 164,463              | 86,870           | 53,401          | 61,660          |
| Beef cattle   | 9,991   | 39,274                          | 17,646               | 32,432           | 31,967          | 33,713          |
| Milk  | 6,211   | 24,415                          | 19,270               | 17,493           | 9,731           | 7,892           |
| Feed lot  |   |                                 |                      |                  | 3,102           | 2,721           |
| Others  | 12,846  | 50,497                          | 36,045               | 25,786           | 12,116          | 6,354           |
| <b>Total sales crops, beef cattle, milk, feed lot and others</b>                                  | <b>78,565</b>   | <b>308,837</b>                  | <b>237,424</b>       | <b>162,581</b>   | <b>110,317</b>  | <b>112,340</b>  |
| <b>Sales of farmlands</b>   | <b>4,721</b>  | <b>18,557</b>                   | <b>1,959</b>         | <b>23,020</b>    | <b>29,872</b>   | <b>16,492</b>   |
| Cost of sales:  |   |                                 |                      |                  |                 |                 |
| Crops   | (44,678)  | (175,629)                       | (144,969)            | (75,949)         | (47,350)        | (52,949)        |
| Beef cattle   | (11,875)  | (46,682)                        | (16,237)             | (30,038)         | (30,273)        | (32,994)        |
| Milk  | (6,211)   | (24,415)                        | (19,316)             | (17,630)         | (9,731)         | (7,892)         |
| Feed lot  |   |                                 |                      |                  | (2,784)         | (2,318)         |
| Others  | (9,693)   | (38,102)                        | (24,210)             | (17,379)         | (6,737)         | (3,257)         |
| <b>Total cost of sales crops, beef cattle, milk, feed lot and others</b>                          | <b>(72,457)</b>   | <b>(284,828)</b>                | <b>(204,732)</b>     | <b>(140,996)</b> | <b>(96,875)</b> | <b>(99,410)</b> |
| <b>Cost of farmland sales</b>   | <b>(1,227)</b>  | <b>(4,825)</b>                  | <b>(94)</b>          | <b>(3,006)</b>   | <b>(7,616)</b>  | <b>(6,595)</b>  |
| <b>Gross income from sales Agricultural business</b>  | <b>9,602</b>  | <b>37,741</b>                   | <b>34,557</b>        | <b>41,599</b>    | <b>35,698</b>   | <b>22,827</b>   |
| Sales:  |   |                                 |                      |                  |                 |                 |
| Sales and development of properties   | 57,382  | 225,567                         | 278,107              |                  |                 |                 |
| Income from lease and service of offices, shopping centers, hotels, consumer financing and others | 282,796   | 1,111,673                       | 737,173              |                  |                 |                 |
| <b>Total sales</b>  | <b>340,178</b>  | <b>1,337,240</b>                | <b>1,015,280</b>     |                  |                 |                 |

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|  | 2010 <sup>(1)</sup><br>(in<br>thousand<br>US\$,<br>except for<br>percentages) | For the years ended on June, 30                          |                      |               |               |               |
|--|---|--|----------------------|---------------|---------------|---------------|
|  |   | 2010 <sup>(15)</sup>                                     | 2009 <sup>(15)</sup> | 2008          | 2007          | 2006          |
|  |   | (in thousand Ps, except for ratios and number of shares) |                      |               |               |               |
| Cost of sales:   |   |  |                      |               |               |               |
| Cost of sales and development of properties  | (25,412)  | (99,893)   | (170,529)            |               |               |               |
| Cost of lease and service of offices, shopping centers, hotels,<br>consumer financing and others | (102,425)   | (402,631)  | (265,394)            |               |               |               |
| <b>Total cost of sales</b>   | <b>(127,837)</b>  | <b>(502,524)</b>   | <b>(435,923)</b>     |               |               |               |
| <b>Gross income from sales Real estate business</b>  | <b>212,341</b>  | <b>834,716</b>   | <b>579,357</b>       |               |               |               |
| <b>Gross (Loss) profit Agricultural business</b>   | 13,613  | 53,505   | (3,374)              | 85,670        | 63,433        | 28,917        |
| <b>Gross profit Real estate business</b>   | 212,341   | 834,716  | 579,357              |               |               |               |
| <b>Gross profit</b>  | 225,954   | 888,221  | 575,983              | 85,670        | 63,433        | 28,917        |
| Selling expenses   | (55,827)  | (219,454)  | (212,482)            | (14,497)      | (9,972)       | (10,151)      |
| Administrative expenses  | (60,971)  | (239,678)  | (134,664)            | (26,104)      | (16,628)      | (11,560)      |
| Gain from recognition of inventories at net realizable value                                     | 8,606   | 33,831   | 9,237                | 886           |               |               |
| Unrealized gain (loss) on inventories Beef cattle  | 21,457  | 84,349   | (860)                | 8,535         | 5,103         | 2,848         |
| Unrealized gain (loss) on inventories Crops  | 290   | 1,140  | (476)                | (10,878)      | (3,927)       | 1,054         |
| Unrealized gain on inventories and transactions involving real<br>estate assets                  | 278   | 1,091  | 928                  |               |               |               |
| Net income (loss) from retained interest in securitized<br>receivables of Tarjeta Shopping       | 9,532   | 37,470   | (22,263)             |               |               |               |
| <b>Operating income</b>  | <b>149,319</b>  | <b>586,970</b>   | <b>215,403</b>       | <b>43,612</b> | <b>38,009</b> | <b>11,108</b> |
| Amortization of negative goodwill  | 11,122  | 43,721   | 32,344               |               |               |               |
| Financial results, net   | (51,219)  | (201,342)  | 44,656               | (52,268)      | (10,458)      | 12,374        |
| Gain on equity investees   | 32,334  | 127,105  | 49,194               | 38,417        | 40,199        | 22,141        |
| Other income and expenses, net   | (4,999)   | (19,651)   | (16,448)             | (4,092)       | (4,251)       | (3,368)       |
| Management fee   | (5,241)   | (20,601)   | (13,641)             | (2,171)       | (5,485)       | (3,836)       |
| <b>Income before income tax and minority interest</b>  | <b>131,316</b>  | <b>516,202</b>   | <b>311,508</b>       | <b>23,498</b> | <b>58,014</b> | <b>38,419</b> |
| Income tax and minimum presumed income tax   | (37,128)  | (145,952)  | (92,682)             | (284)         | (8,375)       | (5,432)       |
| Minority interest  | (47,022)  | (184,844)  | (94,210)             | (266)         | (277)         | (103)         |
| <b>Net income for the year</b>   | <b>47,166</b>   | <b>185,406</b>   | <b>124,616</b>       | <b>22,948</b> | <b>49,362</b> | <b>32,884</b> |
| <b>U.S GAAP</b>  |   |  |                      |               |               |               |
| Total sales  | 545,616   | 2,144,816  | 1,604,808            | 345,422       | 237,166       | 187,215       |
| Total Cost of sales  | (292,455)   | (1,149,646)  | (924,289)            | (267,764)     | (172,750)     | (155,388)     |
| Gross profit   | 253,161   | 995,170  | 680,519              | 77,658        | 64,416        | 31,827        |
| Selling expenses   | (53,733)  | (211,224)  | (194,009)            | (14,497)      | (9,936)       | (10,151)      |
| Administrative expenses  | (68,093)  | (267,675)  | (154,443)            | (27,549)      | (21,878)      | (14,299)      |
| Net (loss) from retained interest in securitized receivables of<br>Tarjeta Shopping              | 14,784  | 58,115   | (19,253)             |               |               |               |
| Gain on bargain purchase   | 14,874  | 58,471   |                      |               |               |               |
| Others   | (3,606)   | (14,177)   | (14,903)             | (4,582)       | (2,429)       | (1,842)       |
| Operating income   | 157,387   | 618,680  | 297,911              | 31,030        | 30,173        | 5,535         |
| Amortization of negative goodwill  | 10,705  | 42,080   | 31,142               |               |               |               |
| Financial results, net   | (52,833)  | (207,688)  | 51,602               | (55,861)      | (15,753)      | 3,816         |
| (Loss) gain on equity investees  | 24,201  | 95,131   | (67,206)             | 42,605        | 40,562        | 21,759        |
| Other income and expenses, net   | (1,389)   | (5,460)  | 864                  | (4,083)       | (4,126)       | (3,246)       |
| Income before income tax and minority interest   | 138,071   | 542,743  | 314,313              | 13,691        | 50,856        | 27,864        |

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|   | 2010 <sup>(1)</sup> | For the years ended on June, 30                          |                      |                  |                  | 2007           | 2006 |
|---|---------------------|--|----------------------|------------------|------------------|----------------|------|
|   | (in                 | 2010 <sup>(15)</sup>                                     | 2009 <sup>(15)</sup> | 2008             |                  |                |      |
|   | thousand            |  |                      |                  |                  |                |      |
|   | US\$,               |  |                      |                  |                  |                |      |
|   | except for          |  |                      |                  |                  |                |      |
|   | percentages)        | (in thousand Ps, except for ratios and number of shares) |                      |                  |                  |                |      |
| Income tax and minimum presumed income tax                                      | (23,361)            | (91,834)   | (198,416)            | 2,990            | (1,244)          | (272)          |      |
| Net income for the year   | 114,710             | 450,909  | 115,897              | 16,681           | 49,612           | 27,592         |      |
| Non-controlling interest  | 65,510              | 257,510  | (690)                | 266              | 277              | 103            |      |
| Net income attributable to Cresud   | 49,200              | 193,399  | 116,587              | 16,415           | 49,335           | 27,489         |      |
| <b>BALANCE SHEET DATA</b>   |                     |  |                      |                  |                  |                |      |
| <b>Argentine GAAP</b>   |                     |  |                      |                  |                  |                |      |
| <i>Current assets:</i>  |                     |  |                      |                  |                  |                |      |
| Cash and banks and investments  | 91,551              | 359,887  | 428,000              | 533,087          | 86,772           | 32,221         |      |
| Trade and other receivables, net  | 176,284             | 692,973  | 590,458              | 91,183           | 77,542           | 33,830         |      |
| Inventories   | 101,888             | 400,521  | 139,197              | 111,525          | 52,460           | 28,932         |      |
| Other assets  |                     |  |                      | 1,070            |                  |                |      |
| <b>Total current assets</b>   | <b>369,723</b>      | <b>1,453,381</b>   | <b>1,157,655</b>     | <b>736,865</b>   | <b>216,774</b>   | <b>94,983</b>  |      |
| <i>Non-current assets:</i>  |                     |  |                      |                  |                  |                |      |
| Trade and other receivables, net  | 73,884              | 290,438  | 251,822              | 41,365           | 43,237           | 36,005         |      |
| Inventories   | 51,951              | 204,218  | 251,529              | 76,113           | 68,344           | 62,712         |      |
| Investments   | 483,355             | 1,900,070  | 1,358,605            | 925,972          | 474,022          | 428,598        |      |
| Property and equipment, net   | 836,993             | 3,290,221  | 3,309,998            | 266,616          | 245,920          | 224,776        |      |
| Intangible assets, net  | 22,535              | 88,585   | 55,187               | 22,829           | 23,582           | 23,582         |      |
| Goodwill, net   | (98,963)            | (389,025)  | (408,740)            |                  |                  |                |      |
| <b>Total non-current assets</b>   | <b>1,369,755</b>    | <b>5,384,507</b>   | <b>4,818,401</b>     | <b>1,332,895</b> | <b>855,105</b>   | <b>775,673</b> |      |
| <b>Total assets</b>   | <b>1,739,478</b>    | <b>6,837,888</b>   | <b>5,976,056</b>     | <b>2,069,760</b> | <b>1,071,879</b> | <b>870,656</b> |      |
| <i>Current liabilities:</i>   |                     |  |                      |                  |                  |                |      |
| Trade accounts payable  | 102,707             | 403,743  | 339,894              | 48,467           | 30,936           | 26,439         |      |
| Loans, mortgages payable, allowances and customer advances                      | 325,385             | 1,279,090  | 640,255              | 195,600          | 122,750          | 66,422         |      |
| Salaries and social security contributions, taxes payable and other liabilities | 62,550              | 245,884  | 333,763              | 18,281           | 14,006           | 9,049          |      |
| <b>Total current liabilities</b>  | <b>490,642</b>      | <b>1,928,717</b>   | <b>1,313,912</b>     | <b>262,348</b>   | <b>167,692</b>   | <b>101,910</b> |      |
| <i>Non current liabilities:</i>   |                     |  |                      |                  |                  |                |      |
| Trade accounts payable  | 5,945               | 23,368   | 89,193               |                  | 246              | 835            |      |
| Loans, allowances and customer advances   | 242,500             | 953,267  | 1,022,880            | 1,803            | 26,491           | 98,281         |      |
| Taxes payable and other liabilities   | 86,323              | 339,335  | 301,205              | 42,111           | 51,660           | 43,205         |      |
| <b>Total non-current liabilities</b>  | <b>334,768</b>      | <b>1,315,970</b>   | <b>1,413,278</b>     | <b>43,914</b>    | <b>78,397</b>    | <b>142,321</b> |      |
| <b>Total liabilities</b>  | <b>825,410</b>      | <b>3,244,687</b>   | <b>2,727,190</b>     | <b>306,262</b>   | <b>246,089</b>   | <b>244,231</b> |      |
| Minority interests  | 413,383             | 1,625,008  | 1,435,982            | 1,160            | 836              | 559            |      |
| Shareholders' equity  | 500,685             | 1,968,193  | 1,812,884            | 1,762,338        | 824,954          | 625,866        |      |
| <b>U.S GAAP</b>   |                     |  |                      |                  |                  |                |      |
| <i>Current assets:</i>  |                     |  |                      |                  |                  |                |      |
| Cash and banks and Investments  | 87,047              | 342,180  | 400,104              | 533,088          | 86,772           | 31,530         |      |
| Inventories   | 41,384              | 162,679  | 120,022              | 111,525          | 52,460           | 27,378         |      |
| Trade and other receivables, net  | 180,363             | 709,008  | 627,503              | 91,184           | 77,542           | 32,221         |      |
| Other assets  |                     |  |                      | 185              |                  |                |      |
| <i>Non-current assets:</i>  |                     |  |                      |                  |                  |                |      |
| Other receivables   | 108,561             | 426,754  | 338,968              | 41,365           | 43,237           | 35,898         |      |
| Inventories   | 5,488               | 21,575   | 45,018               | 34,395           | 32,297           | 26,349         |      |

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|   | 2010 <sup>(1)</sup> | For the years ended on June, 30                          |                      |           |           | 2006      |
|---|---------------------|--|----------------------|-----------|-----------|-----------|
|   | (in                 | 2010 <sup>(15)</sup>                                     | 2009 <sup>(15)</sup> | 2008      | 2007      |           |
|   | thousand            |  |                      |           |           |           |
|   | US\$,               |  |                      |           |           |           |
|   | except for          |  |                      |           |           |           |
|   | percentages)        | (in thousand Ps, except for ratios and number of shares) |                      |           |           |           |
| Investments   | 481,460             | 1,892,619  | 977,547              | 867,033   | 428,121   | 373,296   |
| Property and equipment, net                         | 700,098             | 2,752,085  | 2,716,460            | 266,616   | 414,900   | 293,202   |
| Intangible assets, net                              | 18,011              | 70,803   | 65,655               | 22,829    | 23,582    | 23,582    |
| Goodwill, net                                       | 46,801              | 183,975  | 179,572              |           |           |           |
| Total assets  | 1,669,213           | 6,561,678  | 5,470,849            | 1,968,220 | 1,158,911 | 843,456   |
| <i>Current liabilities:</i>                         |                     |  |                      |           |           |           |
| Trade accounts payable                              | 93,266              | 366,630  | 356,866              | 48,467    | 30,936    | 25,055    |
| Loans, allowances and customer advances             | 301,773             | 1,186,269  | 636,500              | 195,600   | 122,750   | 66,422    |
| Taxes payable and other liabilities                 | 66,411              | 261,063  | 337,385              | 18,281    | 14,006    | 8,618     |
| Total current liabilities                           | 461,450             | 1,813,962  | 1,330,751            | 262,348   | 167,692   | 100,095   |
| <i>Non current liabilities:</i>                     |                     |  |                      |           |           |           |
| Trade accounts payable                              | 6,182               | 24,303   | 88,532               |           |           |           |
| Loans, allowances and customer advances             | 251,592             | 989,008  | 1,060,218            | 148,134   | 4,129     | 68,448    |
| Taxes payable and other liabilities                 | 112,062             | 440,516  | 400,775              | 40,929    | 61,181    | 60,286    |
| Total non-current liabilities                       | 369,836             | 1,453,827  | 1,549,525            | 189,063   | 65,310    | 128,734   |
| Total liabilities                                   | 831,286             | 3,261,789  | 2,880,276            | 451,411   | 233,002   | 228,829   |
| Shareholders' equity attributable to Cresud         | 472,565             | 1,857,653  | 1,535,321            | 1,515,649 | 925,072   | 614,070   |
| Non-controlling interest                            | 365,362             | 1,436,236  | 1,055,252            | 1,160     | 837       | 560       |
| Net shareholders' equity                            | 837,927             | 3,293,889  | 2,590,573            | 1,516,809 | 925,909   | 614,360   |
| <b>CASH FLOW DATA</b>                               |                     |  |                      |           |           |           |
| <i>Argentine GAAP<sup>(16)</sup></i>                |                     |  |                      |           |           |           |
| Net cash provided by (used in) operating activities | 42,638              | 167,609  | 248,412              | (39,102)  | (27,290)  | (21,470)  |
| Net cash used in investing activities               | (133,157)           | (523,439)  | (316,055)            | (443,828) | (29,718)  | (110,866) |
| Net cash provided by (used in) financing activities | 81,355              | 319,807  | (241,767)            | 917,833   | 115,814   | 92,251    |
| <i>U.S. GAAP<sup>(8)</sup></i>                      |                     |  |                      |           |           |           |
| Net cash provided by (used in) operating activities | 31,839              | 125,158  | 338,821              | (34,675)  | (62,360)  | (3,840)   |
| Net cash provided by (used in) investing activities | (124,693)           | (490,170)  | (110,981)            | (691,282) | 5,296     | (133,001) |
| Net cash provided by (used in) financing activities | 80,954              | 318,232  | (241,766)            | 917,833   | 115,814   | 92,251    |
| Effects of exchange rate changes                    | (7)                 | (28)   | (71,516)             | (1,718)   | 56        | 4,505     |

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|   | 2010 <sup>(1)</sup> | 2010 <sup>(15)</sup> | For the years ended on June, 30                           |             | 2007        | 2006        |
|---|---------------------|----------------------|---|-------------|-------------|-------------|
|   | (in                 |                      | 2009 <sup>(15)</sup>                                      | 2008        |             |             |
|   | thousand            |                      |   |             |             |             |
|   | US\$,               |                      |   |             |             |             |
|   | except for          |                      |   |             |             |             |
|   | percentages)        |                      | (in thousand Ps , except for ratios and number of shares) |             |             |             |
| <b>OTHER FINANCIAL DATA</b>                                       |                     |                      |   |             |             |             |
| <b>Argentine GAAP</b>   |                     |                      |   |             |             |             |
| Basic net income per share <sup>(2)</sup>                         | 0.10                | 0.38                 | 0.26  | 0.06        | 0.20        | 0.19        |
| Diluted net income per share <sup>(3)</sup>                       | 0.09                | 0.34                 | 0.23  | 0.06        | 0.16        | 0.13        |
| Basic net income per ADS <sup>(2)(4)</sup>                        | 1.00                | 3.80                 | 2.60  | 0.62        | 2.00        | 1.93        |
| Diluted net income per ADS <sup>(3)(4)</sup>                      | 0.90                | 3.40                 | 2.30  | 0.60        | 1.60        | 1.32        |
| Weighted average number of common shares outstanding              |                     | 486,545,863          | 484,929,612   | 368,466,065 | 247,149,373 | 170,681,455 |
| Diluted weighted average number of common shares <sup>(5)</sup>   |                     | 548,901,031          | 544,172,519   | 385,300,115 | 321,214,392 | 321,214,392 |
| Dividends paid <sup>(6)</sup>                                     |                     | 69,000               | 60,000  | 20,000      | 8,250       | 5,500       |
| Dividends per share   |                     | 0.138                | 0.120   | 0.040       | 0.026       | 0.024       |
| Dividends per ADS <sup>(4)</sup>                                  |                     | 1.38                 | 1.20  | 0.40        | 0.26        | 0.24        |
| Depreciation and amortization                                     | 45,939              | 180,585              | 119,939   | 6,474       | 4,459       | 5,112       |
| Capital expenditures <sup>(7)</sup>                               | 55,100              | 216,600              | 317,188   | 28,019      | 29,327      | 55,771      |
| Gross margin <sup>(8)</sup>                                       | 47.2%               | 47.2%                | 40.4%   | 24.8%       | 26.1%       | 14.9%       |
| Operating margin <sup>(9)</sup>                                   | 31.2%               | 31.2%                | 15.1%   | 12.6%       | 15.6%       | 5.7%        |
| Net margin <sup>(10)</sup>  | 9.8%                | 9.8%                 | 8.7%  | 6.6%        | 20.3%       | 16.9%       |
| Ratio of current assets to current liabilities <sup>(11)</sup>    | 0.75                | 0.75                 | 0.88  | 2.81        | 1.29        | 0.93        |
| Ratio of shareholders equity to total liabilities <sup>(12)</sup> | 0.61                | 0.61                 | 0.66  | 5.75        | 3.35        | 2.56        |
| Ratio of non current assets to total assets <sup>(13)</sup>       | 0.79                | 0.79                 | 0.81  | 0.64        | 0.80        | 0.89        |
| Ratio of Return on Equity ROE                                     | 0.09                | 0.09                 | 0.07  | 0.02        | 0.07        | 0.06        |
| <b>U.S GAAP</b>   |                     |                      |   |             |             |             |
| Basic net income per share <sup>(2)</sup>                         | 0.10                | 0.40                 | 0.24  | 0.04        | 0.20        | 0.16        |
| Diluted net income per share <sup>(3)</sup>                       | 0.09                | 0.38                 | 0.12  | 0.04        | 0.18        | 0.15        |
| Basic net income per ADS <sup>(2)(4)</sup>                        | 1.01                | 4.00                 | 2.40  | 0.45        | 2.00        | 1.61        |
| Diluted net income per ADS <sup>(3)(4)</sup>                      | 0.90                | 3.80                 | 1.20  | 0.40        | 1.80        | 1.54        |
| Weighted average number of common shares outstanding              |                     | 486,545,863          | 484,929,612   | 368,466,065 | 247,149,373 | 170,681,455 |
| Diluted weighted average number of common shares <sup>(5)</sup>   |                     | 548,901,031          | 544,165,774   | 388,439,848 | 305,057,442 | 270,811,838 |
| Gross margin <sup>(8)</sup>                                       | 322.2%              | 322.2%               | 287.2%  | 49.2%       | 60.5%       | 26.5%       |
| Operating margin <sup>(9)</sup>                                   | 200.3%              | 200.3%               | 126.0%  | 19.1%       | 28.9%       | 5.3%        |
| Net margin <sup>(10)</sup>  | 62.6%               | 62.6%                | 49.1%   | 10.1%       | 47.2%       | 26.1%       |

- (1) Solely for the convenience of the reader, we have translated Peso amounts into U.S. dollars at the exchange rate quoted by Banco de La Nación Argentina for June 30, 2010 which was Ps.3.931 = US\$1.00. We make no representation that the Peso or U.S. dollar amounts actually represent, could have been or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all.
- (2) Basic net income per share is computed by dividing the net income available to common shareholders for the period by the weighted average common shares outstanding during the period.
- (3) Diluted net income per share is computed by dividing the net income for the period by the weighted average number of common shares assuming the total conversion of outstanding notes and exercise of outstanding options.
- (4) Determined by multiplying per share amounts by ten (one ADS equals ten common shares).
- (5)



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Assuming (i) conversion into common shares of all of our outstanding convertible notes due 2007 and, (ii) exercise of all outstanding warrants to purchase our common shares and (iii) exercise of the options issued by the Company by reason of its common stock capital increase.

- (6) The shareholders meeting held in December 2010 approved the distribution of a cash dividend amounting to Ps.69.0 million for the fiscal year ended on June 30, 2010.
- (7) Includes the purchase of farms and other property and equipment; also includes the purchase of fixed assets (including facilities and equipment), undeveloped parcels of land and renovation and remodeling of hotels and shopping centers. Also include escrow deposits held in favor of third parties related to the acquisition of certain fixed assets.

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- (8) Gross profit divided by the sum of production income and sales.  
 (9) Operating income divided by the sum of production income and sales.  
 (10) Net income divided by the sum of production income and sales.  
 (11) Current assets over current liabilities.  
 (12) Shareholders' equity over total liabilities.  
 (13) Non-current assets over total assets.  
 (14) Profitability refers to Income for the year divided by average Shareholders' equity.  
 (15) The financial data as of June 30, 2010 and for the year ended June 30, 2009 includes the accounts of IRSA on a consolidated basis.  
 (16) See change in accounting policy related to statement of cash flows for the years ended June 30, 2009 and 2008 in Note 2.J to our audited consolidated financial statements included elsewhere in this annual report.

**Exchange Rates**

In April 1991, Argentine law established a fixed exchange rate according to which the Central Bank was statutorily obliged to sell U.S. dollars to any individual at a fixed exchange rate of Ps.1.00 per US\$1.00. On January 7, 2002, the Argentine congress enacted the Public Emergency Law, abandoning over ten years of fixed Peso-U.S. dollar parity at Ps.1.00 per US\$1.00. After devaluing the Peso and setting the official exchange rate at Ps.1.40 per US\$1.00, on February 11, 2002, the government allowed the Peso to float. The shortage of U.S. dollars and their heightened demand caused the Peso to further devalue significantly in the first half of 2002. As of December 15, 2010 the exchange rate was Ps.3.9540 = US\$1.00 as quoted by *Banco de la Nación Argentina* at the U.S. dollar selling rate. During 2009 and 2010, the Central Bank has indirectly affected the exchange rate market, through active participation with the purpose of isolate the external shocks and to maintain a stable parity.

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

|                                   | Exchange Rate       |                    |                        | Period Closing |
|-----------------------------------|---------------------|--------------------|------------------------|----------------|
|                                   | High <sup>(1)</sup> | Low <sup>(2)</sup> | Average <sup>(3)</sup> |                |
| Fiscal year ended June 30, 2003   | 3.7400              | 2.7120             | 3.2565                 | 2.8000         |
| Fiscal year ended June 30, 2004   | 2.9510              | 2.7100             | 2.8649                 | 2.9580         |
| Fiscal year ended June 30, 2005   | 3.0400              | 2.8460             | 2.9230                 | 2.8670         |
| Fiscal year ended June 30, 2006   | 3.0880              | 2.8590             | 3.0006                 | 3.0860         |
| Fiscal year ended June 30, 2007   | 3.1080              | 3.0480             | 3.0862                 | 3.0930         |
| Fiscal year ended June 30, 2008   | 3.1840              | 3.0160             | 3.1396                 | 3.0250         |
| Fiscal year ended June 30, 2009   | 3.7780              | 2.9940             | 3.3862                 | 3.7770         |
| Fiscal year ended June 30, 2010   | 3.9130              | 3.6360             | 3.8255                 | 3.9110         |
| July 2010                         | 3.9200              | 3.9110             | 3.9145                 | 3.9200         |
| August 2010                       | 3.9300              | 3.9120             | 3.9178                 | 3.9300         |
| September 2010                    | 3.9530              | 3.9240             | 3.9323                 | 3.9400         |
| October 2010                      | 3.9410              | 3.9280             | 3.9365                 | 3.9370         |
| November 2010                     | 3.9680              | 3.9370             | 3.9486                 | 3.9680         |
| December 2010 (As of December 15) | 3.9630              | 3.9530             | 3.9570                 | 3.9540         |

Source: *Banco de la Nación Argentina*

- (1) The high exchange rate stated was the highest closing exchange rate of the month during the fiscal year or any shorter period, as indicated.  
 (2) The low exchange rate stated was the lowest closing exchange rate of the month during the fiscal year or any shorter period, as indicated.  
 (3) Average month-end closing exchange rates.

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

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**B. CAPITALIZATION AND INDEBTEDNESS**

This section is not applicable.

**C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

This section is not applicable.

**D. RISK FACTORS**

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

**Risks Related to Argentina**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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dismissal and appointed Mercedes Marco del Pont as the new president of the Central Bank. The final implementation of the Bicentenary Fund is to be discussed and decided by the federal congress. Therefore, we cannot assure the outcome of the process or the impact that its implementation or non-implementation could have on the national economy and local financial markets.

Additionally, foreign shareholders of certain Argentine companies have filed claims in excess of US\$17 billion in the ICSID, alleging that certain Argentine government measures are inconsistent with the fair and equitable treatment standards set forth in various bilateral treaties to which Argentina is a party. To date, the ICSID has rendered decisions adverse to Argentina in several cases. Additionally, it should be noted that on October 7, 2008, an ICSID tribunal, in a case in which it had already awarded compensation to the claimants, issued a decision ordering Argentina to pay the compensation previously awarded to the claimants within 60 days. In its decision, the ICSID tribunal stated that, based on the interpretation of the Bilateral Treaty on Protection and Reciprocal Promotion of Investments (the "IBT"), executed between the United States and Argentina, (i) to the extent the compensation orders are not revoked, the compensation payments ordered to be made by the ICSID should be made immediately and claimants do not need to file subsequent actions or execution proceedings seeking payment of the awarded compensation and (ii) Argentina's position of waiting for the claimants to file execution proceedings to seek collection of already awarded amounts is in flagrant breach of the international law obligations undertaken by Argentina under the IBT.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

While the condition of the financial system has improved, adverse economic developments, even if not related to or attributable to the financial system, could result in deposits flowing out of the banks and into the



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foreign exchange market, as depositors seek to shield their financial assets from a new crisis. Any run on deposits could create liquidity or even solvency problems for financial institutions, resulting in a contraction of available credit.

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

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

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

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

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

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

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

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

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

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

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

### **Risks Relating to Brazil**

***The Brazilian government has exercised and continues to exercise influence over the Brazilian economy, which together with Brazil's historically volatile political and economic conditions could adversely affect our financial condition and results of operations.***

Our business is dependent to a large extent on the economic conditions in Brazil. As of June 30, 2010, approximately 4.2% of our consolidated assets were located in Brazil through our affiliate BrasilAgro-Companhia Brasileira de Propiedades Agrícolas ( BrasilAgro ).

Historically, the Brazilian government has changed monetary, credit, tariff, and other policies to influence the course of Brazil's economy. Such government actions have included increases in interest rates, changes in tax policies, price controls, currency devaluations, as well as other measures such as imposing exchange controls and limits on imports and exports.

Our operations in Brazil may be adversely affected by changes in public policy at federal, state and municipal levels with respect to public tariffs and exchange controls, as well as other factors, such as:

fluctuation in exchange rates in Brazil;

monetary policy;

exchange controls and restrictions on remittances outside Brazil, such as those which were imposed on such remittances (including dividends) in 1989 and early 1990;

inflation in Brazil;

interest rates;

liquidity of the Brazilian financial, capital and lending markets;

fiscal policy and tax regime in Brazil; and

other political, social and economical developments in or affecting Brazil.

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Actions of the Brazilian government in the future could have a significant effect on economic conditions in Brazil, which could adversely affect private sector companies such as our subsidiary BrasilAgro, and thus, could adversely affect us.

***Although inflation in Brazil has stabilized in the past years, an increase in inflation could adversely affect the operations of BrasilAgro which could adversely impact our financial condition and results of operations.***

Brazil has experienced high and generally unpredictable rates of inflation for many years in the past. Inflation itself, as well as governmental policies to combat inflation, has had significant negative effects on the Brazilian economy in general. Inflation, government efforts to control inflation and public speculation about future governmental actions have had, and can be expected to continue to have, significant impact on the Brazilian economy and on our operations in Brazil. As measured by the Brazilian *Índice Nacional de Preços au Consumidor* (National Consumer Price Index), or INPC, inflation in Brazil was 2.8%, 5.2%, 6.5% 3.5% and 4.1% in 2006, 2007, 2008, 2009, and for the eleven month period ended November 30, 2010, respectively. We cannot assure you that levels of inflation in Brazil will not increase in future years having a material adverse effect on our business, on the financial condition or, the results of operations. Inflationary pressures may lead to further government intervention in the economy, including the introduction of government policies that could adversely affect the results of operations of BrasilAgro and consequently our financial condition and results of operations and the market price of our common shares and ADSs.

***The Brazilian real is subject to depreciation and exchange rate volatility which could adversely affect our financial condition and results of operations.***

Brazil's rate of inflation and the government's actions to combat inflation have also affected the exchange rate between the *real* and the U.S. dollar. As a result of inflationary pressures, the Brazilian currency has been devalued periodically during the last four decades. Throughout this period, the Brazilian federal government has implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini devaluations (during which the frequency of adjustments has ranged from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets. During 2006, 2007 2008 and 2009, the *real* appreciated 8.6%, 16.5%, 30.07% and 33.8%, respectively, against the U.S. dollar. As of the period of eleven-month ended November 30, 2010, as an impact of the world's economy crisis that unfolded in mid 2007 as a result of the disruption of the United States' subprime mortgage market, the *real* appreciated 1.67% against the U.S. dollar. Despite the recent appreciation there can be no assurance that the rate of exchange between the *real* and the dollar will not fluctuate significantly. In the event of a devaluation of the *real*, the financial condition and results of operations of our Brazilian subsidiary could be adversely affected.

Depreciation of the *real* relative to the U.S. dollar may increase the cost of servicing foreign currency-denominated debt that we may incur in the future, which could adversely affect our financial condition and results of operations. In addition, depreciation of the *real* creates additional inflationary pressures in Brazil that may adversely affect our results of operations. Depreciation generally curtails access to international capital markets and may prompt government intervention. It also reduces the U.S. dollar value of BrasilAgro's revenues, distributions and dividends, and the U.S. dollar equivalent of the market price of our common shares. On the other hand, the appreciation of the *real* against the U.S. dollar may lead to the deterioration of Brazil's public accounts and balance of payments, as well as to lower economic growth from exports, which could impact the results of our subsidiary BrasilAgro.

***The Brazilian government imposes certain restrictions on currency conversions and remittances abroad which could affect the timing and amount of any dividend or other payment we receive.***

Brazilian law guarantees foreign shareholders of Brazilian companies the right to repatriate their invested capital and to receive all dividends in foreign currency provided that their investment is registered with the *Banco Central do Brazil*, or the Brazilian Central Bank. We registered our investment in BrasilAgro with the Brazilian Central Bank on April 28, 2006. Although dividend payments related to profits obtained subsequent to April 28, 2006 are not subject to income tax, if the sum of repatriated capital and invested capital exceeds the investment amount registered with the Brazilian Central Bank, repatriated capital is subject to a capital gains tax of 15%. There can be no assurance that the Brazilian government will not impose additional restrictions or modify existing regulations that would have an adverse effect on an investor's ability to repatriate funds from Brazil nor can there be any assurance of the timing or duration of such restrictions, if imposed in the future.

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### ***Widespread uncertainties, corruption and fraud relating to ownership of real estate may adversely affect our business.***

There are widespread uncertainties, corruption and fraud relating to title ownership of real estate in Brazil. In Brazil, ownership of real property is conveyed through filing of deeds before the relevant land registry. In certain cases, land registry recording errors, including duplicate and/or fraudulent entries, and deed challenges frequently occur, leading to judicial actions. Property disputes over title ownership are frequent, and, as a result, there is a risk that errors, fraud or challenges could adversely affect us, causing the loss of all or substantially all of our properties.

In addition, our land may be subject to expropriation by the Brazilian government. An expropriation could materially impair the normal use of our lands or have a material adverse effect on our results of operations. In addition, social movements, such as *Movimento dos Trabalhadores Rurais Sem Terra* and *Comissão Pastoral da Terra*, are active in Brazil. Such movements advocate land reform and mandatory property redistribution by the government. Land invasions and occupations of rural areas by a large number of individuals is common practice for these movements, and, in certain areas, including some of those in which we are likely to invest, police protection and effective eviction proceedings are not available to land owners. As a result, we cannot give you any assurance that our properties will not be subject to invasion or occupation by these groups. A land invasion or occupation could materially impair the normal use of our lands or have a material adverse effect on us or the value of our common shares or ADRs.

### ***The lack of efficient transportation, and adequate storage or handling facilities in certain of the regions in which we operate may have a material adverse effect on our business.***

One of the principal disadvantages of the agriculture industry in some of the regions where we operate is that they are located a long distance from major ports in some cases, nearly 1,500 kilometers. Efficient access to transportation infrastructure and ports is critical to the profitability in the agricultural industry. Furthermore, as part of our business strategy, we intend to acquire and develop land in specific areas where existing transportation is poor. A substantial portion of agricultural production in certain of the regions where we operate is currently transported by truck, a means of transportation significantly more expensive than the rail transportation available to the U.S. and other international producers. As a result, we may be unable to obtain efficient transportation to make our production reach our most important markets in a cost-effective manner, if at all.

## **Risks Relating to Our Region**

### ***Our business is dependent on economic conditions in the countries where we operate or intend to operate.***

We had made investments in farmland in Argentina, Brazil, Paraguay and Bolivia and we may possibly make investments in other countries in and outside Latin America. Because demand for livestock and agricultural products usually is correlated to economic conditions prevailing in the local market, which in turn is dependent on the macroeconomic condition of the country in which the market is located, our financial condition and results of operations are, to a considerable extent, dependent upon political and economic conditions prevailing from time to time in the countries where we operate. Latin American countries have historically experienced uneven periods of economic growth, as well as recession, periods of high inflation and economic instability. Certain countries have experienced severe economic crises, which may still have future effects. As a result, governments may not have the financial resources necessary to implement reforms and foster growth. Any of these adverse economic conditions could have a material adverse effect on our business.

In the past year, the world's economy experienced the effects of the crisis that unfolded in mid 2007 as a result of the disruption of the United States subprime mortgage market. Though there has been some recovery, an interruption of such recovery may have an impact on the economic conditions difficult to predict. Triggering a less favorable or an unfavorable international environment for the countries where we operate or intend to operate, forcing domestic policy adjustments, which could cause adverse economic conditions and adversely affect our business.

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*We face the risk of political and economic crises, instability, terrorism, civil strife, expropriation and other risks of doing business in emerging markets.*

In addition to Argentina and Brazil, we conduct or intend to conduct our operations in other Latin-American countries. Economic and political developments in these countries, including future economic changes or crises (such as inflation or recession), government deadlock, political instability, terrorism, civil strife, changes in laws and regulations, expropriation or nationalization of property, and exchange controls could adversely affect our business, financial condition and results of operations.

Although economic conditions in one country may differ significantly from another country, we cannot assure that events in one country alone will not adversely affect our business or the market value of, or market for, our shares or ADRs.

*Governments in the countries where we operate or intend to operate exercise significant influence over their economies.*

Emerging market governments, including governments in the countries where we operate, frequently intervene in the economies of their respective countries and occasionally make significant changes in policy and regulations. Governmental actions to control inflation and other policies and regulations have often involved, among other measures, price controls, currency devaluations, capital controls and limits on imports. Our business, financial condition, results of operations and prospects may be adversely affected by changes in government policies or regulations, including factors, such as:

exchange rates and exchange control policies;

inflation rates;

interest rates;

tariff and inflation control policies;

import duties on information technology equipment;

liquidity of domestic capital and lending markets;

electricity rationing;

tax policies; and

other political, diplomatic, social and economic developments in or affecting the countries where we intend to operate.

An eventual reduction of foreign investment in any of the countries where we operate may have a negative impact on such country's economy, affecting interest rates and the ability of companies such as us to access financial markets.

*Local currencies used in the conduct of our business are subject to exchange rate volatility and exchange controls.*

The currencies of many countries in Latin America have experienced substantial volatility in recent years. Currency movements, as well as higher interest rates, have materially and adversely affected the economies of many Latin American countries, including countries in which

account for or are expected to account for a significant portion of our revenues. The depreciation of local currencies creates inflationary pressures that may

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have an adverse effect on us generally, and may restrict access to international capital markets. On the other hand, the appreciation of local currencies against the U.S. dollar may lead to deterioration in the balance of payments of the countries where we operate, as well as to a lower economic growth.

In addition, we may be subject to exchange control regulations in these Latin-American countries which might restrict our ability to convert local currencies into U.S. dollars.

***Inflation and certain government measures to curb inflation may have adverse effects on the economies of the countries where we operate or intend to operate, our business and our operations.***

Most countries where we operate or intend to operate have historically experienced high rates of inflation. Inflation and some measures implemented to curb inflation have had significant negative effects on the economies of Latin American countries. Governmental actions taken in an effort to curb inflation, coupled with speculation about possible future actions, have contributed to economic uncertainty at times in most Latin American countries. The countries where we operate or intend to operate may experience high levels of inflation in the future that could lead to further government intervention in the economy, including the introduction of government policies that could adversely affect our results of operations. In addition, if any of these countries experience high rates of inflation, we may not be able to adjust the price of our services sufficiently to offset the effects of inflation on our cost structures. A high inflation environment would also have negative effects on the level of economic activity and employment and adversely affect our business and results of operations.

***Developments in other markets may affect the Latin American countries where we operate or intend to operate, and as a result our financial condition and results of operations may be adversely affected.***

The market value of securities of companies such as us may be, to varying degrees, affected by economic and market conditions in other global markets. Although economic conditions vary from country to country, investors' perception of the events occurring in one country may substantially affect capital flows into and securities from issuers in other countries, including Latin American countries. Various Latin American economies have been adversely impacted by the political and economic events that occurred in several emerging economies in recent times. Furthermore, Latin American economies may be affected by events in developed economies which are trading partners or that impact the global economy.

***Land in Latin-American countries may be subject to expropriation or occupation.***

Our land may be subject to expropriation by governments of the countries where we operate and intend to operate. An expropriation could materially impair the normal use of our lands or have a material adverse effect on our results of operations. In addition, social movements, such as *Movimento dos Trabalhadores Rurais Sem Terra* and *Comissão Pastoral da Terra* in Brazil, are active in certain of the countries where we operate or intend to operate. Such movements advocate land reform and mandatory property redistribution by governments. Land invasions and occupations of rural areas by a large number of individuals is common practice for these movements, and, in certain areas, including some of those in which we are likely to invest, police protection and effective eviction proceedings are not available to land owners. As a result, we cannot give you any assurance that our properties will not be subject to invasion or occupation by these groups. A land invasion or occupation could materially impair the normal use of our lands or have a material adverse effect on us or the value of our shares or ADRs.

***We may invest in countries other than Argentina and Brazil and cannot give you any current assurance as to the countries in which we will ultimately invest, and we could fail to list all risk factors for each possible country.***

We have a broad and opportunistic business strategy and you should understand that we may invest in countries other than Argentina and Brazil including countries in other emerging markets outside Latin America such as Africa. As a result, it is not possible at this time to identify all risk factors that may affect our future operations and the value of our common shares and ADSs.



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**Risks Relating to Our Agricultural Business**

***Fluctuation in market prices for our agriculture products could adversely affect our financial condition and results of operations.***

Prices for cereals, oilseeds and by-products, like those of other commodities, can be expected to fluctuate significantly. The prices that we are able to obtain for our agriculture products depend on many factors beyond our control, including:

prevailing world prices, which historically have been subject to significant fluctuations over relatively short periods of time, depending on worldwide demand and supply;

changes in the agricultural subsidy levels in certain important countries (mainly the United States and countries in the European Union) and the adoption of other government policies affecting industry market conditions and prices; and

demand for and supply of competing commodities and substitutes.

Our financial condition and results of operations could be materially and adversely affected if the prices of grains and by-products decline.

***Unpredictable weather conditions may have an adverse impact on our crop and beef cattle production.***

The occurrence of severe adverse weather conditions, especially droughts, hail or floods, is unpredictable and may have a potentially devastating impact upon our crop production and, to a lesser extent, our beef cattle production. The occurrence of severe adverse weather conditions may reduce yields on our farms or require us to increase our level of investment to maintain yields. The 2008/2009 agricultural season in Argentina's main production areas has sustained one of the worst droughts in the past 70 years which adversely affected the agricultural and, livestock industry and also had a negative bearing on the expectations for the next season and for the cattle stock we experienced losses and can not assume that they will not occur. According to the United States Department of Agriculture (USDA)'s November 2010 estimates, Argentina's crops output (wheat, corn and soybean) for the 2010/2011 season is expected to be in line to that in the previous cycle. Also according to the USDA, the area sown with soybean will be equivalent to that of the previous cycle, but has estimated soybean output for the 2010/1011 season will decrease 4.6%, to 2.80 tons per hectare, compared to a record high in 2006/07 of 2.99 tons per hectare and a five-year average of 2.69 tons per hectare. The USDA forecasts Argentine wheat production for the 2010/11 season will be 13.5 million tons, a 29% increase compared to the previous season. As regards corn, output for the previous cycle had been 22.5 million tons, whereas the USDA report for November estimated that in the 2010/2011 cycle Argentina's output will be 25.0 million tons. As regards the USDA November 2010 projections concerning soybean, Argentina's output will be 52.0 million tons, that is 4.6% lower and 62.5% higher than the production posted in the 2009/10 and 2008/09 seasons, respectively. The weather phenomenon during season 2008/2009 has also impacted on beef cattle, causing deaths and affecting beef and milk production. As a result, we cannot assure you that the present and future severe adverse weather conditions will not adversely affect our operating results and financial condition.

***Disease may strike our crops without warning potentially destroying some or all of our yields.***

The occurrence and effect of crop disease and pestilence can be unpredictable and devastating to crops, potentially destroying all or a substantial portion of the affected harvests. Even when only a portion of the crop is damaged, our results of operations could be adversely affected because all or a substantial portion of the production costs for the entire crop have been incurred. Although some crop diseases are treatable, the cost of treatment is high, and we cannot assure that such events in the future will not adversely affect our operating results and financial condition.

***Our cattle are subject to diseases.***

Diseases among our cattle herds, such as tuberculosis, brucellosis and foot-and-mouth disease, can have an adverse effect on milk production and fattening, rendering cows unable to produce milk or meat for human

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consumption. Outbreaks of cattle diseases may also result in the closure of certain important markets, such as the United States, to our cattle products. Although we abide by national veterinary health guidelines, which include laboratory analyses and vaccination, to control diseases among the herds, especially foot-and-mouth disease, we cannot assure that future outbreaks of cattle diseases will not occur. A future outbreak of diseases among our cattle herds may adversely affect our beef cattle and milk sales which could adversely affect our operating results and financial condition.

***We may be exposed to material losses due to volatile crop prices since we hold a significant portion of our production unhedged, and expose to crop price risk.***

Due to the fact that we do not have 100% of our crops hedged, we are unable to have minimum price guarantees for all of our production and are therefore exposed to significant risks associated with the level and volatility of crop prices. We are subject to fluctuations in crop prices which could result in receiving a lower price for our crops than our production cost. We are also subject to exchange rate risks related to our crops that are hedged, because our futures and options positions are valued in U.S. dollars, and thus are subject to exchange rate risk.

In addition, if severe weather or any other disaster generates a lower crop production than the position already sold in the market, we may suffer material losses in the repurchase of the sold contracts.

***The creation of new export taxes may have an adverse impact on our sales.***

In order to prevent inflation and variations in the exchange rate from adversely affecting prices of primary and manufactured products (including agricultural products), and to increase tax collections and reduce Argentina's fiscal deficit, the Argentine government has imposed new taxes on exports. Pursuant to Resolution No. 11/02 of the Ministry of Economy and Production, as amended by Resolution 35/02, 160/2002, 307/2002 and 530/2002, effective as of March 5, 2002, the Argentine government imposed a 20%, 10% and 5% export tax on primary and manufactured products. On November 12, 2005, pursuant to Resolution No. 653/2005, the Ministry of Economy and Production increased the tax on beef cattle exports from 5% to 10%, and on January 2007 increased the tax on soybean exports from 23.5% to 27.5%. Pursuant to Resolutions No. 368/07 and 369/07 both dated November 12, 2007, the Ministry of Economy and Production further increased the tax on soybean exports from 27.5% to 35.0% and also the tax on wheat and corn exports from 20.0% to 28.0% and from 20.0% to 25.0%, respectively. In early March 2008, the Argentine government introduced a regime of sliding scale export tariffs for oilseed, grains and by-products, where the withholding rate (in percentage) would increase to the same extent as the crops' price. Therefore, it imposed an average tax for soybean exports of 46%, compared to the previous fixed rate of 35%. In addition, the tax on exports of wheat was increased, from a fixed rate of 28% to an average variable rate of 38%, and the tax on exports of corn changed from a fixed rate of 25% to an average variable rate of 36%. This tariff regime, which according to farmers effectively sets a maximum price for their crops, sparked widespread strikes and protests by farmers whose exports have been one of the principal driving forces behind Argentina's recent growth. In April 2008, as a result of the export tariff regime, farmers staged a 21-day strike in which, among other things, roadblocks were set up throughout the country, triggering Argentina's most significant political crisis in five years. These protests disrupted transport and economic activity, which led to food shortages, a surge in inflation and a drop in export registrations. Finally, the federal executive branch decided to send the new regime of sliding-scale export tariffs to the federal congress for its approval. The project was approved in the House of Representatives but rejected by the Senate. Subsequently, the federal government abrogated the regime of sliding-scale export tariffs and reinstated the previous scheme of fixed withholdings.

Export taxes might have a material and adverse effect on our sales. We produce exportable goods and, therefore, an increase in export taxes is likely to result in a decrease in our products' price, and, therefore, may result in a decrease of our sales. We cannot guarantee the impact of those or any other future measures that might be adopted by the Argentine government on our financial condition and result of operations.

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

The recent credit crisis had a significant negative impact on businesses around the world. Although we believe that available borrowing capacity under the current conditions and proceeds resulting from potential farm sales will provide us with sufficient liquidity through the current economic environment, the impact of the crisis on our major customers cannot be predicted and may be quite severe. A disruption in the ability of our significant customers to access liquidity could cause serious disruptions or an overall deterioration of their businesses which could lead to a reduction in their future orders of our products and the inability or failure on their part to meet their payment obligations to us, any of which could have a material adverse effect on our results of operations and liquidity.

***Government intervention in our markets may have a direct impact on our prices.***

The Argentine government has set certain industry market conditions and prices in the past. In order to prevent a substantial increase in the price of basic products as a result of inflation, the Argentine government is adopting an interventionist policy. In March 2002, the Argentine government fixed the price for milk after a conflict among producers and the government. Since 2005, the Argentine government, in order to increase the domestic availability of beef and reduce domestic prices, adopted several measures: it increased turnover tax and established a minimum average number of animals to be slaughtered. In March 2006, the registries for beef exports were temporarily suspended. This last measure was softened once prices decreased. There can be no assurance that the Argentine government will not interfere in other areas by setting prices or regulating other market conditions. Accordingly, we cannot assure you that we will be able to freely negotiate all our products' prices in the future or that the prices or other market conditions that the Argentine government could impose will allow us to freely negotiate the price of our products.

***We may increase our crop price risk since we could have a net long position in crop derivatives.***

In order to improve the use of land and capital allocation, we may have a long position in crops in addition to our own production. This strategy increases our crop price risk, generating material losses in a downward market.

***We do not maintain insurance over all of our crop storage facilities; therefore, if a fire or other disaster damages some or all of our harvest, we will not be completely covered.***

We store a significant portion of our grain production during harvest due to the seasonal drop in prices that normally occurs at that time. Currently, we store a significant portion of our grain production in plastic silos. We do not maintain insurance on our plastic silos. Although our plastic silos are placed in several different locations, and it is unlikely that a natural disaster affects all of our plastic silos simultaneously, a fire or other natural disaster which damages the stored grain, particularly if such event occurs shortly after harvesting, could have an adverse effect on our operating results and financial condition.

***Worldwide competition in the markets for our products could adversely affect our business and results of operations.***

We experience substantial worldwide competition in each of our markets and in many of our product lines. The market for cereals, oil seeds and by-products is highly competitive and also sensitive to changes in industry capacity, producer inventories and cyclical changes in the world's economies, any of which may significantly affect the selling prices of our products and thereby our profitability. Argentina is more competitive in the oilseed market than in the market for cereals. Due to the fact that many of our products are agricultural commodities, they compete in the international markets almost exclusively on the basis of price. Many other producers of these products are larger than us, and have greater financial and other resources. Moreover, many other producers receive subsidies from their respective countries while we do not receive any such subsidies from the Argentine government. These subsidies may allow producers from other countries to produce at lower costs than us and/or endure periods of low prices and operating losses for longer periods than we can. Any increased competitive pressure with respect to our products could materially and adversely affect our financial condition and results of operations.

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***If we are unable to maintain our relationship with our customers, particularly with the single customer who purchases our entire raw milk production each month, our business may be adversely affected.***

Though our cattle sales are diversified, we are and will continue to be significantly dependent on a number of third party relationships, mainly with our customers for crop and milk sales. In fiscal year 2010, we sold our products to approximately 135 customers. Sales to our ten largest customers represented approximately 74% of our net sales for the fiscal year ended June 30, 2010. Our biggest three customers are Cargill S.A., Mastellone Hnos. S.A. and Molinos Río de la Plata S.A., represented, in the aggregate, approximately 48% of our net sales, while the remaining seven customers in the aggregate represented approximately 26% of our net sales in fiscal year 2010.

In addition, we currently sell our entire raw milk production to one customer in Argentina, Mastellone Hnos. S.A. For the year ended June 30, 2010, these sales represented approximately 7.4% of our total revenues. There can be no assurance that this customer will continue to purchase our entire raw milk production or that, if it fails to do so, we could enter into satisfactory sale arrangements with new purchasers in the future.

We sell our crop production mainly to exporters and manufacturers that process the raw materials to produce meal and oil, products that are sent to the export markets. The Argentine crop market is characterized by a few purchasers and a great number of sellers. Although most of the purchasers are international companies with strong financial conditions, we cannot assure you that this situation will remain the same in the future or that this market will not get more concentrated in the future.

We may not be able to maintain or form new relationships with customers or others who provide products and services that are important to our business. Accordingly, we cannot assure you that our existing or prospective relationships will result in sustained business or the generation of significant revenues.

***Our business is seasonal, and our revenues may fluctuate significantly depending on the growing cycle.***

Our agricultural business is highly seasonal in nature. The harvest and sale of crops (corn, soybean and sunflower) generally occurs from February to June. Wheat is harvested from December to January. Our operations and sales are affected by the growing cycle of the crops we process and by decreases during the summer in the price of the cattle we fatten. As a result, our results of operations have varied significantly from period to period, and are likely to continue to vary, due to seasonal factors.

***Our principal shareholder has the ability to direct our business and affairs, and its interests could conflict with yours.***

As of November 30, 2010, Mr. Eduardo S. Elsztain, was the beneficial owner of 38.5% (on a fully diluted basis) of our common shares. As a result of his significant influence over us, Mr. Elsztain, by virtue of his position in IFISA, has been able to elect a majority of the members of our board of directors, direct our management and determine the result of substantially all resolutions that require shareholders' approval, including fundamental corporate transactions and our payment of dividends by us.

The interests of our principal shareholder and management may differ from, and could conflict with, those of our other shareholders. Pursuant to a consulting agreement we pay a management fee equal to 10% of our annual net income to Consultores Asset Management S.A., formerly known as Dolphin Fund Management S.A. ( Consultores Asset Management ), a company whose capital stock is 85% owned by Eduardo Elsztain and 15% owned by Saúl Zang, the first vice-chairman of our board of directors. This performance based fee could be viewed as an incentive for Consultores Asset Management to favor riskier or more speculative investments than would otherwise be the case. In addition, as of November 30, 2010 Mr. Elsztain was the beneficial owner, due to his indirect shareholding through Cresud of 57.60% (on a fully diluted basis) of the common shares of IRSA, an Argentine company that currently owns approximately 97.10% (on a fully diluted basis) of the common shares of its subsidiary Alto Palermo Sociedad Anónima (APSA) ( Alto Palermo or APSA ) whose chief executive

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officer is Mr. Alejandro G. Elsztain, Mr. Eduardo Elsztain's brother and our chief executive officer of Cresud. We cannot assure you that our principal shareholders will not cause us to forego business opportunities that their affiliates may pursue or to pursue other opportunities that may not be in our interest, all of which may adversely affect our business, results of operations and financial condition and the value of our common shares and the ADSs.

***We could be adversely affected by our investment in IRSA if its value declines.***

Our investment in IRSA is exposed to the common risks generally inherent in investments in commercial and residential properties, many of which are outside IRSA's control. Any of these risks could adversely and materially affect IRSA's businesses, financial position and/or results of operations. Any available returns on capital expenditures associated with real estate are dependent upon sales volumes and/or revenues from leases and the expenses incurred. Besides, there are other factors that may adversely affect the performance and the value of a property, including the local economic conditions prevailing in the area where the property is located, macroeconomic conditions in Argentina and in the rest of the world, competition from other companies engaged in real estate development, IRSA's ability to find lessees, non-performance by lessees and/or lease terminations, changes in legislation and in governmental regulations (including those governing the use of the properties, urban planning and real estate taxes), variations in interest rates (including the risk of an increase in interest rates causing a reduction in the sales of lots in properties intended for residential development) and the availability of funding. In addition, and given the relative illiquidity of the real estate market, IRSA could be unable to effectively respond to adverse market conditions and/or be compelled to undersell one or more of its properties. Broadly speaking, some significant expenses, such as debt services, real estate taxes and operating and maintenance costs do not fall when there are circumstances that reduce the revenues from an investment.

These factors and/or events could impair IRSA's ability to respond to adverse changes in the returns on its investments thus causing a significant reduction in its financial position and/or the results of its operations, which could have an adverse effect on our financial position and the results of our operations.

***We could be materially and adversely affected by our investment in BrasilAgro.***

As of June 30, 2010, our investment in BrasilAgro represented 4.2% of our total consolidated assets. BrasilAgro was formed on September 23, 2005 to exploit opportunities in the Brazilian agricultural sector. BrasilAgro seeks to acquire and develop future properties to produce a diversified range of agricultural products (which may include sugarcane, grains, cotton, forestry products and livestock). BrasilAgro is a startup company that has been operating since 2006. As a result, it has a developing business strategy and limited track record. BrasilAgro's business strategy may not be successful, and if not successful, BrasilAgro may be unable to successfully modify its strategy. BrasilAgro's ability to implement its proposed business strategy may be materially and adversely affected by many known and unknown factors. If we were to write-off our investments in BrasilAgro, this would likely materially and adversely affect our business. As of November 30, 2010, we owned 35.75% of the outstanding common shares of BrasilAgro.

***We will be subject to extensive environmental regulation.***

Our activities are subject to a wide set of federal, state and local laws and regulations relating to the protection of the environment, which impose various environmental obligations. Obligations include compulsory maintenance of certain preserved areas in our properties, management of pesticides and associated hazardous waste and the acquisition of permits for water use. Our proposed business is likely to involve the handling and use of hazardous materials that may cause the emission of certain regulated substances. In addition, the storage and processing of our products may create hazardous conditions. We could be exposed to criminal and administrative penalties, in addition to the obligation to remedy the adverse affects of our operations on the environment and to indemnify third parties for damages, including the payment of penalties for non-compliance with these laws and regulations. Since environmental laws and their enforcement are becoming more stringent in Argentina, our capital expenditures and expenses for environmental compliance may substantially increase in the future. In addition, due to the possibility of future regulatory or other developments, the amount and timing of environmental-related capital expenditures and expenses may vary substantially from those currently anticipated. The cost of compliance with environmental regulation may result in reductions of other strategic investments which may consequently decrease our profits. Any material unforeseen environmental costs may have a material adverse effect on our business, results of operations, financial condition or prospects.

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As of June 30, 2010, we owned land reserves extending over more than 229,105 hectares that were purchased at very attractive prices. In addition, we have a concession over 114,048 hectares reserved for future development. We believe that there are technological tools available to improve productivity in these farms and, therefore, achieve appreciation in the long term. However, current or future environmental regulations could prevent us from fully developing our land reserves by requiring that we maintain part of this land as natural woodlands not to be used for production purposes.

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

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

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

*Increased energy prices and fuel shortages could adversely affect our operations.*

We require substantial amounts of fuel oil and other resources for our harvest activities and transport of our agricultural products. We rely upon third parties for our supply of the energy resources consumed in our operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, worldwide price levels and market conditions. The prices of various sources of energy may increase significantly from current levels. An increase in energy prices could materially adversely affect our results of operations and financial condition.

*Our Financial Statements have been prepared under Argentine GAAP and may not provide investors with the information investors would have received if the financial statements were prepared under IFRS.*

Our Audited Consolidated Financial Statements are prepared in Argentine Pesos and in accordance with Argentine GAAP and the regulations of the CNV. Our Audited Consolidated Financial Statements under Argentine GAAP may not provide you with the information you would have received if our financial statements were prepared under U.S. GAAP or under IFRS. Publicly available information about public companies in Argentina is generally less detailed and not as frequently updated as the information that is regularly published by or about listed companies in the United States or European markets. Furthermore, there is a lower level of regulation of the Argentine securities markets and of the activities of the investors in these markets as compared to the securities markets in the United States, European markets and certain other international financial markets. Argentine GAAP differs in certain significant respects from U.S. GAAP, SEC rules and regulations, and IFRS. As required, the Audited Consolidated Financial Statements included in this annual report include a reconciliation of net income and shareholders' equity to U.S. GAAP. See Note 30 to the Audited Consolidated Financial Statements.

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

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

***We depend on our chairman and senior management.***

Our success depends, to a significant extent, on the continued employment of Eduardo S. Elsztain, our president and chairman of the board of directors, and Alejandro G. Elsztain, our chief executive officer. The loss of their services for any reason could have a material adverse effect on our business. If our current principal shareholders were to lose their influence on the management of our business, our principal executive officers could resign or be removed from office.

Our future success also depends in part upon our ability to attract and retain other highly qualified personnel. We cannot assure you that we will be successful in hiring or retaining qualified personnel, or that any of our personnel will remain employed by us.

***The Investment Company Act may limit our future activities.***

Under Section 3(a)(3) of the Investment Company Act of 1940, as amended, an investment company is defined in relevant part to include any company that owns or proposes to acquire investment securities that have a value exceeding 40% of such company's unconsolidated total assets (exclusive of U.S. government securities and cash items). Investments in minority interests of related entities as well as majority interests in consolidated subsidiaries which themselves are investment companies are included within the definition of investment securities for purposes of the 40% limit under the Investment Company Act.

Companies that are investment companies within the meaning of the Investment Company Act, and that do not qualify for an exemption from the provisions of such Act, are required to register with the Securities and Exchange Commission and are subject to substantial regulations with respect to capital structure, operations, transactions with affiliates and other matters. In the event such companies do not register under the Investment Company Act, they may not, among other things, conduct public offerings of their securities in the United States or engage in interstate commerce in the United States. Moreover, even if we desired to register with the Commission as an investment company, we could not do so without an order of the Commission because we are a non-U.S. corporation, and it is unlikely that the Commission would issue such an order.

In recent years we have made a significant minority investment in the capital stock of IRSA, an Argentine company engaged in a range of real estate activities. As of November 30, 2010, we owned approximately 57.49% of IRSA's outstanding shares. Although we believe we are not an investment company for purposes of the Investment Company Act, our belief is subject to substantial uncertainty, and we cannot give you any assurance that we would not be determined to be an investment company under the Investment Company Act. As a result, the uncertainty regarding our status under the Investment Company Act may adversely affect our ability to offer and sell securities in the United States or to U.S. persons. The United States capital markets have historically been an important source of funding for us, and our future financing ability may be adversely affected by a lack of access to the United States capital markets. If an exemption under the Investment Company Act is unavailable to us in the future and we desire to access the U.S. capital markets, our only recourse would be to file an application to the SEC for an exemption from the provisions of the Investment Company Act which is a lengthy and highly uncertain process.

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Moreover, if we offer and sell securities in the United States or to U.S. persons and we were deemed to be an investment company and not exempted from the application of the Investment Company Act, contracts we enter into in violation of, or whose performance entails a violation of, the Investment Company Act, including any such securities, may not be enforceable against us.

*We hold Argentine securities which might be more volatile than U.S. securities and carry a greater risk of default.*

We currently have and in the past have had certain investments in Argentine government debt, corporate debt, and equity securities. In particular, we hold a significant interest in IRSA, an Argentine company that has suffered material losses, particularly during fiscal years 2001 and 2002. Although our holding of these investments, excluding IRSA, tends to be short term, investments in such securities involve certain risks, including:

market volatility, higher than those typically associated with U.S. government and corporate securities; and

loss of principal.

Some of the issuers in which we have invested and may invest, including the Argentine government, have in the past experienced substantial difficulties in servicing their debt obligations, which have led to the restructuring of certain indebtedness. We cannot assure that the issuers in which we have invested or may invest will not be subject to similar or other difficulties in the future which may adversely affect the value of our investments in such issuers. In addition, such issuers and, therefore, such investments, are generally subject to many of the risks that are described in this section with respect to us, and, thus, could have little or no value.

**Risks relating to our investment in IRSA.**

*IRSA's performance is subject to risks associated with its properties and with the real estate industry.*

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

downturns in the national, regional and local economic climate;

volatility and decline in discretionary spending;

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

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

decreases in consumption levels;

changes in interest rates and availability of financing;

the exercise by IRSA's tenants of its legal right to early termination of its leases;



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

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

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

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

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

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

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

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

***IRSA's investment in property development, redevelopment and construction may be less profitable than it anticipates.***

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

abandonment of development opportunities and renovation proposals;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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### ***IRSA faces risks associated with property acquisitions.***

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

IRSA may not be able to obtain financing for acquisitions on favorable terms;

acquired properties may fail to perform as expected;

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

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

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

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

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

### ***Acquired properties may subject IRSA to unknown liabilities.***

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

liabilities for clean-up of undisclosed environmental contamination;

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

liabilities incurred in the ordinary course of business.

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

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IRSA currently carries insurance policies that cover potential risks such as civil liability, fire, loss of profit, floods, including extended coverage and losses from leases on all of its properties. Although IRSA believes the policy specifications and insured limits of these policies are generally customary, there are certain types of losses, such as lease and other contract claims, terrorism and acts of war that generally are not insured. Should an uninsured loss or a loss in excess of insured limits occur, IRSA could lose all or a portion of the capital it has

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

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

***IRSA's dependence on rental income may adversely affect its ability to meet its debt obligations.***

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

delay lease commencements;

decline to extend or renew leases upon expiration;

fail to make rental payments when due; or

close stores or declare bankruptcy.

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

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

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

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

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





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

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

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

*IRSA's level of debt may adversely affect its operations and its ability to pay its debt as it becomes due.*

IRSA had, and expects to continue to have, substantial liquidity and capital resource requirements to finance its business. As of June 30, 2010, our consolidated financial debt was Ps.1, 641 million (including short-term and long-term debt, accrued interest and deferred financing costs).

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

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

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

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

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

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

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

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

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

***IRSA is subject to risks inherent to the operation of shopping centers that may affect its profitability.***

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

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

the intrinsic attractiveness of the shopping center;

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

increasing competition from internet sales;

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

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

the fluctuations in occupancy levels in the shopping centers.

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



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

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

***IRSA's future acquisitions may be unprofitable.***

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

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

properties IRSA acquire may fail to achieve within the time frames IRSA projects the occupancy or rental rates IRSA projects at the time IRSA makes the decision to acquire, which may result in the properties' failure to achieve the returns IRSA projected;

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

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

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

***IRSA's ability to grow will be limited if it cannot obtain additional capital.***

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

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

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

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

***IRSA is subject to risks inherent to the operation of office buildings that may affect its profitability.***

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

a decrease in demand for office space;

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

difficulties or delays renewing leases or re-leasing space;

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

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

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

***IRSA is subject to risks affecting the hotel industry.***

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

In addition, the profitability of IRSA's hotels depends on:

IRSA's ability to form successful relationships with international and local operators to run its hotels;

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

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

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

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

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

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

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

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

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

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

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

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

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

lease agreements may not contain inflation adjustment clauses based on consumer price indexes or wholesale price indexes. Although many of IRSA's lease agreements contain readjustment clauses,

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these are not based on an official index nor do they reflect the inflation index. In the event of litigation these provisions may not be enforceable and therefore it may be impossible for IRSA to adjust the amounts owed to IRSA under its lease agreements;

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

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

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

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

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

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

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

### ***IRSA is subject to great competitive pressure.***

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

### ***IRSA's assets are concentrated in the Buenos Aires area.***

The principal properties of IRSA are located in the City of Buenos Aires and the Province of Buenos Aires and a substantial portion of their revenues are derived from such properties. For both its fiscal year ended June 30, 2009 and 2010, approximately 89% of our consolidated revenues were derived from properties in the Buenos Aires metropolitan area including the City of Buenos Aires. Although IRSA owns properties and may acquire or develop additional properties outside Buenos Aires, it expects to continue to depend to a large extent on economic conditions affecting those areas, and therefore, an economic downturn in those areas could have a material adverse effect on its financial condition and results of operations.

### ***IRSA faces risks associated with the expansion to other Latin American markets.***

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



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

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

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

***IRSA faces risks associated with its expansion in the United States.***

On July 2, 2008, IRSA acquired a 30% interest in Metropolitan, a limited liability company organized under the laws of Delaware, United States of America. Metropolitan's main asset is the Lipstick Building, a 34-story building located on Third Avenue between 53rd and 54th streets in Manhattan, New York City. Metropolitan has incurred mortgage debt in connection with the Lipstick Building. For more information about Metropolitan, please see *Recent Developments* and *Significant Changes*.

During the fiscal year 2010, IRSA acquired in the aggregate a 10.9% equity interest in Hersha Hospitality Trust ( Hersha ), a real estate investment trust which owns controlling interests in 77 hotels most of which are located on the east coast of the United States. For more information about Hersha, see *Business International Investments Investment in Hersha Hospitality Trust*.

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

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

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

In 1991, Indarsa purchased 90% of Tandanor, a formerly government-owned company, which owned a large piece of land near Puerto Madero of approximately 8 hectares, divided into two spaces: Planta 1 and 2. After

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the purchase of Tandanor by Indarsa, in June 1993 Tandanor sold Planta 1 to Puerto Retiro, for a sum of US\$ 18 million pursuant to a valuation performed by J.L. Ramos, a well-known real estate brokerage firm in Argentina. Indarsa failed to pay to the Argentine government the outstanding price for its purchase of the stock of Tandanor. As a result, the Ministry of Defense requested the bankruptcy of Indarsa. Since the only asset of Indarsa was its holding in Tandanor, the Argentine government is seeking to extend Indarsa's bankruptcy to the companies or individuals which, according to its view, acted as a single economic group. In particular, the Argentine government has requested the extension of the bankruptcy to Puerto Retiro, which acquired Planta 1 from Tandanor.

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

***Property ownership through joint ventures or minority participation may limit IRSA's ability to act exclusively in its interest.***

IRSA develops and acquires properties in joint ventures with other persons or entities when IRSA believes circumstances warrant the use of such structures. For example, in its Shopping Center segment, as of June 30, 2010, it owned approximately 63.4% of Alto Palermo, while Parque Arauco S.A. owns another 29.6%. However, on October 15, 2010, IRSA executed the option to purchase all of Parque Arauco's interest in Alto Palermo. For more information, please see *Recent Developments* and *Significant Changes*.

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

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

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

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

IRSA has subsidiaries and an important source of funds for it are cash dividends and other permitted payments from its subsidiaries. The debt agreements of IRSA's subsidiaries contain covenants restricting their ability to pay dividends or make other distributions. If the subsidiaries of IRSA are unable to make payments to it, or are able to pay only limited amounts, IRSA may be unable to pay dividends or make payments on its indebtedness.

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***IRSA is dependent on its chairman Eduardo Elsztain and certain other senior managers.***

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

***IRSA may face potential conflicts of interest relating to its principal shareholders.***

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

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

***Due to the currency mismatches between IRSA's assets and liabilities, it has significant currency exposure.***

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

On July 20, 2010, IRSA issued US\$ 150.0 million of 11.5% non-convertibles notes due 2020 ( Series II Notes ) under its global note program for the issuance of notes in one or more series up to a nominal value of US\$ 400.0 million. The issue price was 97.838% of the nominal value. Interest on the Series II is payable semi-annually on January and June 20, each year, commencing on January 20, 2011. For more information about IRSA's Series II Notes, please see *Recent Developments* and *Significant Changes* .

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

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

**Table of Contents****Risks relating to IRSA's Investment in Banco Hipotecario*****IRSA's investment in Banco Hipotecario is subject to risks affecting Argentina's financial system.***

As of June 30, 2010, IRSA owned approximately 28.03% of the outstanding capital stock of Banco Hipotecario (without considering treasury shares) which represented 14.8% of its consolidated assets as of such date. Substantially all of Banco Hipotecario's operations, properties and customers are located in Argentina. Accordingly, the quality of Banco Hipotecario's loan portfolio, financial condition and results of operations depend to a significant extent on economic and political conditions prevailing in Argentina. The political and economic crisis in Argentina during 2002 and 2003 and the Argentine government's actions to address it have had and may continue to have a material adverse effect on Banco Hipotecario's business, financial condition and results of operations.

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

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

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

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

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

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

In the past years Banco Hipotecario has made several investments that are designed to enable it to develop retail banking activities. Banco Hipotecario must overcome significant challenges to achieve this goal including, among others, its lack of experience and client relationships outside the mortgage sector, the existence of large, well-positioned competitors and significant political, regulatory and economic uncertainties in Argentina. As a

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result, IRSA cannot give you any assurance that Banco Hipotecario will be successful in developing significant retail banking activities in the foreseeable future, if at all. If Banco Hipotecario is unable to diversify its operations by developing its retail banking activities and other non-mortgage banking activities, the value of IRSA's substantial investment in Banco Hipotecario would likely be materially and adversely affected.

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

In accordance with Emergency Decree No. 214/02 and its implementing regulations, pesified assets and liabilities were adjusted for inflation as of February 3, 2002 by application of the *Coefficiente de Estabilización de Referencia* ( CER ) a consumer price inflation coefficient. On May 6, 2002, the Executive Branch issued a decree providing that mortgages originally denominated in U.S. Dollars and converted into Pesos pursuant to Decree No. 214/2002 and mortgages on property constituting a borrower's sole family residence may be adjusted for inflation only pursuant to a coefficient based on salary variation, the CVS, which during 2002 was significantly less than inflation as measured by the wholesale price index, or WPI. Through December 31, 2002, the WPI and the CVS posted cumulative increases of 118.2% and 0.2%, respectively, and the CER increased 41.4%. During 2003, inflation increased 4.3% as measured by the WPI, 3.7% as measured by the CER and 15.8% as measured by the CVS. As a result, only 10% of Banco Hipotecario's mortgages loans are adjusted for inflation in accordance with the CER, 30% are adjusted in accordance with the CVS and 60% remain entirely unindexed. Additionally, pursuant to Law No. 25,796, Section 1, repealed effective April 1, 2004, the CVS as an indexation mechanism applied to the relevant portion of Banco Hipotecario's mortgages loans. The CVS increased until it was repealed by 5.3%, whereas the increase in CER was 5.5% as of December 31, 2004 and the WPI increased 7.9%. During 2005, the CER increased to 11.75% and the WPI 10.7%, while in 2006 the CER and WPI increased 10.3% and 7.1%, respectively. In 2008, 2009 and during the first six month of 2010, CER increased 8.0%, 7.0% and 6.1%, respectively, and WPI increased 8.8%, 10.3% and 8.3% respectively.

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

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

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

Law No. 25,798, enacted November 5, 2003, and implemented by Decrees No. 1284/2003 and No. 352/2004, among others, sets forth a system to restructure delinquent mortgage payments and to prevent foreclosures on a debtor's sole residence (the Mortgage Refinancing System). The Mortgage Refinancing System establishes a trust composed of assets contributed by the Argentine government and income from restructured mortgage loans. Banco de la Nación Argentina, in its capacity as trustee of said trust, enters into debt restructuring agreements with delinquent mortgage debtors establishing the following terms: (i) a grace period on

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the mortgage loan of one year and (ii) monthly installment payments on the mortgage loan not to exceed 30% of the aggregate income of the family living in the mortgaged property. Banco de la Nación Argentina then subrogates the mortgagee's rights against the debtor, by issuing notes delivered to the mortgagee to settle the amounts outstanding on the mortgage loan. The sum restructured under the Mortgage Refinancing System may not exceed the appraisal value of the property securing the mortgage after deducting any debts for taxes and maintenance. The Mortgage Refinancing System was established for a limited period of time, during which parties to mortgage loan agreements could opt to participate and was subsequently extended by a number of decrees and laws.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a fundamental change in Banco Hipotecario's corporate purpose;

a change in Banco Hipotecario's domicile outside of Argentina;

dissolution prior to the expiration of Banco Hipotecario's corporate existence;

a merger or spin-off after which Banco Hipotecario would not be the surviving corporation;

a total or partial recapitalization following a mandatory reduction of capital; and

approval of voluntary reserves, other than legally mandated reserves, when their amount exceeds Banco Hipotecario's capital stock and its legally mandated reserves.

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

According to the Privatization Law, there are no restrictions on the ability of the Argentine government to dispose of its Class A shares, and all but one of such shares could be sold to third parties in a public offering. If the Class A shares represent less than 42% of Banco Hipotecario's total voting stock as a result of the issuance of





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new shares other than Class A shares or otherwise, the Class D shares we hold would automatically lose their triple voting rights. If this were to occur, IRSA would likely lose its current ability, together with its affiliates that also hold Class D shares of Banco Hipotecario, to exercise substantial influence over decisions submitted to the vote of Banco Hipotecario's shareholders.

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

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

unforeseen difficulties in integrating operations and systems;

problems assimilating or retaining the employees of acquired businesses;

challenges retaining customers of acquired businesses;

unexpected liabilities or contingencies relating to the acquired businesses; and

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

**Risks related to IRSA's investment in Tarshop S.A.**

***IRSA is subject to payment default risks due to its investments in credit card activities and personal loans through its subsidiary Tarshop S.A.***

As of June 30, 2010, IRSA owned a 100% interest in Tarshop S.A. ( Tarshop ), a company dedicated to the Consumer financing business that originates credit cards accounts and personal loans to promote sales from its tenants and other selected retailers. On December 29, 2009, we entered into an agreement with Banco Hipotecario to sell an 80 % interest in Tarshop for US\$ 26.8 million. On May 21, 2010, and as part of the above mentioned agreement, we and Tarshop entered into an agreement pursuant to which Tarshop sold to us 18,400,000 registered, non-endorsable common shares of a par value of Ps. 1 each and entitled to 1 vote per Class A share, representing 50% of Metroshop's stock capital. The transaction was subject to the approval of the Banco Central de la Republica Argentina and certain other customary closing conditions which were obtained on August 30, 2010. As a result, on September 13, 2010 APSA transferred 107,037,152 common shares of Tarshop to Banco Hipotecario. Immediately after the sale, APSA's interest in Tarshop was 20 % of its capital stock. In addition, Alto Palermo owns 50% of Metroshop S.A.'s ( Metroshop ) capital stock. For the fiscal year ended June 30, 2010, Tarshop had net revenues of Ps. 251.7 million, representing 19.0% of its consolidated revenues for such period and had a net gain of Ps 27.1 million.

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

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

adverse changes in the Argentine economy;

adverse changes in the regional economies;

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political instability;

changes in regulations;

increases in unemployment; and

erosion of real and/or nominal salaries.

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

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

The securitization market is still open and Tarshop completed securitization programs during the recent months with no disruptions. As of June 30, 2010, Tarshop credit risk exposure is contractually limited to the subordinated retained interests representing Ps.127.4 million and Ps.4.7 million escrow reserves for losses. As of June 30, 2010 Tarshop records a level of allowance for doubtful accounts of Ps.38.0 million.

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

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

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

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

**Risks Related to Our ADSs and Common Shares**

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

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

The ADSs are freely transferable under U.S. securities laws, including shares sold to our affiliates. Inversiones Financieras del Sur S.A., which as of November 30, 2010, owned approximately 38.49% of our common shares (on a fully diluted basis) (or approximately 187,361,550

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common shares which may be exchanged for an aggregate of 18,736,155 ADSs), is free to dispose of any or all of its common shares or ADSs at any time in its discretion. Sales of a large number of our common shares and/or ADSs would likely have an adverse effect on the market price of our common shares and the ADSs.

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

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

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

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

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

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

Based on the current composition of our income and the valuation of our assets, including goodwill, we do not believe we were a passive foreign investment company ( PFIC ) for United States federal income tax purposes for the taxable year ending June 30, 2010. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition or if our projections are not accurate. The volatility and instability of Argentina's economic and financial system may substantially affect the composition of our income and assets. In addition, this determination is based on the interpretation of certain U.S. Treasury regulations relating to rental income, which regulations are potentially subject to differing interpretation. If we become a PFIC, U.S. Holders (as defined in Taxation United States Taxation ) of our common shares or ADSs will be subject to certain United States federal income tax rules that have negative consequences for U.S. Holders such as additional tax and an interest charge upon certain distributions by us or upon a sale or other disposition of our common shares or ADSs at a gain, as well as additional reporting requirements. See Taxation United States Taxation Passive Foreign Investment Company for a more detailed discussion of the consequences if we are deemed a PFIC. You should consult your own tax advisors regarding the application of the PFIC rules to your particular circumstances.

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

Our corporate affairs are governed by our by-laws and by Argentine corporate law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, such as the States of Delaware or New York, or in other jurisdictions outside Argentina. In addition, your rights or the rights of holders of our common shares to protect your or their interests in connection with actions by our board of

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directors may be fewer and less well defined under Argentine corporate law than under the laws of those other jurisdictions. Although insider trading and price manipulation are illegal under Argentine law, the Argentine securities markets are not as highly regulated or supervised as the US securities markets or markets in some other jurisdictions. In addition, rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well defined and enforced in Argentina than in the United States, putting holders of our common shares and ADSs at a potential disadvantage.

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

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

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

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

*Our ability to pay dividends is limited by law.*

In accordance with Argentine corporate law, we may pay dividends in Pesos only out of retained earnings, if any, to the extent set forth in our audited financial statements prepared in accordance with Argentine GAAP.

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

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

**Risks Related to IRSA's Global Depositary Shares and the Shares**

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

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

The GDSs are freely transferable under U.S. securities laws, including shares sold to IRSA's affiliates. Our company, which as of November 30, 2010, owned approximately 57.49% of IRSA's common shares (or approximately 332,666,752 common shares which may be exchanged for an aggregate of 33,266,675 GDSs), is free to dispose of any or all of our common shares or GDSs at any time in our discretion. In this calculation we

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are including 39,855,739 IRSA s common shares owned by our subsidiary Agrology. Sales of a large number of IRSA s common shares and/or GDSs would likely have an adverse effect on the market price of IRSA s common shares and the GDS.

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

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

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

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

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

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

IRSA s corporate affairs are governed by their by-laws and by Argentine corporate law, which differ from the legal principles that would apply if they were incorporated in a jurisdiction in the United States, such as the



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States of Delaware or New York, or in other jurisdictions outside Argentina. In addition, your rights or the rights of holders of IRSA's common shares to protect your or their interests in connection with actions by IRSA's board of directors may be fewer and less well defined under Argentine corporate law than under the laws of those other jurisdictions. Although insider trading and price manipulation are illegal under Argentine law, the Argentine securities markets are not as highly regulated or supervised as the US securities markets or markets in some other jurisdictions. In addition, rules and policies against self-dealing and regarding the preservation of shareholder interests may be less well defined and enforced in Argentina than in the United States, putting holders of IRSA's common shares and GDSs at a potential disadvantage.

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

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

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

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

***IRSA's ability to pay dividends is limited by law, by their by-laws and by certain restrictive covenants in their debt instruments.***

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

On February 2, 2007, IRSA issued 8.5% notes due 2017 in an aggregate principal amount of US\$150.0 million. These notes contain a covenant limiting their ability to pay dividends which may not exceed the sum of:

50% of IRSA's cumulative consolidated net income; or

75% of IRSA's cumulative consolidated net income if their consolidated interest coverage ratio for their most recent four consecutive fiscal quarters is at least 3.0 to 1; or

100% of cumulative consolidated net income if IRSA's consolidated interest coverage ratio for their most recent four consecutive fiscal quarters is at least 4.0 to 1; or

100% of the aggregate net cash proceeds (with certain exceptions) and the fair market value of property other than cash received by IRSA or by their restricted subsidiaries from (a) any contribution to IRSA's equity capital or to the capital stock of their restricted subsidiaries or issuance and sale of IRSA's qualified capital stock or the qualified capital stock of their restricted

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subsidiaries subsequent to the issue of IRSA's notes due 2017, or (b) any issuance and sale subsequent to the issuance of IRSA's notes due 2017, of their indebtedness, or of the indebtedness of IRSA's restricted subsidiaries that has been converted into or exchanged for its qualified capital stock, or (c) any reduction in its indebtedness or any restricted subsidiary, (d) any reduction in debt investment (other than permitted investments) and return on assets, or (e) any distribution received from non-restricted subsidiaries.

On July 20, 2010, IRSA issued its 11.5% notes due 2020 in an aggregate principal amount of US\$ 150.0 million. These notes are subject to the same covenants as described above for IRSA's 8.5% notes due 2017.

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

### **Item 4. Information on the Company**

#### **A. HISTORY AND DEVELOPMENT OF THE COMPANY**

##### **General Information**

Our legal name is Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria, and our commercial name is Cresud. We were incorporated and organized on December 31, 1936 under Argentine law as a stock corporation (sociedad anónima) and were registered with the Public Registry of Commerce of the City of Buenos Aires (*Inspección General de Justicia*), on February 19, 1937 under number 26, on page 2, book 45 of National By-laws Volume. Pursuant to our bylaws, our term of duration expires on July 6, 2082. Our headquarters are located at Moreno 877, (C1091AAQ), Ciudad Autónoma de Buenos Aires, Argentina. Our telephone is +54 (11) 4814-7800, and our website is [www.cresud.com.ar](http://www.cresud.com.ar).

Information contained in or accessible through our website is not a part of this annual report on Form 20-F. All references in this annual report on Form 20-F to this or other internet sites are inactive textual references to these URLs, or uniform resource locators and are for your information reference only. We assume no responsibility for the information contained on these sites.

##### **History**

We were incorporated in 1936 as a subsidiary of Credit Foncier, a Belgian company engaged in the business of providing rural and urban loans in Argentina. We were incorporated to administer real estate holdings foreclosed by Credit Foncier. Credit Foncier was liquidated in 1959, and as a part of such liquidation, our shares were distributed to Credit Foncier's shareholders and in 1960 were listed on the Buenos Aires Stock Exchange. During the 1960s and 1970s, our business shifted to exclusively agricultural activities.

During 1993 and 1994, Consultores Asset Management acquired on behalf of certain investors approximately 22% of our outstanding shares on the Buenos Aires Stock Exchange. In late 1994, an investor group led by Consultores Asset Management (and including Dolphin Fund plc.) purchased additional shares increasing their aggregate shareholding to approximately 51.4% of our outstanding shares. In 1995, we increased our capital through a rights offering and global public offering of ADRs representing our common shares and listed such ADRs on the NASDAQ. In March, 2008 we completed our capital increase of 180 million common shares. All of the shares offered were subscribed domestically and internationally.

On September 25, 2007, we converted US\$12.0 million of IRSA's convertible notes into 22.0 million of IRSA's common shares. From July 30, 2007 to November 14, 2007 we exercised 33.0 million of warrants to acquire an additional 60.5 million common share of IRSA for a total cost of approximately US\$40.0 million. The term for the exercise of IRSA's outstanding warrants and the conversion of IRSA's outstanding convertible notes issued on November 21, 2002 expired on November 14, 2007. Subsequently, from December 1, 2007 to June 30, 2009, we acquired 122,625,854 additional shares of IRSA, increasing our interest to 55.64% as of June 30, 2009. We started consolidating the accounts and results of operations of IRSA as from October 1, 2008.

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As of November 30, 2010, we have invested approximately Ps.816.1 million to acquire our current 57.49% equity interest of IRSA. IRSA is one of Argentina's largest real estate companies. IRSA is engaged in a range of diversified real estate activities including residential properties, office buildings, shopping centers, credit cards and luxury hotels in Argentina. A majority of our directors are also directors of IRSA.

### **Purchase, sales and barter of properties**

The following is a description of the most significant events in terms of acquisitions, divestitures, real estate barter transactions and other transactions which occurred during the years ended June 30, 2010, 2009 and 2008, divided between our agricultural and real estate businesses:

#### ***Fiscal Year Ended June 30, 2010***

##### ***Agricultural Business***

###### ***Expanding business into the Republic of Paraguay***

On March 19, 2010 our subsidiary Cresca S.A. ( Cresca ) required the transfer of 3,614 hectares from Carlos Casado S.A., pursuant to an option Cresca exercised in September 2008.

Pursuant to the option agreement, Cresca will pay Carlos Casado S.A. an aggregate purchase price of US\$350 per hectare or US\$1.3 million as follows: US\$0.3 million was paid on March 23, 2010; US\$0.5 million was paid on December 1, 2010 and US\$0.5 million will be paid on March 1, 2011.

On June 29, 2010, the title deed was executed for 3,646 hectares.

###### ***Sale of Tali Sumaj farm***

On December 17, 2009, we entered into a preliminary agreement for our sale of the Tali Sumaj farm (12,701 hectares), located in the Province of Catamarca. The transaction was agreed for a price of US\$ 4.8 million, of which US\$ 0.5 million have been already collected, whereas the balance was payable on April 15, 2010. The deed of sale would become effective if before April 15, 2010 the preliminary attachment levied in the matter of EXAGRIND S.A. Estancia San Rafael v. Tali Sumaj et al, on Damages was released.

On April 14, 2010 the parties agreed to extend the closing date of the deed of sale and payment of the purchase price balance until May 17, 2010, conditioned upon the final release of the preliminary attachment mentioned above.

On May 28, 2010 possession of the property was surrendered as the full price had been previously received, and the execution of the deed of sale remained pending for reasons not attributable to us. In addition, we promised to take all actions available to us, so as to obtain the release and/or the replacement of the attachment, and undertook to perform all obligations that might arise if an adverse judgment was rendered and to bear all legal costs and further procedural expenses resulting from an adverse final judgment in the case. To such end, we delivered a performance bond for the benefit of the purchaser as security for our obligations.

##### ***Real Estate Business***

###### ***Acquisition of real estate assets in Uruguay***

In December 2009, the Company acquired from an unrelated party a parcel of land for US\$ 1.9 million, of which US\$ 0.3 million has been paid with the remaining balance to be settled through the delivery of housing units and/or storefronts to be constructed on the site equivalent to about 8% of the commercial value of all such units.

In February 2010, the Company acquired additional parcels of land for US\$ 1.0 million, of which US\$ 0.15 million has been paid with the balance to be settled in 3 consecutive and equal installments maturing on December 31, 2011, June 30, 2013 and December 31, 2014. Outstanding balances accrue interest at an annual fixed rate of 3%, payable quarterly and in arrears from December 31, 2009.

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### *Acquisition of Catalinas Norte plot of land*

In December 2009, the Company acquired through a public auction a 3,649 square meters plot of land located in the area known as Catalinas Norte in the City of Buenos Aires for Ps. 95.0 million paid in cash as of June 30, 2010.

### *Sale of properties in Guaymallén (Mendoza) and Rosario*

On April 14, 2010, the Company sold the lot designated as 2A of a building located in the District of Rosario, City of Rosario, Province of Santa Fe for US\$ 4.2 million, of which US\$ 1.0 million was collected as of June 30, 2010. The remaining balance will be settled upon executing the title deed. The sale is subject to certain conditions precedents, which have not been fulfilled as of year-end.

On May 3, 2010, the Company sold the lot designated as 2E of a building located in the District of Rosario, City of Rosario, Province of Santa Fe for US\$ 1.4 million, of which US\$ 0.3 million were collected as of June 30, 2010. The outstanding balance will be settled as follows: (i) an amount of US\$ 0.3 million due on September 30, 2010, upon transfer of the title deed and (ii) an amount of US\$ 0.7 million, due on May 30, 2010 plus 14% interest, as from the transfer of the title deed. The lot was mortgaged in favor of the Company as collateral for the payment.

### *Sale of Buildings*

The Company sold 14,777 square meters of gross leasable area for Ps. 168.3 million in cash. These sales generated a profit of Ps. 115.4 million.

## ***Fiscal Year Ended June 30, 2009***

### ***Agricultural Business***

#### *Acquisitions of farmland in Republic of Paraguay*

During September 2008, we entered into an option agreement to acquire a 50% interest in 41,931 hectares located in Mariscal José Félix Estigarribia, Department of Boquerón, Chaco Paraguayo, Republic of Paraguay, owned by Carlos Casado, for a price of US\$ 5.2 million, in order to contribute them to the new company recently organized (Cresca). The contribution was made on January 26, 2009, and the title deed to the property was executed on February 3, 2009.

#### *Acquisitions of farmland in Bolivia*

On July 28, 2008, we acquired several properties in Bolivia as further described below:

We acquired Las Londras farm, a 4,566 hectares property located in the Province of Guarayos, Bolivia for an aggregate purchase price of US\$11.4 million of which US\$8.9 million was paid in cash. The outstanding balance will be paid without interests in February 15, 2011. For the outstanding balance of such real estate property, a mortgage was established in favor of the sellers, effective through the payment date.

We acquired the San Cayetano and San Rafael farms which are properties with 883 and 2,969 hectares properties, respectively, located in the Province of Guarayos, Bolivia for an aggregate purchase price of US\$8.8 million of which US\$ 6.9 million was paid in cash. The outstanding balance was paid without interests in November, 2010.

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We acquired La Fon Fon farm, a 3,748 hectares property located in the Province of Obispo Santiesteban, Bolivia for an aggregate purchase price of US\$8.6 million of which US\$ 6.7 million was paid in cash. The outstanding balance was paid without interests on November, 2010.

### *Acquisition of a parcel of a farm in Luján*

On May 30, 2008, IRSA signed, as nominee, a bill of purchase with delivery of possession for 115 hectares of a parcel of a farm located in the District of Luján, Province of Buenos Aires. The transaction was agreed for a price of US\$ 3.0 million, of which the amount of US\$ 1.2 million was paid on that date.

On December 13, 2008, we were formally recognized as principal of the transaction, therefore, we paid the balance of US\$ 1.8 million on March 11, 2010 upon the execution of the title deed for such property.

### *Acquisition of San Pedro farm*

On September 1, 2005, we acquired the San Pedro farm, a 6,022 hectares property located in the Department of Concepción del Uruguay, Province of Entre Ríos, for an aggregate purchase price of US\$16.0 million, of which US\$9.5 million was paid upon signing the deed, US\$4.0 million was paid on December 14, 2005, and US\$0.73 million was paid on September 1, 2006. The remaining balance of US\$1.7 million plus interest of US\$0.1 million was paid in September 2009.

### *Land sales out of El Recreo and Los Pozos farms*

On July 24, 2008, we sold 1,829 hectares out of the El Recreo farm, located in the Province of Catamarca for US\$0.4 million. The buyer paid US\$0.1 million in cash upon executing the title deed and the balance was collected in two annual consecutive installments of US\$0.12 million each, plus accrued interest at LIBO rate plus 3% per annum. This transaction generated a gain of US\$0.3 million recognized in the statements of income as of June 30, 2009.

On October 7, 2008, we entered into a preliminary sales agreement for the sale of 1,658 hectares of the Los Pozos farm located in the Province of Salta. The agreed sales price was US\$0.5 million. On April 7, 2009, the deed was executed and the balance of US\$0.2 million has been collected. The transaction generated a gain of US\$0.5 million.

## ***Real Estate Business***

### *Sale of Buildings*

The Company sold 20,315 square meters of gross leasable area for Ps. 201.3 million in cash. These sales generated a profit of Ps. 119.4 million.

### ***Fiscal Year Ended June 30, 2008***

## ***Agricultural Business***

On June 30, 2008, we acquired Estancia Carmen farm, a 10,910 hectares property located in the Province of Santa Cruz, adjacent to our 8 de Julio farm, for an aggregate purchase price of US\$ 0.7 million. We made a down payment of US\$ 0.2 million in cash and did not take possession of the property at that time. In September 2008, we paid off the remaining balance and assumed possession of the property.

On May 30, 2008, we sold 2,430 hectares of La Esmeralda farm for US\$ 6.2 million, which was collected on June 30, 2008.

On April 22 and 23, 2008, we acquired an undivided 80% interest in La Esperanza farm, a 980 hectares property located in the Province of La Pampa, for an aggregate purchase price of US\$ 1.3 million.

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On December 17, 2007, we acquired the remaining undivided 25% interest (18 hectares) of the 72 hectares expansion to the La Adela farm, located in the Province of Buenos Aires, for an aggregate purchase price of US\$ 0.1 million. After this acquisition, the La Adela farm has a total of 1,054 hectares.

On October 22, 2007, we sold 4,974 hectares of Los Pozos farm for US\$1.1 million, which was collected on June 30, 2008.

### **Formation of Companies**

#### ***Fiscal Year Ended June 30, 2010***

#### ***Real Estate Business***

##### *Acquisition of Hersha Hospitality Trust ( Hersha )*

On August 4, 2009, IRSA acquired 5.7 million common shares which represent approximately a 10.4% equity interest in Hersha capital stock. Together with the acquisition of the aforementioned equity interest, IRSA was granted an option to acquire 5.7 million additional common shares at a price of US\$3.00 per share; which option expires on August 2014. The total purchase price was US\$14.3 million.

On January 2010, IRSA acquired 4.8 million additional shares in Hersha for a total price of US\$ 14.4 million, increasing our stake in Hersha to 10.3%. In turn, on March 24, 2010, Hersha resolved upon a capital in which we exercised our preemptive subscription rights. Therefore, as of June 30, 2010, IRSA's interest in Hersha amounted to 10.9% of Hersha's capital stock.

On October 15 2010, IRSA acquired Parque Arauco S.A.'s direct and indirect stake in Alto Palermo, for a purchase price of US\$ 126 million. For more information please see *Recent Developments* and *Significant Changes*.

##### *Acquisition of Torodur S.A.*

In May 2010, the Company acquired Torodur S.A.'s, a shell company located in Uruguay, for *de minimis* consideration.

##### *Acquisition of Arcos del Gourmet S.A.'s shares*

On November 27, 2009, the Company exercised the option and completed the acquisition of 80% of Arcos del Gourmet S.A.'s ( Arcos ) common stock for an aggregate purchase price of US\$ 6.5 million, of which US\$ 3.1 million was paid as of June 30, 2010. The remaining balance will be paid as follows: (i) US\$ 2.0 million in two equal annual installments due on the second and third anniversary of the acquisition date and (ii) US\$ 1.4 million at the time of executing the share subscription agreements.

As customary for this type of transactions, the Company consulted with the National Antitrust Commission about the need to report the acquisition, which is still pending a response.

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

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

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### ***Fiscal Year Ended June 30, 2009***

#### ***Agricultural Business***

##### ***International Expansion***

During the fiscal year ended June 30, 2009, expanded into new international markets, primarily Bolivia, Uruguay and Paraguay. For these purposes we formed a number of entities and entered into several transactions in each of the respective international jurisdictions.

In September 2008, we executed jointly with Carlos Casado S.A., an Argentine company owning large stretches of land in southern Paraguay, a framework agreement by which it was decided to generate synergy between both companies to do business on the real estate, agricultural and livestock, and forestry markets, as well as a series of related agreements aiming at formalizing the productive coalition between both companies.

Within such context, we participate together with Carlos Casado (with a 50% interest each) in Cresca a stock company organized under the law of the Republic of Paraguay, under which we will assume the capacity of advisor under an advisory agreement, for the agricultural, livestock and forestry exploitation of an important rural area in Paraguay (hereinafter the *Property* ) and possibly of up to 100,000 hectares also located in Paraguay, which are derived from the purchase option granted by Carlos Casado S.A. to Cresca, and was exercised on September 3, 2008.

The advisory agreement shall be valid for 10 year terms as from the date the framework agreement is executed and will automatically renewed for two additional 10-year period as from maturity date of the original period, in turn being able to be renewed after the expiration of the additional period.

Additionally, we executed a pre-purchase agreement as committed to acquire for a 50% interest in 41,931 hectares in Paraguay, owned by Carlos Casado for a total and agreed-upon amount of US\$ 5.2 million in turn, to be contributed in kind to us aiming at developing the agricultural and forestry business in the neighboring country.

On January 23, 2009, our 99.99% directly and indirectly controlled subsidiary Agrology made a contribution in kind to the Paraguayan company, Cresca. Such contribution is made up of undivided 50% of five plots of land located in Mariscal José Félix Estigarribia, Dept. of Boquerón, Chaco Paraguayo, Republic of Paraguay, for 41,931 hectares, acquired from Carlos Casado S.A.

Consequently, together with Carlos Casado's S.A. contribution, the total contribution to Cresca stands at US\$ 10.5 million.

Likewise, on that date, the amount of US\$ 5.2 million was paid for the balance of the price originated by the capital contribution made by Carlos Casado to Cresca on behalf of Agrology S.A. and which resulted from the in-kind contribution of five plots of land located in The Republic of Paraguay, as it was mentioned opportunely.

##### ***Investment in Cactus Argentina S.A. ( *Cactus* )***

We had a 24% interest in Cactus. On June 30, 2009, we, directly and indirectly through our subsidiary Agrology, by means of its subsidiary Helmir S.A. ( *Helmir* ), acquired an additional 24% interest in Cactus for a total consideration of US\$1.2 million, which was paid on June 30, 2010. Later, we acquired such interest from Helmir S.A. and, consequently, our direct interest in Cactus increased to 48% as of June 30, 2010. For more information please see *Recent Developments*

#### ***Real Estate Business***

##### ***Acquisition of Metropolitan***

In July 2008, IRSA International LLC, a wholly-owned subsidiary of IRSA (through Tyrus S.A.), acquired a 30% equity interest in Metropolitan 885 Third Avenue LLC, a limited liability company incorporated under the laws of New York, United States of America, whose net asset comprised of a building known as the Lipstick Building in Manhattan and associated debt. The purchase price was US\$ 22.6 million in cash.

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The transaction also included (i) a put right exercisable through July 2011 to sell 50% of the interest acquired (i.e. 15%) at a price equivalent to the amount paid plus interest at 4.5% per annum; and (ii) a right of first offer for the purchase of 60% of the 5% held by another party (i.e. 3%).

Due to the international credit crisis and real estate business contraction in the United States, Metropolitan recorded impairment charges in connection with the Lipstick Building. IRSA's share in the loss exceeded the net book value of the investment. Accordingly, IRSA valued the investment at zero at June 30, 2009 while recognized a liability of US\$ 1.5 million related to the maximum amount committed by IRSA to fund Metropolitan operations if required. During the year ended June 30, 2009, the put option increased its fair value as the building's fair value decreased. IRSA adjusted the put option's fair value on a monthly basis. Since IRSA International LLC's functional currency is the US Dollar, it was translated into the reporting currency (Argentine Peso) at the current exchange rate for its net assets (i.e. the value of the put option recorded as other receivables) while its results (i.e. fair value adjustments to income) were translated at weighted average exchange rates. This generated a CTA recorded as part of the investment. The fair value of the put option as of June 30, 2009 and 2010, amounted to US\$11.8 million and US\$12.3 million, respectively, disclosed under other receivables.

*Acquisition of shares in Banco Hipotecario*

During fiscal year 2009, IRSA acquired additional shares in Banco Hipotecario for Ps. 107.6 million of which Ps. 78.8 million were paid in July 2009. As a result of this transaction, IRSA's equity interest in Banco Hipotecario increased to 21.34% (without considering treasury shares). The acquisition was accounted for under the purchase method of accounting. This transaction generated a gain of Ps. 133.0 million.

*Acquisition of companies in Uruguay*

In June 2009, IRSA acquired a 100% interest in Liveck S.A., a shell company incorporated under the laws of Uruguay for de minimis consideration. In the same month, Liveck acquired 90% of the equity interest in Vista al Muelle S.A. and Zetol S.A., two real estate Uruguayan companies for US\$ 6.6 million. These companies own undeveloped parcels of land in Canelones, Uruguay.

Out of the US\$ 6.6 million, US\$ 2.1 million were paid in cash while the balance is payable in five equal annual installments of US\$ 0.9 million each plus interest at 3.5% per annum on any outstanding balance. Under the agreement, IRSA granted the sellers an option to settle the outstanding balance in the form of 12% of the square meters to be built. Ritelco, a wholly-owned subsidiary of IRSA, guaranteed the 45% of outstanding balance, interest and option to the sellers through a surety bond. On June 30, 2009, IRSA sold 50% of Liveck to Cyrela Brazil Realty S.A. for US\$ 1.3 million.

*Acquisition of Arcos's shares*

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

***Fiscal Year Ended June 30, 2008****Agricultural Business*

We, directly or indirectly through our subsidiaries, formed two companies in May 2008, Agrology and FyO Trading S.A.

Agrology is a new venture that invests in financial instruments and manages equity interests in other companies.

FyO Trading is a new venture that engages in agricultural production and commerce.



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**Capital Expenditures**

Our capital expenditures totaled Ps.216.6 million, Ps.317.2 million and Ps.28.0 million for the fiscal years ended on June 30, 2010, 2009 and 2008, including other property and equipment acquired in business combinations. Our capital expenditures consisted in the purchase of real estate and farms, acquisition and improvement of productive agricultural assets, building of a new shopping center, construction of real estate and acquisition of land reserves.

Our capital expenditures for the new fiscal year will depend on the prevailing prices of real estate, land for agriculture and cattle as well as the evolution of commodity prices.

***Fiscal Year Ended June 30, 2010***

For the fiscal year ended on June 30, 2010, our investments in the real estate business totaled Ps. 168.5 of which (i) Ps.156.5 million were related to acquisitions and improvements of fixed assets, mainly in connection with the acquisition of the Catalinas Norte plot of land (Ps.100.8 million), improvements in our Shopping Centers (Ps.32.5 million), completion of the Dot Baires Shopping and the construction of the adjacent office building (Ps.7.4 million), and improvements in our Sheraton Libertador, Llao Llao and Intercontinental hotels (Ps.1.8 million, Ps.1.2 million and Ps.0.8 million, respectively), and (ii) Ps.11.9 million were invested in the acquisition of undeveloped parcels of land, mainly the Zetol and Vista al Muelle plots of land. In addition, our main investments in the agricultural business during fiscal year 2010 were (i) Ps. 17.0 million for works in progress (including Ps. 11.6 million in land development, Ps. 2.5 million in wire fencing, Ps. 1.9 million in systems for channelling and distributing water in the farms, Ps. 2.9 million in water channels and troughs, Ps. 0.3 million in pens, Ps. 0.1 million in facilities and Ps. 0.1 million in improvements and refurbishment in farmhouses), (ii) Ps. 18.0 million in land development, Ps. 2.1 million in improvements (including Ps. 0.7 million in watering troughs, Ps. 0.5 million in constructions, Ps. 0.5 million in wire fences, Ps. 0.3 million in pens and Ps. 0.2 million in feedyards and watering troughs), Ps. 0.6 million in machinery, Ps. 0.8 million in vehicles, Ps. 1.6 million in new pastures, Ps. 0.6 million in construction, Ps. 1.2 million in facilities and Ps. 0.3 million in furniture and fixtures and computer equipment.

***Fiscal Year Ended June 30, 2009***

For the fiscal year ended June 30, 2009, our main investments consisted of Ps.207.3 million in constructions (including Ps.161.3 million in the construction of the Dot Baires shopping center and the construction of Dique IV, Ps.1.9 million in improvements on the San Pedro farm and Ps.1.0 million in the construction and improvements to the dairy facilities in La Juanita farm), Ps.78.3 million in the acquisition of real estate (including Ps.43.4 million as payment for the purchase of 4,566 hectares in Las Londras farm, 883 and 2,969 hectares in San Cayetano and San Rafael farms, respectively, located in the Province of Guarayos, in the Republic of Bolivia and 3,748 hectares in La Fon Fon farm located in the Province of Obispo Santiesteban, in the Republic of Bolivia, Ps.19.9 million as payment for the purchase of a 50% interest in of 41,931 hectares of the Jerovia farm located in the District of Boquerón in Paraguay owned by Cresca through our equity interest in Agrology, Ps.8.9 million in the acquisition of land reserves, Ps.3.9 million as payment for the purchase of a land reserve located in Luján, Province of Buenos Aires and Ps.2.2 million as payment for the purchase of 10,910 hectares in Estancia Carmen ), Ps.22.6 million for construction in progress (including Ps.19.5 million in development of land reserves, Ps.1.6 million in improvement in the main house, personnel s houses, roads, wire fences, channels and watering troughs and Ps.1.5 million in forestation and new pastures), Ps.3.6 million in improvements (including Ps.1.8 in wire fences, Ps.1.1 million in watering troughs, Ps.0.4 million in roads and Ps. 0.3 million in pens and cattle chutes), Ps.2.5 million in vehicles, Ps.1.2 in facilities, Ps.0.9 million in machinery, Ps.0.4 million in furniture and fixtures, Ps.0.3 million in computers and Ps.0.1 million in tools.

***Fiscal Year Ended June 30, 2008***

For the fiscal year ended June 30, 2008, our main investments consisted of Ps.14.8 million for construction in progress (including Ps.11.0 million in development of land reserve, Ps.3.2 million in new pastures, roads, improvement in the main house and water extractions and Ps.0.6 million in wire fences), Ps.5.0 million in

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the acquisition of real estate (including Ps.4.3 million as payment for the purchase of 80% of La Esperanza farm and Ps.0.5 million as payment for the purchase of 25% of La Adela farm), Ps.2.3 million in improvements (including Ps.1.2 million in watering troughs, Ps.0.4 million in wire fences, Ps.0.4 million in constructions and Ps.0.3 million in roads), Ps.1.7 million in facilities, Ps.1.5 million in construction, Ps.1.3 million in vehicles, Ps.0.8 million in machinery, Ps.0.4 million in computer and communication accessories, Ps.0.1 million in furniture and stationery and Ps.0.1 million in new pastures.

### **Recent Developments**

**Capital increase in Cactus.** On December 23, 2010, to provide Cactus with funds in order to meet its working capital needs, we took part in a capital increase for US\$4.0 million. Therefore, we increased our interest in Cactus from 48% to 80%. The remaining 20% is held by our partner Tyson. As part of this transaction, we and Tyson decided to make certain amendments to the shareholders agreement and, in this context, Cresud granted to Tyson a put option in connection with its 20% interest in Cactus.

**Sale of IRSA's Notes.** On December 3, 2010, we sold treasury held Class I Notes issued by IRSA in the secondary market, for a nominal value of US\$ 33,152,000 at an average price of 100.09%. As a result of such sale, we received a total income of US\$ 34,097,674, in principal and accrued interest.

**Payment of dividend.** Our Ordinary and Extraordinary General Shareholders Meeting held on December 9, 2010 approved the distribution of a cash dividend for Ps.69.0 million.

**Exercise of Warrants.** Between November 17 and November 22, 2010, certain holders of warrants exercised their right to purchase additional shares within the framework of the capital increase implemented in March, 2008. Accordingly, we issued an aggregate amount of 421 ordinary shares while 1,200 warrants were cancelled. Therefore, as from the date the abovementioned warrants were exercised, our number of shares increased from 501,560,508 to 501,560,929. As of the date of this Annual Report there are 177,644,714 outstanding warrants.

**Acquisition of BrasilAgro's common shares.** On October 20, 2010 and on December 23, 2010, we and Tarpon Agro LLC and Tarpon Invermentos S.A. ( Tarpon ) executed two addenda to the share purchase agreement dated as of April 28, 2010, under which we either directly and/or indirectly acquired 9,581,750 shares of common stock of BrasilAgro, representing 16.40% of the outstanding stock. Consequently, on October 20, 2010 we paid R\$25.2 million, and on December 23, 2010 we paid R\$50.8 million. The price remainder equivalent to R\$52.2 million should be paid on April 27, 2011, which is guaranteed by a security interest over 3,864,086 shares and 37,325 first issue warrants.

Consequently, we are either directly or indirectly the owners of 20,883,916 shares or 35.75% of BrasilAgro's outstanding capital stock. It should be noted that acquiring shares does not imply any change in control of BrasilAgro; and that BrasilAgro's Shareholders Agreement will remain effective with the amendments that may be required to reflect the sale of the shares owned by Tarpon and its affiliates. Likewise, due to the transaction, we own 168,902 BrasilAgro's first issuance warrants and 168,902 BrasilAgro's second issuance warrants.

**Sale of La Juanita Farm.** On September 3, 2010, we sold La Juanita farm located in Trenque Lauquen, Province of Buenos Aires. The purchase price was US\$18.0 million, of which US\$ 4.5 million was collected on August 6, 2010, upon executing the agreement of purchase; US\$ 12.5 million was collected upon executing the title deed and the outstanding balance of US\$ 1.0 million, secured by a first degree mortgage, will be paid on January 10, 2011. The transaction also included a loan for use agreement in our favor through January 10, 2011, on certain portions of the building, seeking to continue until such date with the productive activities carried out at the establishment.

**Issuance of Series III and IV non-convertible notes.** On July 16, 2010, we issued the Series III non-convertible notes ( Series III ) for an aggregate amount of Ps.35,6 million, maturing 21 months from its issuance

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date, at a Badlar Privada rate plus 400 basis points. On the same date we issued Series IV non-convertible notes ( Series IV ) for an aggregate amount of US\$17.8 million equivalent to Ps.70.2 million, with a maturity date 24 months from its issuance date, at an annual fixed rate of 7.75%.

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

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

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

On December 17, 2010, IRSA informed that it is currently negotiating the sale of the 8% interest in Rigby 183 held by RES.

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

**Payment of Cash Dividend.** On November 19, 2010, IRSA paid to its shareholders a cash dividend for the fiscal year ended June 30, 2010 of the sum of Ps.120.0 million equivalent to 20,796,976,237% of its outstanding capital.

**Sale of Alto Palermo's Notes.** On October 12, 2010, IRSA reported that sold in the secondary market, treasury held Class I Notes of Alto Palermo, due 2017, for a nominal value of US\$ 39,6 million. As a result of such sale, IRSA received a total income of US\$ 38,07 million.

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

**Exercise of purchase option for acquiring Parque Arauco S.A.'s direct and indirect interest in Alto Palermo.** On October 15 2010, IRSA executed the option to acquire of Parque Arauco S.A.'s direct and indirect stake in Alto Palermo. The purchase price was US\$ 126 million, of which US\$ 6 million were paid by IRSA at the time the option was granted. According to the terms of the option granted on January 13, 2010, the dividends corresponding to the fiscal year closed on June 30, 2010 were deducted from the purchase price. As a consequence of this transaction IRSA increased its interest in Alto Palermo from 63.35% to 94.9% of Alto Palermo's capital stock.

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**Investment in Hersha Hospitality Trust.** On October 22, 2010, IRSA through Real Estate Investment Group L.P. ( REIG ), a company indirectly controlled and managed by IRSA, acquired 2,952,625 ordinary shares of Hersha at a price of US\$ 5.80 per share, totaling US\$ 17.1 million. Following this acquisition IRSA's interest in Hersha increased to 10.72% of Hersha's outstanding capital.

**Issue of Notes.** On July 20, 2010, IRSA issued US\$ 150.0 million of its 11.5% non-convertibles notes due 2020 under its global note program for the issuance of notes in one or more series up to an aggregate principal amount of US\$ 400.0 million. The issue price was 97.8% of the nominal value of the notes.

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

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

**Acquisition of TGLT Shares:** On November 4, 2010, Alto Palermo acquired the amount of 5,214,662 registered non-endorable common shares, of TGLT S.A. ( TGLT ) for a total consideration of Ps.47.1 million.

**Sale of Beruti Plot to TGLT:** On October 13, 2010, Alto Palermo entered into a sale and purchase agreement with TGLT in order to transfer the property we own, located at 3351/3359 Beruti street between Bulnes street and Coronel Diaz avenue in the City of Buenos Aires. In the aforementioned property TGLT intends to build an apartment building with both residential and commercial parking spaces. The agreed price for this transaction was US\$17.8 million. As consideration for the transfer of the Property TGLT has agreed to transfer Alto Palermo: (i) a number of residential units to be determined, representing 17.33% of the total square meters of the residential units to be constructed in the building; (ii) a number of residential parking spaces to be determined representing 15.82% of the total square meters of residential parking spaces to be constructed in the building; (iii) all of the commercial parking spaces to be constructed in the building; and (iv) the amount of US\$ 10.7 million to be paid simultaneously with the signing of the deed of the property in favor of TGLT.

On October 29, 2010, TGLT completed the initial public offering of its shares on the *Bolsa de Comercio de Buenos Aires*, thus complying with the condition to which the operation was subject.

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

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

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

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

**Sale of notes of Alto Palermo.** On October 12, 2010, IRSA reported that it has sold in the secondary market, its Class I Notes of Alto Palermo, due 2017, for a nominal value of US\$ 39.6 million. As a result of such sale, the Company received a total income of US\$ 38.1 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As consideration for the barter of parcel 2-G (totaling a surface of 10,128 sqm for sale), Condominios de Alto S.A. will transfer 15 apartments, with a total constructed area of 1,504 sqm (which represent 14.85% of the total building to be constructed in this parcel) and 15 parking spaces (which represent 15% of the total parking

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surface to be constructed in this property). As of the end of fiscal 2010, Alto Palermo executed with Condominios del Alto S.A. a supplementary deed that specifically determines the units involved in the barter that should be transferred to us and the deed of possession of the 15 functional units corresponding to parking spaces. These units are already for sale since May, 2010. The degree of completion in parcel 2-G is 100% and the execution of its deeds of sale is imminent.

As consideration for the barter of parcel 2-H (totaling a surface area of 14,500 sqm for sale), Condominios de Alto S.A. will transfer 42 apartments, with a total constructed surface of 3,188 sqm (which represent 22% of the total building to be constructed in this parcel) and 47 parking spaces (which represent 22% of the total parking surface to be constructed in this property). The degree of completion of parcel 2-H is 45% and the works are expected to conclude during the first half of 2011. During fiscal year 2010 Alto Palermo sold the lots designated as 2-A AND 2-E.

**Table of Contents****B. BUSINESS OVERVIEW****General**

We are a leading Argentine agricultural company engaged in the production of basic agricultural commodities with a growing presence in the Brazilian agricultural sector, through our investment in BrasilAgro, as well as in other Latin American countries. We are currently involved in several activities including crop production, beef cattle production and milk production. Our business model focuses on the acquisition, development and exploitation of agricultural properties having attractive prospects for agricultural production and/or value appreciation and the selective sale of such properties where appreciation has been realized. Our shares are listed on the Buenos Aires Stock Exchange (BCBA) and our ADSs are listed on the NASDAQ stock market.

We are also directly engaged in the Argentine real estate business through our subsidiary IRSA, one of Argentina's largest real estate companies. IRSA is engaged in a range of diversified real estate activities including the development of residential properties, the development, acquisition and exploitation of office buildings for rental, shopping centers and luxury hotels in Argentina. A majority of our directors are also directors of IRSA. As of June 30, 2010, we held a 57.49% interest in IRSA.

During the fiscal years ended June 30, 2009 and 2010, we had consolidated sales of Ps.1,254.7 million and Ps.1,664.6 million, production income of Ps.172.5 million and Ps.217.7 million, and consolidated net income of Ps.124.6 million and Ps.185.4 million, respectively. During the fiscal years ended June 30, 2009 and June 30, 2010, our total consolidated assets increased 14.4% from Ps.5,976.1 million to Ps.6,837.9 million, and our consolidated shareholders' equity increased 8.6% from Ps.1,812.9 million to Ps.1,968.2 million.

**Agricultural Business**

As of June 30, 2010, we owned 24 farms with approximately 473,368 hectares. Approximately 42,008 hectares of the land we own are used for crop production, approximately 93,222 hectares are for beef cattle production, 100,911 hectares are for sheep production, 4,900 hectares are for milk production and approximately 3,222 hectares are leased to third parties for crop and beef cattle production. The remaining 229,105 hectares of land reserve are primarily natural woodlands. In addition, through our subsidiary Agropecuaria Anta S.A. we have the rights to hold approximately 132,000 hectares of land under concession for a 35-year period that can be extended for another 29 years. Also, during fiscal year 2009 ended on June 30, 2010, we leased 42,696 hectares from third parties for crop production and 12,635 hectares for beef cattle production.

The following table sets forth, at the dates indicated, the amount of land used for each production activity (including owned, leased land and land under concession):

|                                  | 2008 <sup>(1)(4)</sup> | At June 30,<br>2009 <sup>(1)(4)(5)</sup><br>(in hectares) | 2010 <sup>(1)(4)(6)</sup> |
|----------------------------------|------------------------|---|---------------------------|
| Crops <sup>(2)</sup>             | 63,900                 | 115,411   | 104,627                   |
| Beef cattle                      | 123,935                | 128,859   | 105,857                   |
| Milk                             | 4,320                  | 4,344   | 4,900                     |
| Sheep                            | 90,000                 | 100,911   | 100,911                   |
| Land reserves <sup>(3)</sup>     | 383,573                | 356,796   | 343,153                   |
| Owned farmlands leased to others | 8,467                  | 8,317   | 11,049                    |
| <b>Total</b>                     | <b>674,195</b>         | <b>714,638</b>  | <b>670,497</b>            |

(1) Includes 35.7% of approximately 8,299 hectares owned by Agro Uranga S.A., an affiliated Argentine company in which we own a non-controlling 35.7% interest. See Organizational Structure Subsidiaries and Affiliated Companies.

(2) Includes wheat, corn, sunflower, soybean, sorghum and others.

(3) We use part of our land reserves to produce fence posts and rods.

(4) Includes approximately 162,000 hectares through our 100.0% interest in Agropecuaria Anta S.A. which holds, among other assets and rights, the concession for the start-up of production pertaining to a comprehensive development project. See Organizational Structure Subsidiaries and Affiliated Companies.





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- (5) Includes 48.0% of approximately 170 hectares owned by Cactus, an affiliated Argentine company in which we have a non-controlling 48.0% interest. See Organizational Structure Subsidiaries and Affiliated Companies.
- (6) Includes 12,166 hectares of farms which are located in Santa Cruz de la Sierra, Bolivia. Includes 50% of the 45,578 hectares located in the District of Boquerón, Paraguay, owned by Cresca through our equity interest in Agrology S.A.. Does not include 30,000 hectares of Agropecuaria Anta S.A. which were returned due to the reduction in the concession scope established by Decree No. 3766 of the Executive Branch of Salta. Includes 48% of the 170 hectares owned by Cactus. See Organizational Structure Subsidiaries and Affiliated Companies.

In September 2005, we, together with certain Brazilian partners, founded BrasilAgro, a startup company organized to exploit opportunities in the Brazilian agricultural sector. In April 2006, BrasilAgro increased its capital through a global and domestic offering of common shares, and as of June 30, 2010, we owned 23.24% of the outstanding common shares of BrasilAgro. As of June 30, 2010, our investment in BrasilAgro represented approximately 4.2% of our total consolidated assets.

## **History**

We were incorporated in 1936 as a subsidiary of *Credit Foncier*, a Belgian company engaged in the business of providing rural and urban loans in Argentina. We were incorporated to administer real estate holdings foreclosed by *Credit Foncier*. *Credit Foncier* was liquidated in 1959, and as a part of such liquidation, our shares were distributed to *Credit Foncier*'s shareholders and in 1960 were listed on the Buenos Aires Stock Exchange. During the 1960s and 1970s, our business shifted to exclusively agricultural activities.

During 1993 and 1994, Consultores Assets Management acquired on behalf of certain investors approximately 22% of our outstanding shares on the Buenos Aires Stock Exchange. In late 1994, an investor group led by Consultores Assets Management (including Dolphin Fund plc.) purchased additional shares increasing their aggregate shareholding to approximately 51.4% of our outstanding shares. In 1997, we increased our capital through a rights offering and global public offering of ADRs representing our common shares and listed such ADRs on the NASDAQ. In March 2008, we concluded the capital increase for 180 million shares, in which 100% of the shares offered were subscribed locally and internationally.

As of June 30, 2010, we had invested approximately Ps.816.1 million to acquire 57.49% of the outstanding common shares of IRSA. Between December 2007 and June 30, 2010, we acquired 133,293,724 shares of IRSA, increasing our interest to 57.49% at the closing of fiscal year 2010. As from October 1, 2008, Cresud presents its financial statements in consolidated form with IRSA's.

## **Strategy**

We seek to maximize our return on assets and overall profitability by (i) identifying, acquiring and exploiting agricultural properties having attractive prospects for agricultural production and/or long-term value appreciation and selectively disposing of properties as appreciation is realized, (ii) optimizing the yields and productivity of our agricultural properties through the implementation of state-of-the-art technologies and agricultural techniques and (iii) preserving the value of our significant long-term investment in the urban real estate sector through our affiliate IRSA.

### **Focus on maximizing value of our agricultural real estate assets**

We conduct our agricultural activities with a focus on maximizing the value of our real estate assets. We seek to rotate our portfolio of properties over time by purchasing large parcels of land which we believe have a high potential for appreciation and selling them selectively as opportunities arise to realize attractive capital gains. We believe that our ability to realize gains from appreciation of our farmlands is based on the following principles:

Acquiring under-utilized properties and enhancing their land use: We seek to purchase under-utilized properties at attractive prices and develop them to achieve more productive uses. We seek to do so by (i) transforming non-productive land into cattle feeding land, (ii) transforming cattle feeding land into land suitable for more productive agricultural uses, (iii) enhancing the value of

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agricultural lands by changing their use to more profitable agricultural activities; and (iv) reaching to the final stage of the real estate development cycle by transforming rural properties into urban areas as the boundaries of urban development continue to extend into rural areas. To do so, we generally focus on acquisitions of properties outside of highly developed agricultural regions and/or properties whose value we believe is likely to be enhanced by proximity to existing or expected infrastructure.

Applying modern technologies to enhance operating yields and property values. We believe that an opportunity exists to improve the productivity and long-term value of inexpensive and/or underdeveloped land by investing in modern technologies such as genetically modified and high yield seeds, direct sowing techniques, machinery, crop yield optimization through land rotation, irrigation and the use of fertilizers and agrochemicals. To enhance our cattle production, we use genetic technology and have a strict animal health plan controlled periodically through traceability systems. In addition, we have introduced a feedlot to optimize our beef cattle management and state-of-the-art milking technologies in our dairy business.

Anticipating market trends. We seek to anticipate market trends in the agribusiness sector by (i) identifying opportunities generated by economic development at local, regional and worldwide levels, (ii) detecting medium- and long-term increases or decreases in supply and demand caused by changes in the world's food consumption patterns and (iii) using land for the production of food and energy, in each case in anticipation of such market trends.

International expansion. Although most of our properties are located in different areas of Argentina, we have begun a process of expansion in other Latin American countries. We believe that an attractive opportunity exists to acquire and develop agricultural properties outside Argentina, and our objective is to replicate our business model in such other countries which include, among others, Brazil, Bolivia, Paraguay and Uruguay. For example, in 2005 we and several Brazilian partners founded BrasilAgro. As of June 30, 2010, BrasilAgro had 9 properties totaling 174,840 hectares, purchased at highly attractive values compared to the average prices prevailing in the respective regions, all of which have a huge appreciation potential. In addition, during the fiscal year 2009, Cresud entered into a number of agreements to formalize its positioning in South American countries. At June 30, 2010, we owned 12,166 hectares located in the Republic of Bolivia, and 50% of 45,578 hectares located in the Republic of Paraguay.

### **Increase and optimize production yields**

We seek to increase and improve our production yields through the following initiatives:

Implementation of technology. We seek to continue using state-of-the-art technology to increase production yields. We plan to make further investments in machinery and the implementation of agricultural techniques such as direct sowing to improve cereal production. We believe that we may improve crop yields by using high-potential seeds (GMOs) and fertilizers and by introducing advanced land rotation techniques. In addition, we intend to continue installing irrigation equipment in some of our farms to achieve higher output levels.

We seek to continue improving beef cattle production through the use of advanced breeding techniques and technologies related to animal health. We plan to improve the use of pastures and expect to make further investments in infrastructure, including installation of watering troughs and electrical fencing.

We have implemented an individual animal identification system, using plastic tags for our beef cattle and RFID tags for our dairy cattle, to comply with national laws on traceability. Also, we acquired software from Westfalia Co. which enables us to store individual information about each of our dairy cows. In the beef cattle business, we initiated Argentina's first vertically integrated

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beef cattle processing operation by entering into a partnership with Tyson Foods (through its controlled subsidiary Provemex Holdings LLC), hereinafter "Tyson Foods", to set up Cactus, a feedlot and slaughterhouse operator.

In connection with our milk production, we plan to continue developing our activities through the use of state-of-the-art technology and advanced feeding and techniques relating to animal health. For example, in May 2007 we opened one of the most modern dairy production facilities in Argentina, achieving a daily output of more than 40,000 liters.

Increased production. We seek to increase our crop, beef cattle and milk production in order to achieve economies of scale by: Increasing our owned land in various regions of Argentina by taking advantage of attractive land purchase opportunities as they arise.

Leasing productive properties to supplement our expansion strategy, using our liquidity to make productive investments in our principal agricultural and livestock activities. We believe that leasing enhances our ability to diversify our production and geographic focus, in particular in areas not offering attractive prospects for appreciation of land value.

Developing properties in areas where agricultural and livestock production is not developed to its full potential. As of June 30, 2010, we owned 229,105 hectares of land reserves and held approximately 114,048 hectares under concession located in under-utilized areas where agricultural and livestock production is not yet fully developed. We believe that technological tools are available to improve the productivity of such land and enhance its long-term value. However, current or future environmental regulations could prevent us from fully developing our land reserves by demanding us to maintain part of those lands as natural woodlands not allocated to production.

Diversifying market and weather risk by expanding our product and land portfolio. We seek to continue diversifying our operations to produce a range of different agricultural commodities in different markets, either directly or in association with third parties. We believe that a diversified product mix mitigates our exposure to seasonality, commodity price fluctuations, weather conditions and other factors affecting the agricultural and livestock sector. To achieve this objective in Argentina, we expect to continue to own and lease farmlands in various regions with differing weather patterns and to continue to seed a range of diversified products. Moreover, we believe that continuing to expand our agricultural operations outside of Argentina will enhance our ability to produce new agricultural products, further diversifying our mix of products, and mitigate further our exposure to regional weather conditions and country-specific risks.

**Focus on preserving long-term value of our investment in our real estate subsidiary IRSA**

We seek to maintain the long-term value of our significant investment in the urban real estate sector through IRSA. We believe that IRSA is an ideal vehicle through which to participate in the urban real estate market due to its substantial and diversified portfolio of residential and commercial properties, the strength of its management and what we believe are its attractive prospects for future growth and profitability.

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

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

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

Hotel operations. We believe our portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and business travel in Argentina. We seek to continue with our strategy to invest in high-quality properties which are operated by leading international hotel companies to capitalize on their operating experience and international reputation. We also seek to continue to invest in improvements for our hotels, such as the opening of 43 new suits in Hotel Llao Llao in Bariloche, so as to maintain a high level of service in the hotel competitive sector.

Banco Hipotecario. Banco Hipotecario is a full-service commercial bank offering a wide variety of banking activities and related financial services to individuals, small- and medium-sized companies and large corporations. Among these services, mortgage loans stand out as Banco Hipotecario a leader in this segment in Argentina. Since 1999, Banco Hipotecario's shares have been listed on the Buenos Aires Stock Exchange, and since 2006 it has obtained the Level 1 ADR program of the Bank of New York. We 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 acquired a 30% interest in a company incorporated in Delaware (United States), whose main asset is the so-called Lipstick office building located in the City of New York, and more recently, we acquired a 11.31% interest, jointly with subsidiaries, in a Real Estate Investment Trust, called Hersha (NYSE: HT), which holds a controlling interest in 77 hotels in the United States, totaling around 9,700 rooms as of June 30, 2010. 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.

**Table of Contents****Our Principal Agricultural Business Activities**

During the fiscal year ended June 30, 2010, we conducted our operations on 24 owned farms and 68 leased farms. Some of the farms we own are engaged in more than one productive activity at the same time.

The following table sets forth, for the periods indicated, our production volumes by principal product line:

|                            | Year ended June 30, |                     |                     |
|----------------------------|---------------------|---------------------|---------------------|
|                            | 2008 <sup>(1)</sup> | 2009 <sup>(1)</sup> | 2010 <sup>(1)</sup> |
| Crops <sup>(2)</sup>       | 198,146             | 237,031             | 322,616             |
| Beef cattle <sup>(3)</sup> | 8,786               | 7,112               | 3,153               |
| Milk <sup>(4)</sup>        | 20,825              | 20,898              | 21,690              |

(1) Does not include production from Agro-Uranga S.A.

(2) Production measured in tons.

(3) Production measured in tons of live weight. Production is the sum of the net increases (or decreases) during a given period in live weight of each head of beef cattle owned by us.

(4) Production measured in thousands of liters.

**Crop Production**

Our crop production is mainly based on grains and oilseeds. Our crop production includes mainly wheat, corn, soybean and sunflower. Other crops, such as sorghum, are sown occasionally and represent only a small percentage of total sown land.

The following table shows, for the periods indicated, our crop production volumes:

|           | Crop Production     |                     |                     |
|-----------|---------------------|---------------------|---------------------|
|           | Year ended June 30, |                     |                     |
|           | 2008 <sup>(1)</sup> | 2009 <sup>(1)</sup> | 2010 <sup>(1)</sup> |
|           | (in tons)           |                     |                     |
| Wheat     | 21,583              | 21,375              | 11,636              |
| Corn      | 94,021              | 110,149             | 127,060             |
| Sunflower | 9,283               | 13,030              | 7,641               |
| Soybeans  | 59,479              | 76,893              | 126,956             |
| Other     | 13,781              | 15,584              | 49,323              |
| Total     | 198,147             | 237,031             | 322,616             |

(1) Does not include production from Agro-Uranga S.A.

The following table shows the sown surface area assigned to crop production, classified into owned, under lease and under concession for the periods indicated below:

|                      | Sown Land for Crop Production <sup>(1)</sup> |        |        |
|----------------------|--|--------|--------|
|                      | Year ended June 30,                          |        |        |
|                      | 2008   | 2009   | 2010   |
|                      | (in hectares)                                |        |        |
| Owned <sup>(2)</sup> | 29,640                                       | 47,729 | 51,115 |

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|                  |        |         |         |
|------------------|--------|---------|---------|
| Leased           | 30,449 | 59,615  | 42,696  |
| Under Concession | 3,811  | 8,067   | 10,816  |
| Total            | 63,900 | 115,411 | 104,627 |

- (1) Sown land may differ from Uses of Land, since some hectares are sown twice and therefore are counted twice.
- (2) Includes hectares from Agro-Uranga S.A. See Organizational Structure Subsidiaries and Affiliated Companies.

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As of June 30, 2010, our crop stocks consisted in 5,466 tons of wheat, 40,034 tons of corn, 40,501 tons of soybean, 3,074 tons of sorghum and 1,083 tons of sunflower; whereas as of June 30, 2009 such stocks consisted in 4,002 tons of wheat, 36,517 tons of corn, 25,497 tons of soybean, 3,486 tons of sorghum and 8,648 tons of sunflower. As of June 30, 2010 and 2009, the surface area of leased land was 40% and 52% of the total sown land, respectively.

At June 30, 2010, 90% of wheat, 98% of soybean, 67% of corn and 100% of sunflower were harvested, while at June 30, 2009, 100% of wheat, 100% of soybean, 84% of corn and 100% of sunflower were harvested.

As of June 30, 2008 such stocks consisted in 14,017 tons of wheat, 43,678 tons of corn, 44,566 tons of soybean, 4,839 tons of sorghum and 4,162 tons of sunflower.

We seek to diversify our mix of products and the geographic location of our farmlands to achieve an adequate balance between the two principal risks associated with our activities: weather conditions and the fluctuations in the prices of commodities. In order to reduce such risks, we own and lease land in several areas of Argentina with different climate conditions to permit us to be able to sow a diversified range of products. Our leased land for crops is mostly located in Pampa region, a favorable area for crop production. The leased farms are previously studied by technicians who analyze future production expectations based on the historic use of the land. The initial duration of lease agreements is typically one or three seasons. Leases of farms for production of crops generally consist of lease agreements with payments based on a fixed amount of Pesos per hectare or crop sharing agreements ( *aparcería* ) with payments in kind based on a percentage of the crops obtained or a fixed amount of tons of grains obtained or their equivalent value in Pesos. The principal advantage of leasing farms is that leases do not require us to commit large amounts of capital to the acquisition of lands but permit us to increase our scale in the short term and reduce the risk of inclement weather. The disadvantage of this strategy is that the cost of leasing can increase over time, in part, because increased demand for leased land increases the price of leased land.

In order to increase our production yields, we use labor control methods which imply the supervision of the seeding's quality (density, fertilization, distribution, and depth), crop monitoring (determination of natural losses and losses caused by harvester) and verification of bagged crop quality. In this way, we work jointly with our suppliers to improve management of inputs, water and soil.

Wheat seeding takes place from June to August, and harvesting takes place from December to January. Corn, soybean and sunflower are sown from September to December and are harvested from February to June. Grains are available to be sold as commodities after the harvest from December to June and we usually store part of our production until prices recover after the drop that normally takes place during the harvesting season. A major part of production, especially wheat and sunflower seeds, corn and sorghum, is sold and delivered to buyers pursuant to agreements in which price conditions are fixed by reference to the market price at a specific time in the future that we determine. The rest of the production is either sold at current market prices or delivered to cover any futures contract that we may have entered into.

During fiscal year 2010, we invested approximately Ps 23.0 million in irrigation equipment, machinery and technology application through no till sowing.

### ***Beef Cattle Production***

Our beef cattle production involves the breeding and fattening of our own animals. In some cases, if market conditions are favorable, we also purchase and fatten cattle which we sell to slaughterhouses and supermarkets. As of June 2010, our beef cattle aggregated 71,238 heads, and we had a total surface area of 93,140 hectares dedicated to this business activity.

During the fiscal year ended June 30, 2010, our beef cattle activities generated sales of Ps.39.3 million, representing 12% of our consolidated sales, and our production was 5,659 tons, a decrease of 20.4% compared to the previous fiscal year. The decrease in production and sales volume was primarily due to the fact that less heads of cattle were sent to the feedlot, which delayed the fattening process. In addition, it should be noted that the scarce rainfall in certain producing areas forced us to relocate livestock in some cases, which resulted in alterations in the cattle fattening process.



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The following table sets forth, for the periods indicated below, the beef cattle production volumes:

|   | Year ended June 30, |                     |                     |
|---|---------------------|---------------------|---------------------|
|   | 2008 <sup>(1)</sup> | 2009 <sup>(1)</sup> | 2010 <sup>(1)</sup> |
| Beef cattle production (in tons) <sup>(2)</sup> | 8,786               | 7,112               | 5,659               |

(1) Does not include production from *Agro Uranga S.A.*

(2) Production measured in tons of live weight. Production is the sum of the net increases (or decreases) during a given period in live weight of each head of beef cattle owned by us.

Management by lot in our pastures is aided by electrical fencing which may be easily relocated to supplement our land-rotation cycles. Our cattle herd is subject to a 160 kg to 360 kg fattening cycle by grazing in pastures located in our north farmlands, where conditions are adequate for initial fattening. For fattening above 360 kg, cattle are fattened until they reach 430 kg in our San Luis feedlot. The feedlot fattening system leads to homogeneity in production and beef of higher quality and tenderness because of the younger age at which animals are slaughtered.

Our cattle breeding activities are carried out with breeding cows and bulls and our fattening activities apply to steer, heifers and calves. Breeding cows calve approximately once a year and their productive lifespan is from six to seven years. Six months after birth, calves are weaned and transferred to fattening pastures. Acquired cattle are directly submitted to the fattening process. Upon starting this process, cattle have been grazing for approximately one year to one and a half year in order to be fattened for sale. Steer and heifers are sold when they have achieved a weight of 380 430 kg and 280 295 kg, respectively, depending on the breed.

Pregnancy levels, which have been improving over the years, showed satisfactory levels of efficiency notwithstanding the adverse weather conditions. Genetics and herd management is expected to further improve pregnancy levels in the coming years. Reproductive indicators improved due to the implementation of technologies, such as handling techniques and females artificial insemination with cattle genetics especially selected for the stock, which is purchased from specialized companies in quality semen elaboration for meat production. We use veterinarian products manufactured by leading national and international laboratories. It is important to emphasize the work of a veterinarian advising committee, who are external to us and visit each establishment monthly to control and discuss tasks.

Currently, the cattle raising farms are officially registered as export farmlands pursuant to the identification and traceability rules in force in Argentina. Animals are individually identified, thus allowing for the development of special businesses in this area.

Our beef cattle stock is organized into breeding and fattening activities. The following table shows, for the periods indicated, the number of head of beef cattle for each activity:

|                         | Year ended June 30, |                     |                     |
|-------------------------|---------------------|---------------------|---------------------|
|                         | 2008 <sup>(2)</sup> | 2009 <sup>(2)</sup> | 2010 <sup>(2)</sup> |
| Breeding <sup>(1)</sup> | 57,999              | 59,283              | 61,859              |
| Fattening               | 22,359              | 28,520              | 9,379               |
| Total                   | 80,358              | 87,803              | 71,238              |

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- (1) For classification purposes, upon birth, all calves are considered to be in the breeding process.
- (2) Does not include head of beef cattle from Agro-Uranga S.A. and Cactus. See [Organizational Structure](#) [Subsidiaries and Affiliated Companies](#).

We seek to improve beef cattle production and quality in order to obtain a higher price through advanced breeding techniques. We cross breed our stock of Indicus, British (Angus and Hereford) and Continental breeds to obtain herds with characteristics better suited to the pastures in which they graze. To enhance the quality of our herds even further, we plan to continue improvement of our pastures through permanent investment in seeds and fertilizers, an increase in the watering troughs available in pastures, and the acquisition of round bailers to cut and roll grass for storage purposes.

Our emphasis on improving the quality of our herd also includes the use of animal health-related technologies. We comply with national animal health standards that include laboratory analyses and vaccination aimed at controlling and preventing disease in our herd, particularly FMD.

Direct costs of beef production consist primarily of seeds for pasture (for instance, gaton panic, oats and barley) and crops for feeding and dietary supplementation purposes and animal health costs, among others.

During the fiscal year 2010 we invested approximately Ps.12.8 million in equipment, machinery, pastures and genetic improvement in relation to cattle production.

***Milk Production***

As of June 30, 2010 we conducted our milk business in three dairy facilities located in two farms, La Juanita and El Tigre. We have a total capacity of 3,800 cows in milking per day and seek to increase total production through the application of new technologies including improved genetic management for milk production, feeding strategic planning based on cattle specific requirements and the use of individual traceability to know the productivity history of each animal. Also we use computer science in milk business to make more efficient the manual labor by surveying the information supplied by the farms.

After the fiscal year's closing date, on September 3, 2010, we sold La Juanita farm, located in the District of Trenque Lauquen, Province of Buenos Aires.

Within the process of de-commoditization and technological innovation, we implemented an identification and tracing system in compliance with European and SENASA standards, with the purpose of distinguishing our production and obtaining higher prices in production sales.

As of June 30, 2010, the three dairy farms had obtained the Global Gap and HACCP certification.

Our milk production is based on a herd of Holando Argentina dairy cows, genetically selected through the use of imported frozen semen of North American Holando bulls. Male calves are sold, at calving, for a given amount per head, whereas female calves are weaned after 24 hours, spend approximately 60 days in raising and approximately 100 days being fed on the basis of grass, grains and supplements. Young heifers then graze for an additional 12 to 15 month period, prior to artificial insemination at the age of 18 to 20 months and they calve nine months later. Heifers are subsequently milked for an average of 300 days. Milking dairy cows are once again inseminated during the 60 to 90 day subsequent period. This process is repeated once a year during six or seven years. The pregnancy rate for our dairy cows is 80-90%.

Our dairy herd is milked mechanically twice a day. The milk obtained is cooled to less than five degrees centigrade to preserve quality and is then stored in a tank for delivery once a day to trucks sent by buyers. Dairy cows are fed mainly with grass, supplemented as needed with grains, hay and silage. We have invested in certain technologies that focus on genetic improvement, animal health and feeding in order to improve our milk production. These investments include imports of top quality frozen semen from genetically improved North American Holstein bulls, agricultural machinery and devices such as feed-mixer trucks, use of dietary supplements and the installation of modern equipment to control milk cooling. We are currently acquiring dietary supplements for our dairy cows and have made investments with the aim of increasing the quantity and quality of forage (pasture, alfalfa and corn silage) in order to reduce feeding costs.

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The following table sets forth, for the periods indicated, the average number of our dairy cows, average daily production per cow and our total milk production:

|  | Year Ended June 30, |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | 2008 <sup>(1)</sup> | 2009 <sup>(1)</sup> | 2010 <sup>(1)</sup> |
| Average milking cows                   | 3,174               | 3,286               | 3,297               |
| Daily production (liters per cow)      | 18.0                | 17.4                | 18.0                |
| Total production (thousands of liters) | 20,825              | 20,898              | 21,690              |

(1) Does not include production from Agro-Uranga S.A. See Organizational Structure Subsidiaries and Affiliated Companies. At the closing of fiscal year 2009, we had 7,634 heads of cattle on 4,106 hectares involved in the production of milk. As of June 30, 2010, we had 8,250 heads of cattle on 4,637 hectares to milk production.

During fiscal year 2010, we invested an approximate amount of Ps.1.6 million in equipment, machinery and pastures and development in connection with our dairy herd.

**Land Acquisitions**

We intend to increase our farmland portfolio by acquiring large surfaces of land with high appreciation potential. We also intend to transform the land acquired from non-productive to cattle breeding, from cattle breeding to farming, or applying state-of-the-art technology to improve farming yields so as to generate higher appreciation.

In our view, the sector's potential lies in developing marginal areas and/or underutilized areas. As a result of current technology, we may achieve similar yields with higher profitability than core areas; this may result in the appreciation of land values.

At present, prices of farmlands used in agricultural production have increased in the southern hemisphere (mainly South America) but continue to be relatively low compared to the northern hemisphere (U.S. and Europe). Our financial strength relative to other Argentine producers enables us to increase our land holdings at attractive prices, increase our production scale and create potential for capital appreciation.

Several important intermediaries, with whom we usually work, bring farmlands available for sale to our attention. The decision to acquire farmlands is based on the assessment of a number of factors. In addition to the land's location, we normally carry out an analysis of soil and water, including the quality of the soil and its suitability for our intended use (crops, beef cattle, or milk production), classify the various sectors of the lot and the prior use of the farmland; analyze the improvements in the property, any easements, rights of way or other variables in relation to the property title; examine satellite photographs of the property (useful in the survey of soil drainage characteristics during the different rain cycles) and detailed comparative data regarding neighboring farms (generally covering a 50-km area). Based on the foregoing factors, we assess the farmland in terms of the sales price compared against the production potential of the land and the appreciation potential of the capital. We consider that competition for the acquisition of farmlands is, in general, limited to small farmers for the acquisition of smaller lots, and that there is scarce competition for the acquisition of bigger lots.

In addition, we may consider the acquisition of farmlands in marginal zones and their improvement by irrigation in non-productive areas as well as the installation of irrigation devices in order to obtain attractive production yields and create potential for capital appreciation.

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On May 30, 2008, IRSA signed, as nominee, a bill of purchase with delivery of possession for 115 hectares of a parcel of a farm located in the District of Luján, Province of Buenos Aires. The transaction was agreed for a price of US\$ 3.0 million, of which the amount of US\$ 1.2 million was paid on that date.

On December 13, 2008, the Company was formally recognized as principal of the transaction; the balance of US\$ 1.8 million will be paid by the Company upon execution of the title deed.

On September 5, 2008, we signed the title deed for the purchase of 10,910 hectares of Estancia Carmen farm located in the Province of Santa Cruz. The transaction was agreed for a price of US\$ 0.7 million that was paid in full.

On July 28, 2008, we signed a bill of purchase for 4,566 hectares of Las Londras farm located in the Province of Guarayos, Republic of Bolivia. The transaction was agreed for a price of US\$ 11.4 million, of which US\$ 1.1 million were paid on the date of execution of the bill of purchase, and US\$ 3.8 million were paid on January 22, 2009, the date on which the bill of purchase was cast into public deed. The balance, as of the date of this annual report, will be paid without interest within 24 months of the above mentioned date. A mortgage was set up on behalf of the sellers to guarantee the payment of the purchase price balance, effective until the date of the last payment.

On July 28, 2008, we signed a bill of purchase for 883 and 2,969 hectares of San Cayetano and San Rafael farms, respectively, located in the Province of Guarayos, Republic of Bolivia. The transaction was agreed for a price of US\$ 8.8 million, of which US\$ 0.9 million were paid on the date of execution of the bill of purchase, and US\$ 2.9 million were paid on November 19, 2008, the date on which the bill of purchase was cast into public deed. The balance, as of the date of this annual report, will be paid without interest within 24 months of the above mentioned date. A mortgage was set up on behalf of the sellers to guarantee the payment of the purchase price balance, effective until the date of the last payment.

On July 28, 2008, we signed a bill of purchase for 3,748 hectares of La Fon Fon farm, located in the Province of Obispo Santiesteban, Republic of Bolivia. The transaction was agreed for a price of US\$ 8.6 million, of which US\$ 1.4 million were paid on the date of execution of the bill of purchase, and US\$ 2.3 million were paid on November 19, 2008, the date on which the bill of purchase was cast into public deed. The balance, as of the date of this annual report, will be paid without interest within 24 months of the above mentioned date. A mortgage was set up on behalf of the sellers to guarantee the payment of the purchase price balance, effective until the date of the last payment.

Following our expansion strategy at international level, during September 2008, we signed a bill of purchase for a 50% interest in 41,931 hectares located in Mariscal José Félix Estigarribia, Department of Boquerón, Chaco Paraguayo, Republic of Paraguay, owned by Carlos Casado, for a price of US\$ 5.2 million, in order to contribute them to the new company recently organized (Cresca). The contribution was made on January 26, 2009, and the title deed to the property was executed on February 3, 2009.

On March 19, 2010, Cresca required the transfer of 3,646 hectares located at Mariscal José Félix Estigarribia, Department of Boquerón, Republic of Paraguay from Carlos Casado S.A., pursuant to an option Cresca obtained in September, 2008. As agreed in the option agreement, Cresca will pay Carlos Casado US\$ 350 per hectare or US\$ 1.3 million, as follows: US\$ 0.32 million was paid on March 23, 2010; US\$ 0.47 million shall be paid on December 1, 2010, and US\$ 0.47 million was paid on March 1, 2011.

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The following chart shows, for the fiscal years indicated below, certain information concerning our land acquisitions for each of the last thirteen fiscal years ended on June 30:

| <b>Fiscal Year</b>  | <b>Number of Farmlands</b> | <b>Amount of Acquisitions (Ps. million)</b> |
|---------------------|----------------------------|---|
| 1998 <sup>(1)</sup> | 8                          | 31.5  |
| 1999                |                            |   |
| 2000                |                            |   |
| 2001                |                            |   |
| 2002                |                            |   |
| 2003 <sup>(2)</sup> | 1                          | 25.0  |
| 2004                |                            |   |
| 2005 <sup>(3)</sup> | 2                          | 9.3   |
| 2006 <sup>(4)</sup> | 1                          | 45.9  |
| 2007 <sup>(5)</sup> | 1                          | 7.3   |
| 2008 <sup>(6)</sup> | 2                          | 4.5   |
| 2009 <sup>(7)</sup> | 7                          | 133.2                                       |
| 2010 <sup>(8)</sup> |                            | 2.5   |

- (1) Includes the acquisition of Ñacurutú, Tapenagá, Santa Bárbara and La Gramilla, La Sofia, La Suiza, La Esmeralda and Tourné 30,350 hectares, 27,312 hectares, 7,052 hectares, 1,223 hectares, 41,993 hectares, 11,841 hectares and 19,614 hectares, respectively. It also includes the acquisition of Las Vertientes which is a silo plant.
- (2) Includes the acquisition of El Tigre farm of 8,360 hectares.
- (3) Includes the acquisition of La Adela and El Invierno farms of 72 hectares and 1,946 hectares, respectively.
- (4) Includes the acquisition of San Pedro farm of 6,022 hectares.
- (5) Includes the acquisition of 8 de Julio farm of 90,000 hectares.
- (6) Includes the acquisition of the remaining 25% of La Adela farm of 18 hectares and 80% of La Esperanza farm of 980 hectares.
- (7) Includes the acquisition of Estancia Carmen, Puertas de Luján, Las Londras, San Cayetano, San Rafael, and La Fon Fon farms and Jerovia farm, of 10,911, 115, 4,566, 883, 2,969, 3,748 and 20,966 hectares, respectively.
- (8) Includes exercise of the option over 50% of the Jerovia farm of 3,646 hectares.

**Land Sales**

We periodically sell properties that have reached a considerable appraisal to reinvest in new farms with higher appreciation potential. We analyze the possibility of selling based on a number of factors, including the expected future yield of the farmland for continued agricultural and livestock exploitation, the availability of other investment opportunities and cyclical factors that have a bearing on the global values of farmlands.

The following chart shows, for the fiscal years indicated below, certain information concerning our land sales for each of the thirteen fiscal years ended on June 30:

| <b>Fiscal Year</b>  | <b>Number of Farmlands</b> | <b>Gross Proceeds from Sales (Ps. million)</b> | <b>Profit/(Loss) <sup>(1)</sup> (Ps. million)</b> |
|---------------------|----------------------------|--|---|
| 1998 <sup>(2)</sup> | 1                          | 6.8  | 4.1   |
| 1999 <sup>(3)</sup> | 2                          | 27.8   | 9.4   |
| 2000                |                            |  |   |
| 2001 <sup>(4)</sup> | 2                          | 9.0  | 3.0   |
| 2002 <sup>(5)</sup> | 3                          | 40.6   | 14.8  |

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|                      |   |      |      |
|----------------------|---|------|------|
| 2003 <sup>(6)</sup>  | 2 | 12.0 | 4.9  |
| 2004 <sup>(7)</sup>  | 2 | 4.1  | 1.7  |
| 2005 <sup>(8)</sup>  | 2 | 29.8 | 20.0 |
| 2006 <sup>(9)</sup>  | 1 | 16.1 | 9.9  |
| 2007 <sup>(10)</sup> | 3 | 29.9 | 22.3 |
| 2008 <sup>(11)</sup> | 2 | 23.0 | 20.0 |
| 2009 <sup>(12)</sup> | 2 | 2.0  | 1.9  |
| 2010 <sup>(13)</sup> | 1 | 18.6 | 13.7 |

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- (1) Includes the difference between the gross proceeds from sales (net of all taxes and commissions) and the book value of the assets sold.
- (2) Includes the sale of 7,878 hectares of Moroti and Santa Rita farms.
- (3) Includes the sale of El Meridiano and Runciman farms of 6,302 and 3,128 hectares, respectively.
- (4) Includes the sale of El Bañadito and Tourne farms of 1,789 and 19,614 hectares, respectively.
- (5) Includes the sale of El Silencio, La Sofia and El Coro farms of 397 hectares, 6,149 hectares and 10,321 hectares, respectively.
- (6) Includes the sale of Los Maizales and San Luis farms of 618 and 706 hectares, respectively.
- (7) Includes the sale of 41-42 farm of 6,478 hectares and 5,997 hectares of IGSA's land reserves.
- (8) Includes the sale of Ñacurutú and San Enrique farms of 30,350 and 977 hectares, respectively. It also includes the results of the sale of a two-hectare parcel owned by IGSA.
- (9) Includes the sale of El Gualicho farm of 5,727 hectares.
- (10) Includes the sale of 20,833 hectares of Tapenagá farm and the partial sale of 14,516 hectares of Los Pozos farm and 50 hectares of El Recreo farm.
- (11) Includes the partial sale of 4,974 hectares of Los Pozos farm and the partial sale of 2,430 hectares of La Esmeralda farm.
- (12) Includes the partial sale of 1,658 hectares of Los Pozos farm and the partial sale of 1,829 hectares of El Recreo farm.
- (13) Includes the sale of 12,071 hectares of Tali Sumaj.

On July 24, 2008, we signed the deed of sale for two parcels of El Recreo farm (1,829 hectares), located in the Province of Catamarca. The transaction was agreed for a price of US\$ 0.4 million, of which US\$ 0.1 million were paid. The balance of US\$ 0.24 million will be paid in two annual and consecutive installments plus interest equivalent to the Libor rate plus 3%. The gain from this transaction was recognized during the last fiscal year as established in point 5.11.2 of Technical Resolution No. 17 of the Argentine Federation of Professional Councils in Economic Sciences ( FACPCE ).

On April 7, 2009, we signed the deed of sale for 1,658 hectares of Los Pozos farm located in the Province of Salta. The transaction was agreed for a price of US\$ 0.5 million that was collected in full as of the date of this annual report.

On December 17, 2009, we signed a preliminary agreement for the sale of the Tali Sumaj farm (12,701 hectares), located in the Province of Catamarca. The transaction was agreed for a price of US\$ 4.8 million. US\$0.5 million have been already collected, whereas the balance was payable on April 15, 2010. The deed of sale would become effective if before April 15, 2010 the preliminary attachment levied in the matter of EXAGRIND S.A.- Estancia San Rafael v. Tali Sumaj et al, on Damages was released. On April 14, 2010 the parties agreed to extend the closing date of the deed of sale and collection of the transaction price balance to May 17, 2010, conditioned upon the final release of the preliminary attachment mentioned above. On May 28, 2010 possession of the property was surrendered as the full price had been previously received, and the execution of the deed of sale remained pending for reasons not attributable to the Company. In addition, we promised to take all actions available to obtain the release and/or the replacement of the attachment, and undertook to perform all obligations that might arise if an adverse judgment was entered against us and to bear all legal costs and further procedural expenses resulting from the entry of a final and conclusive judgment in the case. To such end, we delivered a performance bond for the benefit of the purchaser as security for our obligations.

After the closing date of this fiscal year, on September 3, 2010, we signed the title deed of sale of the La Juanita farm, located in the District of Trenque Lauquen, Province of Buenos Aires. The transaction was agreed for a total price of US\$ 18 million, out of which US\$ 4.5 million have been already paid and the amount of US\$ 12.5 million will be payable upon execution of the title deed, at which time possession will be surrendered. The balance of US\$ 1 million will be payable on January 10, 2011. A first ranking mortgage has been set up for our benefit as security for payment of such balance. The sale resulted in a gain of approximately Ps.49.6 million, which will be reflected in the quarterly financial statements as of September 30, 2010.

**Table of Contents****Farms**

As of June 30, 2010, we owned, together with our subsidiaries, 24 farms, with a total surface area of 473,368 hectares.

The following table sets forth our farm portfolio as of June 30, 2010:

| <b>Owned Farms at June 30, 2010</b>            |                 |   |                                |                                      |
|--|-----------------|---|--------------------------------|--------------------------------------|
|  | <b>Province</b> | <b>Gross Size<br/>(in<br/>hectares)</b> | <b>Date of<br/>Acquisition</b> | <b>Primary Current Use</b>           |
| La Adela                                       | Buenos Aires    | 1,054                                   | Original                       | Crops                                |
| La Juanita                                     | Buenos Aires    | 4,302                                   | Jan. 96                        | Crops/Milk                           |
| San Pedro                                      | Entre Ríos      | 6,022                                   | Sep. 05                        | Crops                                |
| Las Vertientes                                 | Córdoba         | 4                                       |                                | Silo                                 |
| La Esmeralda                                   | Santa Fe        | 9,370                                   | Jun. 98                        | Crops/Beef Cattle                    |
| La Suiza                                       | Chaco           | 41,993                                  | Jun. 98                        | Crops/Beef Cattle                    |
| Santa Bárbara/Gramilla                         | San Luis        | 7,052                                   | Nov. 97                        | Crops under irrigation               |
| Cactus <sup>(1)</sup>                          | San Luis        | 82                                      | Dec. 97                        | Feed lot                             |
| El Recreo                                      | Catamarca       | 12,394                                  | May. 95                        | Beef Cattle/Natural Woodlands        |
| Los Pozos                                      | Salta           | 240,858                                 | May 95                         | Beef Cattle/Crops/ Natural Woodlands |
| El Invierno                                    | La Pampa        | 1,946                                   | Jun. 05                        | Crops                                |
| San Nicolás/Las Playás <sup>(2)</sup>          | Sta.Fe/Cba      | 2,965                                   | May. 97                        | Crops/Milk                           |
| El Tigre                                       | La Pampa        | 8,365                                   | Apr. 03                        | Crops/Milk                           |
| 8 de Julio/Ea. Carmen                          | Santa Cruz      | 100,911                                 | May. 07                        | Sheep                                |
| La Esperanza                                   | La Pampa        | 980                                     | Mar. 08                        | Crops                                |
| Puertas de Luján                               | Buenos Aires    | 115                                     | Dic. 08                        | Other                                |
| Las Londras/San Rafael/San Cayetano/La Fon Fon | Bolivia         | 12,166                                  | Ene 09/Nov. 08                 | Crops                                |
| Jeroviá <sup>(3)</sup>                         | Paraguay        | 22,789                                  | Feb. 09                        | Natural woodlands                    |
| <b>Total</b>                                   |                 | <b>473,368</b>                          |                                |                                      |

(1) Hectares in proportion to our 48.0% interests in Cactus Argentina S.A.

(2) Hectares in proportion to our 35.723% interest in Agro Uranga S.A.

(3) Hectares in proportion to our 50.0% interest in Cresca through Agrology S.A.

*La Adela.* Located 60 kilometers northwest of Buenos Aires, La Adela is one of our original farms. In December 2001, La Adela's dairy facility was closed down, and its total surface area is now used for crop production. During the fiscal year ended June 30, 2010, 1,086 hectares were used for wheat, corn and soybean crops for high-yielding grain production. Between March 2005 and December 2007 we bought an additional 72 hectares which were added to the existing 982 hectares.

*La Juanita.* The La Juanita farm, located 440 kilometers southwest of Buenos Aires, was acquired in January 1996. As of June 30, 2010, 4,021 heads of cattle were grazing in 2,231 hectares of sown and natural pastures, and 1,434 hectares were used for crop production. This farm produced 11.9 million liters of milk during the fiscal year ended June 30, 2010, with an average of 1,643 dairy cows being milked and 17.5 liters per cow per day.

After the closing date of this fiscal year, on September 3, 2010, we executed the deed of sale of the La Juanita farm, located in the District of Trenque Lauquen, Province of Buenos Aires. The agreed purchase price was US\$18.0 million, of which US\$ 4.5 million was collected on August 6, 2010, upon executing the agreement of purchase; US\$ 12.5 million was collected upon executing the title deed and the outstanding balance of US\$ 1.0 million, secured by a first degree mortgage, will be paid on January 10, 2011. The transaction also included a loan for use agreement in our favor through January 10, 2011, on certain portions of the building, seeking to continue until such date with the productive activities carried out at the establishment.





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*El Recreo.* Weather conditions in El Recreo farm, located 970 kilometers northwest of Buenos Aires, in the Province of Catamarca, and acquired in May 1995, are similar to those in Tali Sumaj farm, with semi-arid climate and annual rainfall not in excess of 400 mm. This farm is maintained as a productive reserve.

On August 28, 2006, we signed a bill of sale for 1,800 hectares of El Recreo farm in the amount of US\$ 0.15 million. As advance payment we have received US\$ 0.05 million. This sale has not been recorded in our financial statements as title to the land has not yet been transferred.

On January 19, 2007, we signed a bill of sale for 50 hectares of El Recreo farm owned by us and Arcor Sociedad Anónima Industrial y Comercial in the amount of Ps.0.7 million. The purchase price has been fully paid to us.

On July 24, 2008, we signed the deed of sale for two parcels of land in El Recreo farm (1,829 hectares) located in the Province of Catamarca. The transaction was agreed for a price of US\$ 0.36 million paid as follows: US\$ 0.12 million upon execution of the deed of sale, and the balance of US\$ 0.24 million was paid in two annual and consecutive installments plus interest equivalent to the Libor rate plus 3%. The final installment was paid on July 29, 2010.

*Los Pozos.* The Los Pozos farm, located 1,600 kilometers northwest of Buenos Aires, in the Province of Salta, was acquired in May 1995. This property is located in a semi-arid area with average annual rainfall of 500 mm. The area is naturally suited to cattle raising and forestry activities (poles and charcoal), and it has agricultural potential for summer crops such as sorghum and corn, among others. For the fiscal year ended June 30, 2010, we used 3,231 hectares in agricultural production. We completed the development of tropical pastures in approximately 50,000 hectares. As of June 30, 2010, there were 52,263 heads of cattle in this farm. This farm has shown major growth through a complete cycle in the production of beef by succeeding in raising, re-raising and fattening steer to be sold at an average weight of 332 kg. On June 5, 2007 we signed the deed of sale for a parcel of 14,516 hectares of Los Pozos farm for a price of US\$ 2.2 million, which has been received. The sale generated a gain of US\$ 2.0 million. On October 22, 2007, we signed a deed for the transfer of an additional 4,974 hectares of our Los Pozos farm. The aggregate sales price was US\$ 1.1 million, which has been fully collected. The sale generated a gain of approximately US\$ 1.0 million. On April 7, 2009, we signed the deed of sale for 1,658 hectares of our farm. The transaction was agreed for a price of US\$ 0.5 million, that was collected in full as of the date of this annual report.

*San Nicolás.* San Nicolás is a 4,005 hectares farm owned by AgroUranga S.A., and is located in the Province of Santa Fe, approximately 45 kilometers from the Port of Rosario. As of June 30, 2010, approximately 6,458 hectares were in use for agricultural production, including double crops. The farm has two plants of silos with storage capacity of 14,950 tons.

*Las Playas.* The Las Playas farm has a surface area of 4,294 hectares and is owned by AgroUranga S.A. Located in the Province of Córdoba, it is used primarily for agricultural and milk production purposes. As of June 30, 2010, the farm had 736 hectares of pasture used for milk production and a sown surface area, including double crops, of 3,804 hectares for grain production.

*La Gramilla and Santa Bárbara.* These farms have a surface area of 7,052 hectares in Valle del Conlara, in the Province of San Luis. Unlike other areas in the Province of San Luis, this valley has a high quality underground aquifer which makes these farms well suited for agricultural production after investments were made in the development of lands, pits and irrigation equipment. In the course of the 2009/2010 farm season, a total of 2,428 hectares were sown, 625 hectares of which sown under contractual arrangement with seed producers, and we leased, in turn, 1,967 hectares to third parties. The remaining hectares are used as land reserves.

*La Suiza.* The La Suiza farm has a surface area of 41,993 hectares and is located in Villa Ángela in the Province of Chaco. It is used for raising cattle. As of June 30, 2010, La Suiza had a stock of approximately 14,275 heads of cattle. During the 2009/10 season, we used 2,917 hectares for growing cotton, corn, soybean and sorghum.

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*La Esmeralda.* The La Esmeralda farm has a surface area of 9,370 hectares and is located in Ceres in the Province of Santa Fe. This farm, acquired in June 1998, has potential for both agricultural production and cattle raising. During the 2009/2010 farm season, we used a total area of 5,295 hectares, including double crops, for production of corn, sunflower and sorghum. As of June 30, 2010, La Esmeralda had 3,926 heads of cattle on 4,027 hectares. Our objective is to enhance its cattle raising efficiency, maintaining the bull breeding business, and increase its surface area assigned to agriculture. On December 27, 2007, we agreed to sell to Estancias San Bruno S.A. and Estancias El Algarrobo S.A. a 2,430-hectare parcel of this farm. The aggregate sales price was US\$ 6.2 million that has been collected in full. The sale generated a gain of approximately US\$ 5.3 million.

*El Tigre.* The El Tigre farm was acquired on April 30, 2003 and has a surface area of 8,365 hectares. It is located in Trenel in the Province of La Pampa. As of June 30, 2010, 4,985 hectares were assigned to crop production. This farm produced 12.6 million liters of milk in the fiscal year ended June 30, 2010, with an average of 1,654 cows being milked and an average daily production of 18.5 liters per cow.

*El Invierno.* The El Invierno farm was acquired on June 24, 2005 and has a surface area of 1,946 hectares. It is located in Rancul in the Province of La Pampa, 621 kilometers to the west of Buenos Aires. During the fiscal year ended June 30, 2010, we used the land exclusively for crop production and planted 2,124 hectares, including double crops.

*San Pedro.* The San Pedro farm was purchased on September 1, 2005. It has a surface area of 6,022 hectares and is located in Concepción del Uruguay, Province of Entre Ríos, which is 305 kilometers north of Buenos Aires. In the course of the 2009/2010 farm season, 4,999 hectares were used for agricultural production, including double crops, and 1,143 hectares were leased to third parties for livestock activities.

*8 de Julio and Estancia Carmen.* The 8 de Julio farm was acquired on May 15, 2007 and has a surface area of 90,000 hectares. It is located in the department of Deseado in the Province of Santa Cruz. Due to its large surface area, this farm offers excellent potential for sheep production. In addition, we believe the land has potential for future tourism and recreational activities, as the southeast border of the farm stretches over 20 kilometers of coast. Estancia Carmen was acquired on September 5, 2008 and has a surface area of 10,911 hectares. It is located in the Province of Santa Cruz, next to our 8 de Julio farm, and as the latter, it has excellent potential for sheep production. As of June 30, 2010, these farms had a stock of 11,093 sheep.

*Cactus.* The feedlot has a surface area of 170 hectares and is owned by Cactus. It is located in Villa Mercedes, Province of San Luis. Cactus was a joint venture between us, Cactus Feeders Inc., one of the largest feedlot companies in the United States, and Tyson Foods, a leading beef and poultry meat processing company. The feedlot began to operate in September 1999. On June 30, 2009, Cactus Feeders Inc. sold its equity interest in Cactus.

*Las Vertientes.* The Las Vertientes storage facility has a surface area of 4 hectares and 10,000 tons capacity, and is located in Las Vertientes, Río Cuarto, in the Province of Córdoba.

*La Esperanza.* On April 22 and 23, 2008, we signed deeds for the purchase of 80% of the 980 hectares of La Esperanza farm located in the Province of La Pampa. The transaction was agreed for a price of US\$ 1.3 million that has been paid in full. During the year ended June 30, 2010, we used this farm solely for crop production.

*Puertas de Luján.* On May 30, 2008, IRSA a signed, as nominee, a bill of purchase with delivery of possession for 115 hectares of a parcel of a farm located in the District of Luján, Province of Buenos Aires. On December 13, 2008, the Company was formally recognized as principal of the transaction.

*Las Londras.* On January 22, 2009, the bill of purchase for Las Londras farm was cast into public deed; it has a surface area of 4,566 hectares, and is located in the Province of Guarayos, Republic of Bolivia. During the 2009/2010 farm season it was used for crop production.

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*San Cayetano.* On November 19, 2008, the bill of purchase for San Cayetano farm was cast into public deed. This farm is located in the Province of Guarayos, Republic of Bolivia, and has a surface area of 883 hectares, which were used for crop production during the 2009/2010 farm season.

*San Rafael.* On November 19, 2008, the bill of purchase for San Rafael farm was cast into public deed. This farm is located in the Province of Guarayos, Republic of Bolivia, and has a surface area of 2,969 hectares, which were used for crop production during the 2009/2010 farm season.

*La Fon Fon.* On November 19, 2008, the bill of purchase for La Fon Fon farm was cast into public deed; it has a surface area of 3,748 hectares, and is located in the Province of Obispo Santiesteban, Republic of Bolivia. During the 2009/2010 farm season it was used for crop production.

*Jerovia.* Agrology owns 50% of Jerovia farm, located in Mariscal José Félix Estigarribia, Department of Boquerón, Chaco Paraguayo, Republic of Paraguay, with a surface area of 45,578 hectares. During the 2009/10 season 2,834 hectares were used for agriculture.

### **Lease of Farms**

We conduct our business on owned and leased land. Rental payments increase our production costs, as the amounts paid as rent are accounted for as operating expenses. As a result, production costs per hectare of leased land are higher than for the land owned by us.

Our land leasing policy is designed to supplement our expansion strategy, using our liquidity to make productive investments in our principal agricultural activities. On the other hand, our leasing strategy provides us with an added level of flexibility in the share of each of our products in total production, providing for greater diversification. The initial duration of lease agreements is typically one campaign. Leases of farms for production of grains consist in lease agreements with payments based on a fixed amount of Pesos per hectare or crop sharing agreements ( *aparcería* ) with payments in kind based on a percentage of the crops obtained or a fixed amount of tons of grains obtained or their equivalent value in Pesos. Leases of farmlands for cattle breeding consist in lease agreements with fixed payments based on a fixed amount of Pesos per hectare or steer kilograms or capitalization agreements with payments in kind or in cash based on the weight gain in kilograms.

During fiscal year 2010, we leased from third parties a total of 68 fields, covering 55,331 hectares, of which 42,696 hectares were assigned to crop production, including double crops, and 12,635 hectares to cattle. The properties for crop production were leased, primarily, at a fixed price prior to harvest and only a small percentage consisted of crop sharing agreements.

The following table shows the breakdown of the amount of hectares of owned and leased land used for each of our principal production activities:

|             | Fiscal Year ended June 30, |        |        |
|-------------|----------------------------|--------|--------|
|             | 2008                       | 2009   | 2010   |
|             | Leased                     | Leased | Leased |
| Crops       | 30,449                     | 59,615 | 42,696 |
| Beef Cattle | 32,895                     | 32,795 | 12,635 |
| Milk        |                            |        |        |

Due to the rise in the price of land, we adopted a policy of not validating such prices and only leasing land at values that would ensure appropriate margins.

### **Storage Facilities**

As of June 30, 2010, we had an approximate storage capacity of 15,341 tons (including 35.72% of the 14,950 tons available at Agro Uranga S.A.).

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The following table sets forth, as of the dates below, the capacity of our storage facilities:

|                            | Storage Capacity<br>At June 30, |                   |                   |
|----------------------------|---------------------------------|-------------------|-------------------|
|                            | 2008<br>(in tons)               | 2009<br>(in tons) | 2010<br>(in tons) |
| Las Vertientes             | 10,000                          | 10,000            | 10,000            |
| San Nicolás <sup>(1)</sup> | 5,341                           | 5,341             | 5,341             |
| <b>Total</b>               | <b>15,341</b>                   | <b>15,341</b>     | <b>15,341</b>     |

(1) Owned through Agro-Uranga S.A. (representing 35.723% of the capacity).

**Land Management**

In contrast to traditional Argentine farms, run by families, we centralize policy making in an Executive Committee that meets on a weekly basis in Buenos Aires. Individual farm management is delegated to farm managers who are responsible for farm operations. The Executive Committee lays down commercial and production rules based on sales, market expectations and risk allocation.

We rotate the use of our pasture lands between crop production and cattle feeding and the frequency depends on the location and characteristics of the farmland. The use of preservation techniques (including exploitation by no till sowing) frequently allows us to improve farm performance.

Subsequent to the acquisition of the properties, we make investments in technology in order to improve productivity and increase the value of the property. It may be the case that upon acquisition, a given extension of the property is under-utilized or the infrastructure may be in need of improvement. We have invested in traditional fencing and in electrical fencing, watering troughs for cattle herds, irrigation equipment and machinery, among other things.

**Principal Markets****Crops**

Our grains production is entirely sold in the local market. The prices of our grains are based on the market prices quoted in Argentine grains exchanges such as the *Bolsa de Cereales de Buenos Aires* and the *Bolsa de Cereales de Rosario* that take as reference the prices in international grains exchanges. The largest part of this production is sold to exporters who offer and ship this production to the international market. Prices are quoted in relation to the month of delivery and the port in which the product is to be delivered. Different conditions in price, such as terms of storage and shipment, are negotiated between the end buyer and ourselves, and through a broker.

**Beef Cattle**

Our beef cattle production is sold in the local market. The main buyers are slaughterhouses and supermarkets.

Prices in the beef cattle market in Argentina are basically fixed by local supply and demand. The Liniers Market (on the outskirts of the Province of Buenos Aires) provides a standard in price formation for the rest of the domestic market. In this market live animals are sold by auction on a daily basis. At Liniers Market, prices are negotiated by kilogram of live weight and are mainly determined by local supply and demand. Some supermarkets and meat packers establish their prices by kilogram of processed meat; in these cases, the final price is influenced by processing yields.

**Milk**

During the fiscal years 2008, 2009 and 2010 we sold our entire milk production to the largest Argentine dairy company, Mastellone S.A., which in turn manufactures a range of mass consumption dairy products sold in



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Argentina and abroad. The price of the milk we sell is mainly based on the percentage of fat and protein that it contains and the temperature at which it is cooled. The price we obtain from our milk also rises or drops based on the content of bacteria and somatic cells.

### **Customers**

For the fiscal year 2010 our sales were Ps.234.0 million and were made to approximately 135 customers. Sales to our ten largest customers represented approximately 74% of our net sales during the fiscal year 2009 and approximately 74% for the fiscal year ended June 30, 2009. Of these customers, our biggest three customers, Cargill S.A., Molinos Río de la Plata S.A. and Mastellone Hnos. S.A., represented, in the aggregate, approximately 48% of our net sales, while the remaining seven customers in the aggregate represented approximately 26% of our net sales in fiscal year 2010. We have signed non-binding letters of intent with some of our largest customers that allow us to estimate the volume of the demand for certain products and to plan production accordingly. We generally enter into short-term agreements with a term of less than a year.

### **Marketing Channels and Sales Methods**

#### ***Crops***

We normally work with grains brokers and other intermediaries to trade in the exchanges. We sell part of our production in advance through futures contracts and buy options for protection against a drop in prices. Approximately 70% of the futures and options contracts are closed through the *Bolsa de Cereales de Buenos Aires* ( Buenos Aires Grains Exchange ), and *Mercado a Término de Buenos Aires* ( Buenos Aires Futures Exchange ) and the remaining 30% in the Chicago Board of Trade.

Our storage capabilities allow us to condition and store grains with no third-party involvement and thus to capitalize the fluctuations in the price of commodities. Our largest storage facilities, with capacity for 10,000 tons, are located in Las Vertientes, close to Río Cuarto, Province of Córdoba. In addition, we store grains in silo bags.

#### ***Beef Cattle***

We sell directly to local meat processors and supermarkets, such as Arre Beef S.A., Quickfood S.A., Finexcor S.A., Frigorífico La Pellegrinense S.A., Friar S.A., Madelan S.A., Exportaciones Agroindustriales S.A., Jumbo Retail Argentina S.A., Frigorífico Bermejo S.A. and Frigorífico Amancay S.A., at prices based on the price at Liniers Market.

We usually are responsible for the costs of the freight to the market and, in general, we do not pay commissions on our transactions.

### **Raw Materials**

The current direct cost of our production of grains varies in relation to each crop and normally includes the following costs: tillage, seeds, agrochemicals and fertilizers. We buy in bulk and store seeds, agrochemicals and fertilizers to benefit from discounts offered during off-campaign sales.

### **Competition**

The agricultural and livestock sector is highly competitive with a huge number of producers. Cresud is one of Argentina's leading producers. However, if we compare the percentage of Cresud's production to the country's total figures, Cresud's production would appear as extremely low. Our leading position improves our bargaining power with suppliers and customers. In general, we obtain discounts in the region in the acquisition of raw materials and an excess price in our sales.

Historically, there have been few companies competing for the acquisition and leases of farmlands for the purpose of benefiting from land appreciation and optimization of yields in the different commercial activities. However, we anticipate the possibility that new companies, some of them international, may become active players in the acquisition of farmlands and the leases of sown land, which would add players to the market in coming years.

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**Seasonality**

As is the case with any company in the agro-industrial sector, our business activities are inherently seasonal. Harvest and sales of grains (corn, soybean and sunflower) in general take place from February to June. Wheat is harvested from December to January. With respect to our international market, in Bolivia climate conditions allow a double season of soybean, corn and sorghum production and, accordingly, these crops are harvested in April and October, while wheat and sunflower are harvested during August and September, respectively. Other segments of our activities, such as our sales of cattle and milk and our forestry activities tend to be more of a successive character than of a seasonal character. However, the production of beef and milk is generally higher during the second quarter, when pasture conditions are more favorable. In consequence, there may be significant variations in results from one quarter to the other.

**Our Investments**

***Agricultural Business***

***BrasilAgro Companhia Brasileira de Propriedades Agrícolas***

BrasilAgro was created in September 2005 in order to replicate our business in Brazil. BrasilAgro is engaged mainly in four business segments: (i) sugarcane, (ii) grains and cotton, (iii) forestry activities, (iv) livestock.

We created BrasilAgro together with our partners, Cape Town Llc, Tarpon Investimentos S.A., Tarpon Agro LLC, Agro Investments S.A. and Agro Managers S.A.

Cape Town Llc is a limited company incorporated under the laws of the State of Delaware, wholly owned by Mr. Elie Horn, the controlling shareholder and chief executive officer of Cyrela Brazil Realty, S.A. Empreendimentos e Participações. Tarpon Investimentos S.A. is an independent Brazilian asset manager engaged in the management of mutual funds focusing primarily on Brazilian equities. Tarpon Agro LLC is a company incorporated in the United States of America under the laws of the State of Delaware, and is owned by Tarpon Investimentos S.A.'s shareholders and certain of its affiliates.

Part of the knowledge and experience required to implement BrasilAgro's proposed business plan will be initially provided pursuant to a consulting agreement with Paraná Consultora de Investimentos S.A., a special purpose advisory company, 50% owned by Tarpon BR, 37.5% owned by Consultores Assets Management, a company controlled by Mr. Eduardo Elsztain, and 12.5% owned by Mr. Alejandro Elsztain. Tarpon BR is a joint venture between Tarpon and Mr. Elie Horn.

We had entered into a shareholder agreement with Tarpon Investimentos S.A. and Tarpon Agro LLC stipulating, among other things, that both parties would have a joint vote at shareholders' meetings and that both parties would have a preemptive right to acquire shares of the other party.

BrasilAgro's board of directors is composed by eight members. We, as founder of BrasilAgro, appointed four of such members, Cape Town appointed one more member and, in addition, BrasilAgro has three independent directors.

On May 2, 2006, BrasilAgro's shares were listed in the Novo Mercado of the Brazilian Stock Exchange ( Bovespa ) with the symbol AGRO3. BrasilAgro's shares were placed jointly with Banco de Investimentos Credit Suisse (Brazil) S.A. in the Brazilian market through investment mechanisms regulated by controlling authorities and with sales efforts pursuant to an exception from registration under the US Securities Act of 1933. The amount originally offered was Reais 532 million, equivalent to 532,000 book-entry common shares at a price of Reais 1,000 per share of BrasilAgro.



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In addition, as is customary in the Brazilian market, BrasilAgro had an option to increase the size of the issue by 20% and Banco de Investimentos Credit Suisse (Brazil) S.A. had another option to increase it by 15% (*Green shoe*). Given the high demand shown by the placement, both BrasilAgro and Banco de Investimentos Credit Suisse (Brazil) S.A. exercised such options increasing the placement up to 583,200 shares equivalent to Reais 583.2 million, which were fully placed and paid in.

In addition to the funds we originally contributed, we purchased shares in the offering for Reais 42.4 million (approximately US\$ 20.6 million). Following such contribution we held a total amount of 42,705 shares, equivalent to 7.4% of BrasilAgro's capital stock.

On October 31, 2007, BrasilAgro carried out a 1-for-100 share split approved at the Special Shareholders Meeting held on March 15, 2007 and ratified at the Annual Shareholders Meeting held on October 29, 2007. Following this split, BrasilAgro's capital stock was composed of 58,422,400 common shares.

During fiscal years 2008, 2009 and 2010, we acquired, respectively, 4,136,800, 2,776,000 and 2,395,400 shares of BrasilAgro. Due to this acquisition, we owned a 23.24% interest as of June 30, 2010.

When we founded BrasilAgro, we contributed Ps.63.1 million in cash in exchange for shares and 10,490,200 warrants to purchase additional BrasilAgro shares for 15 years and at the same price as was established in the initial public offering, Reais 10, adjusted by the Consumer Price Index Amplified, or IPCA. Should we decide to exercise such warrants, we might acquire, following the share split, 5,984,987 additional shares, thereby holding 26.79% of BrasilAgro's diluted capital stock. All of these warrants may already be exercised.

In addition, we received, at no cost, a second series of warrants for a total of 10,490,200, which may only be exercised at our discretion in the event of a tender offer. The exercise price of these warrants shall be the same price as the price offered in any such tender offer by the acquirer of BrasilAgro. The second series of warrants matures in the year 2021.

On April 28, 2010 we entered into an agreement with Tarpon Agro LLC ( Tarpon ), whereby upon satisfaction of certain conditions Tarpon would transfer the following securities to us for valuable consideration:

- (a) 9,581,750 common shares issued by BrasilAgro either in the form of shares or ADRs (the Shares ), and
- (b) 64,000 first issue warrants of BrasilAgro and 64,000 second issue warrants of BrasilAgro.

Upon satisfaction of the conditions set forth in the agreement, effective transfer of the shares and warrants from Tarpon to us shall occur within ten (10) days following the implementation of the ADR program that BrasilAgro has planned to launch.

The total price payable by Cresud to Tarpon is R\$131.4 million, approximately US\$76.1 million payable within 180 days after the effective transfer of the shares and warrants. If the price is paid within the agreed term, it shall not be subject to any monetary restatement whatsoever.

It should be noted that notwithstanding Tarpon's withdrawal from the BrasilAgro Project, the shareholders Mr. Elie Horn and Cape Town LLC have expressed their interest to remain in BrasilAgro together with Cresud.

On May 5, 2010 BrasilAgro's board of directors resolved to launch a level I ADR Program. Such Program's underlying securities will be the BrasilAgro's common shares, at a rate of 1 ADR per common share. The Bank of New York Mellon will act as issuer and/or depositary bank, whereas Itaú Unibanco S.A. will act as depositary bank.

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As of June 30, 2010, BrasilAgro had 9 properties, with an aggregate surface area of 174,840 hectares, acquired at highly attractive prices as compared to the average in the respective regions, all of which offering high appreciation potential.

| Farm                                      | Province                        | Date of Acquisition | Surface Area<br>(en hectáreas) | Main business<br>(Proyecto) | Cost of Acquisition<br>(R\$ MM) |
|---|---------------------------------|---------------------|--------------------------------|-----------------------------|---------------------------------|
| Sao Pedro                                 | Chapado do Céu (GO)             | Sep-06              | 2,443                          | Sugar cane                  | R\$ 9.9                         |
| Cremaq                                    | Baixa Grande do<br>Ribeiro (PI) | Oct-06              | 32,375                         | Grains                      | R\$ 42.2                        |
| Jatobá <sup>(1)</sup>                     | Jaborandi (BA)                  | Mar-07              | 31,602                         | Grains and Cotton           | R\$ 35.4                        |
| Alto Taquari                              | Alto Taquari (MT)               | Aug-07              | 5,266                          | Sugar cane                  | R\$ 34.0                        |
| Araucária                                 | Mineiros (GO)                   | Apr-07              | 9,682                          | Sugar cane                  | R\$ 70.5                        |
| Chaparral                                 | Correntina (BA)                 | Nov-07              | 37,129                         | Beef cattle/Grains          | R\$ 45.9                        |
| Nova Buriti                               | Januária (MG)                   | Dec-07              | 24,185                         | Forestry                    | R\$ 21.9                        |
| Preferencia                               | Barreiras (BA)                  | Sep-08              | 17,800                         | Beef cattle/Grains          | R\$ 10.7                        |
| Horizontina                               | Tasso Fragoso (MA)              | Mar-10              | 14,358                         | Grains                      | R\$ 37.0                        |
| Total                                     |                                 |                     | 174,840                        |                             | R\$ 307.5                       |
| Total owned by Brasil Agro <sup>(1)</sup> |                                 |                     | 171.680                        |                             | R\$ 303.8                       |

(1) The Jatobá farm is owned by Jaborandi S.A., in which BrasilAgro holds a 90% interest. *Sao Pedro* is farms in Chapadao do Sul (MS). With a surface area of 2,443 hectares, Sao Pedro was bought for R\$ 9.9 million. Its potential production area is 1,700 hectares. In this farm, BrasilAgro has harvested winter crops in a surface area of 594 hectares and has started arrangements to plant soybean and corn in the 2010/11 season. In our opinion, this land offers high potential for appreciation as a result of the sugarcane premises scheduled to be installed in the region.

*Cremaq* is a farm in Baixa Grande do Ribeiro (Piaui). Acquired for R\$ 42.2 million and with a surface area of 32,375 hectares, it is estimated that the total production area will be 23,000 hectares. The farm is close to the Itaquí Port and to the Norte-Sul railway. Weather and topographic conditions in the area are quite suited to soybean, corn and cotton crops. This property has also been bought for a value lower than average in the region and it offers major appreciation potential. BrasilAgro completed the harvest of summer soybean, corn, sorghum and rice. Part of the production was not sold and remains stored in the new silo built in the farm (with a 72,000 ton capacity), which was highly favorable as regional prices for soybean increased 30% since the end of the harvest. At present, arrangements have started to plant soybean, corn and rice for the 2010/11 season.

*Jatobá* is a farm in the Jaborandi district, in the State of Bahia. The acquisition price was R\$ 35.4 million and it has 31,603 hectares. It is estimated that the total production area will be 24,600 hectares. BrasilAgro has harvested summer crops and has started arrangements for planting soybean and corn in 2010/2011. 600 hectares of this property were leased to third parties.

*Alto Taquari* is a farm with a total area of 5,266 hectares and it is located in the municipality of Alto Taquari, Mato Grosso. This property was purchased for R\$ 34 million, payable in two installments. The first installment of R\$ 6.8 million was paid on August 3, 2007, and a portion of the second installment of R\$ 12.3 million was paid in April 2008. In September 2008, R\$ 2.6 million were paid for the second installment. The payment of the balance due is subject to the fulfillment of certain conditions by the seller. This property has an estimated production area of 3,720 hectares, and harvesting of sugarcane over an area of 3,673 hectares has started. Alto Taquari executed an agreement with ETH Bioenergía for supplying sugarcane during two full cycles (6 harvesting years, including 5 harvests) which started in the last quarter.

*Araucária* is a farm which has a total area of 15,543 hectares, 11,657 of which are owned by BrasilAgro, and is located in the municipality of Mineiros, Goiás. The production area is estimated at 8,435 hectares. BrasilAgro has harvested winter crops in an area of 688 hectares and has started preparing the planting of soybean for the 2010/2011 season. In addition, BrasilAgro has planted 4,973 hectares of sugarcane and has leased 194 hectares of this property to third parties. Araucária executed an agreement with ETH Bioenergía for supplying sugarcane during two full cycles (6 harvesting years, including 5 harvests) which started in the fourth quarter of 2010.



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*Chaparral* is a farm located in Correntina, Bahia. This farm has a surface area of 37,799 hectares and was purchased for R\$ 47.1 million. Its potential production area is 28,000 hectares and BrasilAgro has completed the harvest of soybean and started preparation works for the 2010/211 season.

*Nova Buriti* is a farm with a total surface area of 24,185 hectares and it is located in the municipality of Januaria, Minas Gerais. With a production area estimated at 19,935 hectares, it will be used for forestry activities. At present, BrasilAgro is awaiting the licenses required to start operating this farm.

*Preferencia* is a 16,830-hectare farm located in the municipality of Barreiras, Bahia. The purchase transaction was closed in September 2008 and it was agreed for a price of R\$ 600.0 per hectare. This property has good conditions for cattle breeding and crops growing. The company has started rolling out a beef cattle project.

In March 2010, BrasilAgro consummated the acquisition of 14,358 hectares of the *Horizontina* farm, located in the municipality of Tasso Fragoso, Maranhão. The agreed transaction price was R\$ 37.0 million. This property has good conditions for crops growing

During fiscal year 2010, BrasilAgro expanded its sown area (summer and winter season and sugarcane) by 38% compared to the previous period, reaching 46,100 hectares (including 43,489 hectares under own management and 2,600 hectares leased to third parties). In addition, during this fiscal year BrasilAgro developed 17,916 new hectares.

BrasilAgro started to harvest the sugarcane planted in the *Alto Taquari* and *Araucária* farms, under the agreement entered into with ETH Bioenergía for two full cycles (6 harvesting years including 5 harvests). BrasilAgro's revenues from the sale of crops were R\$ 31.6 million, 12% lower than those recorded in the previous fiscal year. It recorded a net loss of R\$ 15.8 million compared to a profit of R\$ 1.0 million during the same period of the previous fiscal year. This reflects the adverse weather conditions and the fact that as of the closing date the full production had not been sold yet, as part of it had been stored in a new silo located in the *Cremaq* establishment, with a storage capacity of 72,000 tons. Soybean prices in the region have increased 30% since the end of the harvest.

At the end of fiscal year 2010, BrasilAgro presented consolidated assets for R\$ 733.8 million, of which R\$ 206.2 million were included in the Cash and banks, and Short-term investments accounts.

In addition, during fiscal period 2010, different governmental agencies disbursed over R\$ 60.0 million as short and long-term financing.

BrasilAgro will continue to focus its activities on agricultural real estate and on the development of its four main business lines: sugarcane; crops and cotton; forestry and cattle breeding. Since its start of operations in 2006, BrasilAgro's sown area has recorded an annual average growth of 45%. For the next season, BrasilAgro expects to plant approximately 65,000 hectares and to develop approximately 20,000 additional hectares.

On October 20, 2010 and on December 23, 2010, we and Tarpon executed two addenda to the share purchase agreement dated as of April 28, 2010, under which we either directly and/or indirectly acquired 9,581,750 shares of common stock of BrasilAgro, representing 16.40% of the outstanding stock. Consequently, on October 20, 2010 we paid R\$25.2 million and on December 23, 2010 we paid R\$50.8 million. The price remainder of R\$52.6 million should be paid on April 27, 2011, which is guaranteed by a security interest over 3,864,086 shares and 37,325 first issue warrants.

Consequently, we are either directly or indirectly the owners of 20,883,916 shares or 35.75% of BrasilAgro's outstanding capital stock. It should be noted that acquiring shares does not imply any change in control of BrasilAgro; and that BrasilAgro's shareholders' agreement will remain effective with the amendments that may be required to sell all shares owned by Tarpon and its affiliates. Likewise, due to the transaction, we own 168,902 BrasilAgro's first issuance warrants and 168,902 BrasilAgro's second issuance warrants.

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Also during the last quarter of calendar year 2010, we executed an agreement by which we assigned all equity and political rights related to 2,276,534 shares of BrasilAgro to a non-related third party for two years. The agreement also provides a promise to sell, under which the assignee may at any time request the sale of BM&FBOVESPA's shares or the transfer of shares on its behalf. In consideration for granting such rights, we received US\$0.8 million and additionally, in the event the assignee requests the sale or transfer of shares, it will pay US\$7.15 per share sold or transferred.

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

### **Futuros y Opciones.Com S.A.**

In May 2000, we acquired 70% of the shares of FyO S.A. ( Futuros y Opciones.com ) for Ps.3.6 million. The site was launched in November 1999 and is aimed at becoming the most important agriculture business community in Latin America. Futuros y Opciones.Com launched its e-commerce strategy in March 2001, in order to sell products, buy inputs, arrange loans, and obtain insurance, among other things. Currently, the main activity of Futuros y Opciones.Com is the grain brokerage.

The areas with the greatest potential for growth are: input commercialization, grain brokerage and beef cattle operations. Regarding input commercialization, the business volume was concentrated in a small number of suppliers, the agreements with the suppliers were improved in order to increase the margin of the business, and contracts of direct distribution were achieved. In terms of grains, the brokerage department was created, with the purpose of participating directly in the business by trading and offering services. In beef cattle, Futuros y Opciones.Com has created an alliance with a leading broker in the sector, which will allow it to obtain use of its clients' database and technological knowledge.

During fiscal year 2007, Futuros y Opciones.Com started to trade futures and options: it acquired a share in the Buenos Aires futures and options exchange market (*Mercado a Término de Buenos Aires*) and has also become a dealer. During fiscal years 2008 and 2009, Futuros y Opciones.Com continued trading futures and options with a 7.67% and 23.8% growth, respectively, as compared to the previous year. The service consisting in hedging with futures has consolidated into an essential tool for our customers to manage their price risks.

As of June 30, 2010, Futuros y Opciones.Com total revenues increased by 61.95% from Ps. 21.5 million for fiscal year 2009 to Ps. 34.8 million for fiscal year 2010, with 8.27% growth in the revenues yielded by its main business, grains brokerage, from Ps.7.3 million for fiscal year 2009 to Ps. 7.9 million for fiscal year 2010. In addition, the business consisting in sales of inputs grew by 99.48% from Ps. 12.0 million for fiscal year 2009 to Ps.23.9 million for fiscal year 2010, while revenues from commissions from the same business rose 200.99% from Ps. 0.2 million for fiscal year 2009 to Ps. 0.5 for fiscal year 2010 and technology services commissions increased by 35.13% from Ps. 0.9 million for fiscal year 2009 to Ps. 1.2 million for fiscal year 2010.

The increase in the input business was motivated by the significant impact suffered in the previous fiscal year by the severe drought that affected Argentina, along with the drop in prices, which forced Argentine producers to reduce input investments in the 2008/2009 season. During this season the situation was reverted and the targets set for this year were met.

The portal *fyo.com* has reached its tenth anniversary, consolidating as the benchmark site for agricultural marketing and adding year after year new and significant agricultural customers of various sizes to its user community. The site has a base of 55,000 registered users who make 60,000 unique visits per month, showing a highly satisfactory site stay time and contributing to the exchange of farming matters among an entire recognized community of producers from Argentina and neighboring countries.

Futuros y Opciones.Com's goal is to become a leading company in the supply of financial and commercial services. To attain such objective, we will continue to enhance the range of products we offer to the sector in the coming fiscal years.

At June 30, 2010, we held a 64.30% interest in Futuros y Opciones.Com.

**Table of Contents****Cactus Argentina S.A.**

Cactus was initially a joint venture between us and Cactus Feeders Inc., one of the largest feedlot companies in the United States. The site of the venture's operations is a 170-hectare farm in Villa Mercedes, in the Province of San Luis. The feedlot began operations in September 1999.

During fiscal year 2007, Cactus entered into a joint venture with Tyson Foods, Inc ( Tyson ), a leading meat processing company, pursuant to which Tyson, through Provemex Holdings LLC, acquired a 52% equity interest in Cactus to establish the first integrated cattle operation in Argentina. Consequently, the stock holdings of Cactus Feeders, Inc. and Cresud in Cactus were reduced to 24% each. Since December 31, 2006, we no longer use the proportional consolidation method to account for our investment in Cactus due to the reduction of our equity interest in Cactus from 50% to 24%.

On January 11, 2007, Cactus and us (solely as nominee for Argentine legal purposes) acquired 100% of the Exportaciones Agroindustriales Argentinas S.A. ( EAASA ) shares for Ps.16.8 million. EAASA owns a meat packing plant in Santa Rosa, Province of La Pampa, with capacity to slaughter and process approximately 9,500 cattle heads per month. Cactus has been a pioneer in feedlot services with a 25,000 heads of cattle capacity, depending on the size of the cattle. Cactus' customer base changed during recent years, as many companies related to the beef sector bought calves to be fed at the feedlot. To assure themselves a constant supply of high quality beef, these companies keep an inventory of cattle on feed.

The feedlot cattle beef production is processed in the Exportaciones Agroindustriales Argentina S.A. packing plant for the domestic and foreign markets. Feedlot fattening with a corn-based diet has been growing at a very dynamic pace. The company has gained market reputation thanks to the uniform final product offered by feedlot-finished animals, which provides purchasers with high-quality products and higher yields, succeeding in offering differential sales prices. Cactus continues to receive cattle from farmers that repeat their productive process whereby they breed and re-breed their animals in their own farms and slaughter them at Cactus.

On June 30, 2009, we entered into a shareholders' agreement with Cactus Feeders for the purchase of its 24% interest in Cactus and 0.24% interest in EAASA. The agreed purchase price was US\$ 2.4 million. At the same time, our Company and Tyson Foods S.A. made contributions to Cactus in the amount of US\$ 2.4 million and US\$ 2.6 million, respectively. As a consequence of the transaction, we increased our interest in Cactus to 48%. The companies have strengthened as a result of the above mentioned capitalizations, which will help develop our strategic business plan in the cattle beef processing industry. For more information please see *Recent Developments* and *Significant Changes* .

The decrease in supply has adversely affected the value chain by reducing cold-storage plant utilization, which in turn has left several plants struggling to remain operational in view of the poor returns and shortage of raw materials. Our investment in EAASA has not escaped unscathed and we are assessing our alternatives looking forward.

**Agropecuaria Anta S.A. (formerly named Agropecuaria Cervera S.A.)**

On December 27, 2005, we and Inversiones Ganaderas S.A. (solely as nominee for Argentine legal purposes) acquired 100% of the shares of Agropecuaria Anta S.A. ( Agropecuaria Anta ), whose main asset is the concession for the start-up of production pertaining to a comprehensive biological, economic and social development project over various properties located in Anta, Province of Salta, and which is duly authorized to implement a large-scale project covering agricultural, cattle breeding and forestry activities. The concession agreement covers 162,000 hectares for a 35-year period with an option to extend it for an additional 29-year period. In the framework of the concession, there is a development project aimed at applying 35,000 hectares to agricultural use and 55,000 hectares to livestock activities, which has been approved by the Secretariat of Environment and Sustainable Development of the Province of Salta. We surrendered 3.6 million convertible notes of IRSA and paid Ps.3.17 million in cash for the acquisition of the concession. During fiscal year 2008, Agropecuaria Anta S.A. commenced its land development activities, and as of June 30, 2010, it had 10,816 hectares devoted to its own production and 7,132 hectares leased to third parties.

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On July 2, 2008, a memorandum of understanding was entered into under which the concession agreement for the northern region and the southern region of the properties of Salta Forestal S.A. was renegotiated. Under the above mentioned memorandum of understanding, our subsidiary Agropecuaria Anta has agreed to reduce the area under concession by returning 30,000 hectares, the location of which will be defined in a sketch to be mutually agreed between the parties. Under the same contract the annual fee was renegotiated in an amount in US\$ equivalent to one soybean quintal per harvested hectare of any crops, to be paid up to July 1 of each year. On August 29, 2008, the Executive Branch of Salta approved the memorandum of understanding through decree No. 3,766. Consequently, the provisions of such memorandum of understanding are effective as from the aforementioned date.

**AgroUranga S.A.**

We have a 35.7% interest in AgroUranga S.A.. This company maximizes the use of production processes, with special emphasis in soil conservation, the application of rational techniques and care of the environment. AgroUranga S.A. has two farms: Las Playas and San Nicolás, with a combined area of 8,305 hectares, located in the core region of the Pampas prairies. 40% of the revenues from AgroUranga's crop production derive from its special products division, including popcorn, chickpea, peas and lentils, whereas the remaining 60% derives from commodities. At present, with the assistance of its foreign trade team it is seeking to add new products so as to significantly increase export volumes, encouraged by the growing demand.

**Agrology S.A.**

Agrology S.A. ( Agrology ), was incorporated on May 8, 2008, with Cresud holding a 97% stake and IGSA holding the remaining 3% stake. The capital stock of Ps.50,000 was fully subscribed and paid in. On May 28, 2008, Agrology acquired the interest held by IGSA in IRSA, 2,187,479 GDRs, at a price of Ps.96.0 million. In consideration thereof, Agrology substituted IGSA as borrower of the debt that the latter owed to Cresud for such amount, in accordance with the line of credit agreement entered into between them. As a result of this sale, the loan agreement which granted 790,631 GDRs of IRSA entered into with Inversiones Financieras del Sur S.A. was also assigned. On August 6, 2008, Agrology entered into a securities loan agreement with IFISA granting 1,275,022 GDRs of IRSA under the same conditions as the previous agreement. These loans accrue interest at a monthly rate equivalent to 3-month LIBOR, plus 150 basis points. They would be effective for 30 days and may be renewed for periods, up to a maximum of 360 days. As of the closing date of this annual report, Inversiones Financieras del Sur S.A. had returned 811,711 IRSA's GDRs to Agrology.

On April 8, 2009, Agrology executed a new securities loan agreement with Inversiones Financieras del Sur S.A., by which it granted 12,000,000 IRSA's shares of common stock. Except for interest, this agreement was executed under the same conditions as the previous agreements. This loan would accrue interest from the execution date and through the maturity date at an interest rate of 6% p.a. on the loan principal. It would be effective for 40 days and could be renewed for equal periods, up to a maximum of 360 days. At the closing of this annual report, Inversiones Financieras del Sur S.A. had returned to us 12,000,000 shares of common stock of IRSA.

Agrology's purpose is to invest in financial instruments and manage equity interests in other companies.

**Expansion in Paraguay**

In the context of operations that represent a new expansion of our agricultural business in South America, on September 2008, we entered into several agreements to carry out real estate and agricultural, livestock and forestry activities in the Republic of Paraguay. Under these agreements, a new corporation was organized together with Carlos Casado S.A. under the name Cresca, in which we hold a 50% interest and acts in an advisory capacity for the agricultural, livestock and forestry development of a rural property of 41,931 hectares, and of a potential area of up to 100,000 hectares located in Paraguay derived from the exercise of an option.

In connection with the above mentioned rural property, Cresud executed a preliminary agreement to purchase a 50% interest in such rural property located in Mariscal José Félix Estigarribia, Department of

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Boquerón, Chaco Paraguayo, Republic of Paraguay, owned by Carlos Casado S.A., for a price of US\$ 5.2 million, in order to contribute them to the new company recently organized. The contribution was made on January 26, 2009, and the title deed to the property was executed on February 3, 2009. Therefore, jointly with the contribution made by Carlos Casado S.A., the total value of the contributions made in Cresca is US\$ 10.5 million. In addition, as indicated in the previous paragraph, Cresca has an option granted by Carlos Casado S.A. for the purchase of 100,000 additional hectares located in Paraguay.

In relation to the development of marginal areas, Cresca started planting activities in approximately 2,834 hectares developed at the first stage and started developing approximately 3,000 hectares at the second stage, which are expected to be completed in the course of 2010 calendar year, and will start to be productive in fiscal year 2011, adding more lands intended for agricultural production.

On March 19, 2010 the option granted under the agreement dated September 3, 2008 (Call Option Agreement) was partially exercised, whereby 3,614 hectares, valued at US\$ 350 each, were transferred to Cresca.

Finally, on June 29, 2010, the title deed was executed, involving the conveyance of 3,646 hectares.

### **Expansion in the Republic of Bolivia and the Oriental Republic of Uruguay**

In the framework of a series of transactions that represent a new expansion of our agribusiness operations in South America, in line with our business plan, we have organized companies that own land in the Republic of Bolivia through our controlled companies Agrology S.A., Inversiones Ganaderas S.A. and Agropecuaria Anta S.A. (formerly, Agropecuaria Cervera S.A.) and have acquired a company in the Republic of Uruguay.

Thus, the following companies were incorporated: Agropecuaria Acres del Sud S.A., Aguaribay Agropecuaria S.A., Calden Agropecuaria S.A., Itin Agropecuaria S.A., Ñandubay Agropecuaria S.A., Ombú Agropecuaria S.A., Yatay Agropecuaria S.A. and Yuchan Agropecuaria S.A. whose shareholders are: (i) Agrology S.A. with a 95.12% shareholding, (ii) Inversiones Ganaderas S.A. and (iii) Agropecuaria Anta S.A. with a 2.44% interest, each. The preceding Bolivia-based companies (except for Agropecuaria Acres del Sud S.A.) acquired land for agricultural operations. This way, Cresud maintains a 100.00% ownership interest in the capital stock of those companies, all engaged in agricultural operations.

In addition, during October 2008, we acquired, through our controlled company Agrology, a 100 % shareholding in a company named Helmir S.A., domiciled in the Republic of Uruguay and set up with a broad-ranging corporate purpose.

In line with our international expansion strategy, we have entered into a number of agreements to formalize our position in various South American countries. In July 2008, we, acting through various companies, executed several bills of purchase for an aggregate of 12,166 hectares in the Republic of Bolivia for a total price of US\$ 28.9 million.

In connection with these lands, on November 20, 2008, two purchase instruments including delivery of possession were executed, as part of the process of casting into public deed and filing of deeds with the relevant registries, involving the purchase of 883, 2,969 and 3,748 hectares in San Cayetano, San Rafael and La Fon Fon farms, respectively, located in Santa Cruz, Bolivia. We have already paid 43% of the agreed price of US\$ 17.5 million. The remaining balance was payable in two annual installments: the first one was paid during the 2010 fiscal period, and the second one is payable in fiscal year 2011.

As concerns the remaining hectares, on January 22, 2009, we executed a deed of purchase for 4,566 hectares in Las Londras farm, located in the Province of Guarayos, Bolivia. On that date, the sum of US\$ 3.8 million was paid, representing 42.9% of the total agreed price. The remaining balance was payable in two annual installments: the first one was paid during the 2010 fiscal period, and the second one is payable in fiscal year 2011.



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During fiscal year 2010, 10,800 hectares of the farms located in Bolivia were sown. This region has traditionally achieved double harvesting of soybean, which means that better results can be obtained per hectare during a single season; yet, the weather conditions that prevailed during the last year have not allowed double harvesting.

### ***Real Estate Business***

Please see our *Real Estate Business* business overview, below on this item, for a more detail discussion.

## **Regulation and Government Supervision of our Agricultural Business**

### ***Farming and Animal Husbandry Agreements***

Agreements relating to farming and animal husbandry activities are regulated by Argentine law, the Argentine Civil Code and local customs.

According to the Law No. 13,246, as amended, all lease agreements related to rural properties and land are required to have a minimum duration of 3 years. Upon death of the tenant farmer, the agreement may continue with his successors. Upon misuse of the land by the tenant farmer or default on payment of the rent, the land owner may initiate an eviction proceeding.

Law No. 13,246, as amended, also regulates agreements for crop sharing pursuant to which one of the parties furnishes the other with farm animals or land with the purpose to share benefits between tenant farmer and land owner. These agreements are required to have a minimum term of duration of 3 years. The tenant farmer must perform himself the obligations under the agreement and may not, assign it under any circumstances. Upon the death, incapacity or impossibility of the tenant farmer, the agreement will be terminated.

### ***Quality control of Grains and Cattle***

The quality of the grains and the health measures of the cattle are regulated and controlled by the *Servicio Nacional de Sanidad y Calidad Agroalimentaria*, which is an entity within the Ministry of Economy and Production that oversees the farming and animal sanitary activities.

Argentine law establishes that the brands should be registered with each provincial registry and that there cannot be brands alike within the same province.

### ***Sale and Transportation of Cattle***

Even though the sale of cattle is not specifically regulated, general contract provisions are applicable. Further, every province has its own rural code regulating the sale of cattle.

Argentine law establishes that the transportation of cattle is lawful only when it is done with the respective certificate that specifies the relevant information about the cattle. The required information for the certificate is established by the different provincial regulations, the inter-provinces treaties and the regulations issued by the *Servicio Nacional de Sanidad y Calidad Agroalimentaria*.

### ***Export Restriction of Beef***

The Argentine Agriculture department ( *Secretaria de Agricultura Ganadería, Pesca y Alimentos* ), an entity within the Ministry of Economy and Production, oversees the farming and animal sanitary activities.

In addition the *Secretaria de Agricultura Ganadería, Pesca y Alimentos* is in charge of the distribution in Argentina of the annual regular quota of top quality chilled beef without bones, the *Cuota Hilton*. The destination of the *Cuota Hilton* is the European Union.

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In June 2009, the Secretaria de Agricultura Ganadería Pesca y Alimentos granted to our subsidiary EAASA 622 tons to export beef under the authorized quotas, known as *Cuota Hilton*.

### ***Environment***

The development of our agribusiness depends on a number of federal, state and municipal laws and regulations related to environmental protection.

We may be subject to criminal and administrative penalties, including taking action to reverse the adverse impact of our activities on the environment and to reimburse third parties for damages resulting from contraventions of environmental laws and regulations. Based on the Argentine Criminal Code, persons (including directors, officers and legal entity managers) who commit crimes against public health, such as poisoning or dangerously altering water, food or medicine used for public consumption and selling products that are dangerous to health, without the necessary warnings, may be subject to fines, imprisonment or both. Some courts have utilized these provisions in the Argentine Criminal Code to sanction the discharge of substances which are hazardous to human health. At the administrative level, the penalties vary from notices and fines to the full or partial suspension of the activities, which may include the revocation or annulment of tax benefits, cancellation or interruption of credit lines granted by state banks and a restriction on entering into contracts with public entities.

The Forestry Legislation of Argentina prohibits the devastation of forest and forest land, as well as the irrational use of forest products. Landowners, tenants and holders of natural forests require an authorization from the Forestry Competent Authority for the cultivation of forest land. The legislation also promotes the formation and conservation of natural forests in properties used for agriculture and farming purposes.

As of June 30, 2010, we owned land reserves in excess of 343,153 hectares, which are located in under-utilized areas where agricultural production is not yet fully developed. We believe that technological tools are available to improve the productivity of such land and enhance its long-term value. However, existing or future environmental regulations may prevent us from completely developing our land reserves, requiring us to maintain a portion of such land as unproductive land reserves.

In accordance with legislative requirements, we have applied for approval to develop certain parts of our land reserves, to the extent allowed. We cannot assure you that current or future development applications will be approved, and if so, to what extent we will be allowed to develop our land reserves. We intend to use genetically modified organisms in our agricultural activities. In Argentina, the cultivation of genetically modified organisms is subject to special laws and regulations and specific authorizations.

On November 28, 2007, Argentine Congress passed a law known as the Forest Law which sets minimum standards for the conservation of native forests and incorporates minimum provincial expenditures to promote the protection, restoration, conservation and sustainable use of native forests. The Forest Law prevents landowners, including deforestation of native forests or converting non-forested areas in forested land for other commercial uses without prior permission from each local government that gives the permit and requires the preparation, appraisal and approval of a report environmental impact. The Forest Law also provides that each province should adopt its own legislation and its map of regional order within one year. During the time that such an implementation requires provincial new clearing will be authorized a plan for implementation within one year and not allow any deforestation during this period of one year. In addition, the Forest Law also establishes a national policy for sustainable use of native forests and includes the recognition of native communities that aims to provide preferential use rights to indigenous communities living and farming near the forest. In this case, the relevant provincial authority may not issue permits without formal public hearings and written consent of such communities.

Our activities are subject to a number of national, provincial and municipal environmental provisions. Section 41 of the Argentine Constitution, as amended in 1994, provides that all Argentine inhabitants have the right to a healthy and balanced environment fit for human development and have the duty to preserve it. Environmental damage shall bring about primarily the obligation to restore it as provided by applicable law. The authorities shall see to the protection of this right, the rational use of natural resources, the preservation of the

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natural and cultural heritage and of biodiversity, and shall also provide for environmental information and education. The National Government shall establish minimum standards for environmental protection whereas Provincial and Municipal Governments shall fix specific standards and regulatory provisions.

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

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

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

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

### **Property and Transfer Taxes**

*Value Added Tax.* Under Argentine law, the sale of cattle and grains are taxable at a rate equal to 10.5% of the sale price. The sale of milk is taxable at a rate equal to 21%. The sale of land is not taxable.

*Gross Sales Tax.* A local transfer tax is imposed on the sale price of cattle, grains and milk at a general rate of 1%. In some provinces the sale of primary goods is not taxable.

*Stamp Tax.* This is a local tax that 23 provinces and the City of Buenos Aires collect based on similar rules regarding subject matter, tax base and rates. In general, this tax is levied on acts validated by documents, (e.g. acts related to the constitution, transmission, or expiration of rights, contracts, contracts for sales of stock and company shares, public deeds relating to real property, etc.).

In the City of Buenos Aires (federal district) the stamp tax only applies to public deeds for the transfer of real estate, or for any other contract whereby the ownership of real property is transferred and commercial leases. The purchase and sale of real estate through public deed is not taxable if the real estate will be used for housing. In the City of Buenos Aires the tax rate is 2.5%. In the Province of Buenos Aires, the tax rate is 3% for public deeds of transfer of real property.

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

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

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

As the consolidated annual sales volume of the Company and IRSA exceed Ps.200.0 million, IRSA should give notice to the Antitrust Authority of any transaction within the scope of the Antitrust Law.

On June 30, 2009 Cactus Feeders, Cresud and Helmir subscribed a stock purchase agreement, whereby Cactus Feeders Inc. transferred to Cresud and Helmir, which is controlled indirectly by Cresud shares of Cactus Argentina. Moreover on June 07, the economic concentration was notified to the Antitrust Authority. On October 28, 2010 the Antitrust Authority authorized the transaction.

### ***Real Estate Business***

During the fiscal year ended June 30, 2010, we acquired directly or indirectly 15,093,309 additional shares of IRSA. Our equity interest in IRSA was 57.49% as of June 30, 2010. This percentage includes 39,855,739 shares owned by Agrology. We started consolidated the accounts and results of operations of IRSA as from October 1, 2008. Our consolidated financial information for periods prior to October 1, 2008 does not include the accounts of IRSA on a consolidated basis. Therefore, the income statement, balance sheet and cash flow data as of June 30, 2010 and 2009 and for the years then ended is not comparable to prior periods.

### **Operations and principal activities**

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

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

the development and sale of residential properties,

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

the acquisition and operation of luxury hotels,

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

selected real estate investments outside Argentina.

As of June 30, 2009 and 2010, IRSA had total assets of Ps. 4,936.0 million and Ps. 5,633.4 million, respectively and shareholders' equity of Ps. 2,095.7 million and Ps. 2,403.0 million, respectively. IRSA's net income for the fiscal years ended June 30, 2008, 2009, and 2010 was Ps.54.9 million, Ps. 158.6 million and Ps. 334.5 million, respectively. IRSA is 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.

IRSA currently owns 29.78% of Banco Hipotecario (without considering treasury shares), one of the leading financial institutions in Argentina.

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

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

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

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**Consumer Financing.** IRSA has developed a consumer financing business through Alto Palermo's subsidiaries as of June 30, 2010, Tarshop and Metroshop S.A. Tarshop and Metroshop's credit card operations consist primarily of lending and servicing activities relating to the credit card products it offers to consumers at shopping centers, hypermarkets and street stores. IRSA finances a substantial part of its credit card advances through securitization of the receivables underlying the accounts we originate. Its 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. IRSA's Consumer financing segment had assets of Ps. 174.9 million as of June 30, 2009, and Ps. 327.3 million as of June 30, 2010, which represented 3.5% and 5.8%, respectively, of its consolidated assets at such dates, and generated an operating loss of Ps. 17.7 million and Ps. 125.4 million and an operating income of Ps. 53.3 million for its 2008, 2009 and 2010 fiscal years, respectively, representing 6.9%, 42.4% and 9.9%, respectively, of its consolidated operating income/(loss) for such years. On August 30, 2010, the Central Bank approved the sale of 80% of Alto Palermo's interest in Tarshop to Banco Hipotecario. Immediately after the sale, Alto Palermo's and Banco Hipotecario's equity interests in Tarshop were 20% and 80% respectively.

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

**Development and sale of properties.** The acquisition and development of residential apartment complexes and other residential communities for sale is another of our core activities. IRSA's 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, IRSA acquires vacant land, develop infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. IRSA's development and sale of properties segment had assets of Ps. 507.8 million as of June 30, 2009 and Ps. 657.6 million as of June 30, 2010, representing 10.3% and 11.7%, respectively, of its consolidated assets at such dates, and generated operating income of Ps. 19.3 million, Ps. 121.2 million and Ps. 139.5 million during its 2008, 2009 and 2010 fiscal years, respectively, representing 7.6%, 41.0% and 25.8%, respectively, of its consolidated operating income/(loss) for such years.

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

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

**Banco Hipotecario.** During fiscal year 2010, IRSA continued to increase its interest in Banco Hipotecario by acquiring 100,417,816 shares representative of 6.69% of its capital stock for Ps. 118.7 million, equivalent to a 28.03% investment, held in the form of Class D shares, which are currently entitled to three votes per share, affording it the right to vote 43.75% of the total votes that can be cast at Banco Hipotecario's shareholders' meetings. As of June 30, 2010, IRSA's investment in Banco Hipotecario represented 14.4% of its consolidated assets, and during our fiscal years ended June 30, 2008, 2009 and 2010, this investment generated losses for Ps. 12.4 million, income for Ps. 142.1 million and income for Ps. 151.6 million, respectively.

**International.** During fiscal year 2009, IRSA acquired a 30% interest in a company incorporated in Delaware, whose main asset is the so-called Lipstick office building located in the City of New York, and more

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recently, it acquired a 10.9% interest, jointly with subsidiaries, in a Real Estate Investment Trust ( REIT ), called Hersha (NYSE: HT), which holds a controlling interest in 77 hotels in the United States, totaling around 9,551 rooms as of June 30, 2010.

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

**Business Strategy**

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

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

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

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

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

*Banco Hipotecario.* IRSA currently seeks to keep its investment in Banco Hipotecario, as believes 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.

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*Land reserves.* IRSA seeks 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. IRSA believes that holding a portfolio of desirable undeveloped plots of land enhances our ability to make strategic long-term investments and affords us a valuable pipeline of new development projects for upcoming years.

*International.* In the past, we have made significant real estate investments outside of Argentina, including investments in Brazil Realty S.A. in Brazil and Fondo de Valores Inmobiliarios in Venezuela which we disposed of in 2002 and 2001, respectively. During fiscal year 2009, IRSA acquired a 30% interest in a company incorporated in Delaware, whose main asset is the so-called Lipstick office building located in the City of New York, and more recently, IRSA acquired a 10.09% interest, jointly with subsidiaries, in a REIT, called Hersha (NYSE: HT), which holds a controlling interest in 77 hotels in the United States, totaling around 9,551 rooms as of June 30, 2010. In addition, IRSA recently signed a conditional agreement for the purchase of a property located at 183 Madison Avenue, New York, NY, through an investment in a limited liability company, Rigby 183 LLC. IRSA seeks to continue to evaluate on a selective basis real estate investment opportunities outside Argentina as long as they offer investment and development attractive opportunities. For more information please see *Recent Developments* and *Significant Changes* .

## **Shopping Centers**

### ***Overview***

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

As of June 30, 2010, through IRSA, we owned 63.35% of Alto Palermo and Parque Arauco S.A. owned 29.55%. The remaining shares are held by the investor public and traded on the *Bolsa de Comercio de Buenos Aires* and the related GDSs are listed and traded on NASDAQ National Market under the symbol APSA . In addition, as of June 30, 2010, we owned US\$31.7 million of Alto Palermo s convertible notes due July 2014. If IRSA, 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, its shareholding in Alto Palermo would increase to 97.1% of its fully diluted capital. For more information please see *Recent Developments* and *Significant Changes* .

On January 14, 2010, IRSA announced that Parque Arauco S.A. granted to IRSA an option to purchase its 29.55% interest in Alto Palermo (including its direct and indirect interest in Convertible Notes for a principal amount of US\$ 15.5 million issued by Alto Palermo), for a total amount of US\$126 million.

The option grants us the right to exercise it until August 31, 2010, extendable to November 30, 2010.

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

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

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



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The following table shows certain information concerning our Alto Palermo subsidiary's shopping centers as of June 30, 2010:

**Shopping Centers**

|                                | Date<br>of<br>Acquisition | Leaseable<br>Area<br>sqm (1) | APSA's<br>Effective<br>Interest<br>(3) | Occupancy<br>rate<br>(2) | Accumulated Annual Rental Income<br>for the fiscal year<br>(in Ps./000) (4) |                |                | Book<br>Value<br>(Ps./000) (5) |
|--------------------------------|---------------------------|------------------------------|--|--------------------------|---|----------------|----------------|--------------------------------|
|                                |                           |                              |  |                          | 2010  | 2009           | 2008           |                                |
| <b>Shopping Centers (6)</b>    |                           |                              |  |                          |   |                |                |                                |
| Alto Palermo                   | 11/97                     | 18,629                       | 100.0%                                 | 100.0%                   | 98,020  | 82,450         | 69,847         | 134,984                        |
| Abasto Shopping (7)            | 07/94                     | 37,603                       | 100.0%                                 | 99.6%                    | 91,304  | 77,773         | 69,639         | 163,556                        |
| Alto Avellaneda                | 11/97                     | 36,579                       | 100.0%                                 | 96.0%                    | 59,833  | 47,488         | 39,958         | 73,454                         |
| Paseo Alcorta                  | 06/97                     | 14,390                       | 100.0%                                 | 97.5%                    | 42,714  | 39,067         | 37,293         | 70,663                         |
| Patio Bullrich                 | 10/98                     | 11,736                       | 100.0%                                 | 99.7%                    | 37,254  | 31,537         | 28,864         | 89,638                         |
| Alto Noa Shopping              | 03/95                     | 18,869                       | 100.0%                                 | 99.9%                    | 13,701  | 10,838         | 9,598          | 21,570                         |
| Buenos Aires Design            | 11/97                     | 13,786                       | 53.7%                                  | 98.4%                    | 14,613  | 12,965         | 12,020         | 8,811                          |
| Alto Rosario Shopping (7)      | 11/04                     | 28,650                       | 100.0%                                 | 93.7%                    | 30,821  | 24,141         | 20,040         | 77,401                         |
| Mendoza Plaza Shopping         | 12/94                     | 40,651                       | 100.0%                                 | 93.1%                    | 27,206  | 25,478         | 24,232         | 80,552                         |
| Fibesa and others (8)          |                           | N/A                          | 99.99%                                 | N/A                      | 24,928  | 25,235         | 23,327         |                                |
| Neuquén (9)                    | 07/99                     | N/A                          | 98.1%                                  | N/A                      |   |                |                | 12,389                         |
| Panamerican Mall S.A. (10)     | 12/06                     | 49,750                       | 80.0%                                  | 100.0%                   | 64,515  | 8,499          |                | 583,355                        |
| Córdoba Shopping Villa Cabrera | 12/06                     | 15,643                       | 100.0%                                 | 98.8%                    | 13,446  | 11,262         | 10,577         | 68,958                         |
| <b>TOTAL SHOPPING CENTERS</b>  |                           | <b>286,286</b>               | <b>94.8%</b>                           | <b>97.9%</b>             | <b>518,355</b>  | <b>396,733</b> | <b>345,395</b> | <b>1,385,331</b>               |
| Consumer Financing revenues    |                           | N/A                          | 100.0%                                 | N/A                      | 265,346   | 236,827        | 291,030        |                                |
| <b>GENERAL TOTAL (11)</b>      |                           | <b>286,286</b>               | <b>95.1%</b>                           | <b>97.5%</b>             | <b>783,701</b>  | <b>633,560</b> | <b>636,425</b> | <b>1,385,331</b>               |

**Notes:**

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

**Table of Contents****Tenant Retail Sales**

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

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

**Notes:**

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

**Lease Expirations**

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

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

- (1) Includes vacant stores as of June 30, 2010. A lease agreement may be linked to one or more premises.
- (2) Includes the basic rental income amount. Does not give effect to our ownership interest in each property.



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

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

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

**Rental Price**

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

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

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

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

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

**Depreciation**

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



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

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

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

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

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

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

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

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

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

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

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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 (Fixed Monthly Minimum Rent or Variable Rent Dependent on Sales, as applicable), in addition to rent and expense payments. Alto Palermo may increase the percentage that tenants must contribute to the CPF, but the increase cannot exceed 25% of the original amount set forth in the corresponding lease agreement for the contributions to the CPF. Alto Palermo also may require tenants to make extraordinary contributions to the CPF to fund special promotional and marketing campaigns or to cover the costs of special promotional events that benefit all tenants. Alto Palermo may require tenants to make these extraordinary contributions up to four times a year provided that each such extraordinary contribution may not exceed 25% of the preceding monthly rental payment of the tenant.

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

**Sources of Shopping Center Revenues**

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

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

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

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

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

**Alto Avellaneda, Avellaneda, Greater Buenos Aires.** Alto Avellaneda is a 142-store shopping center that opened in October 1995 and is located in the densely populated neighborhood known as Avellaneda, on the southern border of the City of Buenos Aires. Alto Avellaneda has a total constructed area of 108,598.8 square meters that includes 36,579 square meters of gross leaseable area. Alto Avellaneda has a six-screen multiplex

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

**Paseo Alcorta, City of Buenos Aires.** Paseo Alcorta is a 111-store shopping center that opened in 1992 and is located in the residential neighborhood of Palermo Chico, one of the most exclusive areas in the City of Buenos Aires, within a short drive from downtown Buenos Aires. Paseo Alcorta has a total constructed area of approximately 87,553.8 square meters that consists of 14,390 square meters of gross leaseable area. The three-level shopping center includes a four-screen multiplex movie theatre, a 17-restaurant food court, a Carrefour hypermarket, and a parking lot with approximately 1,300 spaces. Carrefour purchased the space it now occupies but it pays a share of the expenses of the shopping center's parking lot. In the fiscal year ended June 30, 2010, the public visiting the shopping center generated nominal retail sales that totaled approximately Ps. 414.7 million, which represents annual sales for approximately Ps. 28,814.7 per square meter. Principal tenants currently include Zara, Frávega, Rapsodia, Kartun and Jazmín Chebar. Paseo Alcorta's five largest tenants (in terms of sales in this shopping center) accounted for approximately 13.3% of Paseo Alcorta's gross leaseable area at June 30, 2010 and approximately 9.7% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

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

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

**Alto Noa, City of Salta.** Alto Noa is an 90-store shopping center located in the City of Salta, the capital of the Province of Salta. The shopping center consists of approximately 30,876 square meters of total constructed area that consists of 18,869 square meters of gross leaseable area and includes a 14-store food court, an entertainment center, a supermarket, an eight-screen movie theatre and parking facilities for 551 cars. In the fiscal



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year ended June 30, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 280.2 million, which represents annual sales for approximately Ps. 14,852.1 per square meter. Principal tenants currently include Supermercado Norte, Garbarino, Boulevard Casino, Y.P.F., and Frávega. Alto Noa's five largest tenants (in terms of sales in this shopping center) represented approximately 32.4% of Alto Noa's gross leaseable area as of June 30, 2010 and approximately 15.3% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

**Buenos Aires Design, City of Buenos Aires.** Buenos Aires Design is a 63-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. Alto Palermo owns Buenos Aires Design through a 53.68% interest in Emprendimiento Recoleta S.A., which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta, one of the most popular tourist zones in Buenos Aires City. Buenos Aires Design has a total constructed area of 26,131.5 square meters that consists of 13,786 square meters of gross leaseable area and 8 restaurants. It is divided into two floors and has a 174-car parking lot. In the fiscal year ended June 30, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 140.9 million, which represents annual sales for approximately Ps. 10,225.7 per square meter. Principal tenants currently include Morph, Hard Rock Café, Barugel Azulay, Bazar Geo and Kalpakian. Buenos Aires Design's five largest tenants (in terms of sales in this shopping center) accounted for approximately 21.6% of Buenos Aires Design's gross leaseable area as of June 30, 2009 and 19.6% of its Fixed Monthly Minimum Rent for the fiscal year ended on such date.

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

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

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

**Dot Baires Shopping, City of Buenos Aires.** Dot Baires Shopping is a shopping center that was opened in May 2009. It has 4 floors and 3 underground levels, a covered surface area of 173,000 square meters, of which 49,750 constitute Gross Leasable Area, 153 retail stores, a hypermarket, a 10-screen multiplex movie theater and

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parking space for 2,200 vehicles. Alto Palermo is owner of Dot Baires Shopping through an 80% ownership interest in this shopping center. For the fiscal year ended on June 30, 2010, the shopping center's tenants generated nominal retail sales that totaled approximately Ps. 763.5 million, which represents annualized sales for approximately Ps. 15,347.4 per square meter. The main tenants include Falabella, Wal-Mart, Zara, Garbarino and Frávega. Dot Baires Shopping's five largest tenants (in terms of sales in this shopping center) accounted for approximately 46.3% of Dot Baires Shopping's gross leasable area and approximately 23.3% of its Fixed Monthly Minimum Rent for the fiscal year ended on June 30, 2010.

**Acquisition of Soleil Factory, San Isidro, Province of Buenos Aires.** On December 28, 2007, Alto Palermo S.A. entered into a preliminary agreement with INC S.A. concerning a partial conveyance of goodwill whereby Alto Palermo agreed to buy a shopping center located in San Isidro, in northern Greater Buenos Aires, called Soleil Factory. The closing of this transaction is subject to certain conditions precedent. The total price was US\$ 20.7 million, of which Alto Palermo paid US\$ 8.1 million as down payment. The balance of US\$ 12.6 million is payable in 2014. At that time, Alto Palermo signed a letter of offer for the acquisition, construction and operation of a Shopping Center in the premises owned by INC S.A. in the City of San Miguel de Tucumán, Province of Tucumán. This transaction is subordinated to certain conditions precedent, including, but not limited to, the partial acquisition from INC S.A. of the going concern formed by the Shopping Center operating in Soleil Factory. On July 1, 2010, the final deed of conveyance of title of the ongoing concern was executed and possession of the property where the shopping center is operating was delivered.

### **Control Systems**

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

### **Related Business**

#### **Consumer financing segment**

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

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

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

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

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

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

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

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

During fiscal year 2010, Tarshop had total net income of Ps.27.12 million compared favourably to the net loss of Ps. 97.074 million for the fiscal year 2009, that can be explained by the decisions implemented and the improvement in capitalization combined with a relative stabilization in local financial markets, a drop in uncollectibility charges and a decrease in operating expenses. It should be highlighted that, during the last months of fiscal year 2009, a drop in losses was observed compared to previous quarters.

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

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

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

**Purchase and credit card**

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

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



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

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

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

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

Tarshop's loans business operates through two distinct modalities:

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

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

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

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

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

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

### ***Distribution Network***

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

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

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

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

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

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

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

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

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

### ***Portfolio Analysis and Maintenance***

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

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

### ***Collection Process***

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

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

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

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

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

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

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

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

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

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

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

(1) In million Pesos.

(2) Regular compliance loans, with delinquencies not in excess of 30 days.

(3) Loans covered by a bad debt allowance at 100%.

**Funding**

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

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

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

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

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

<sup>1</sup> The allowance for bad debts was estimated based on credit classification performed according to criteria related to debtors' obligation default levels, and according to this classification the minimum allowance criteria arising from Communication A 2729 and amendments

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of the Central Bank have been applied. In addition, the Company verifies whether the allowance raised as explained in the paragraph above is sufficient by assessing the portfolio that exhibits uncollectibility risk and based on its performance.



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### ***Technology***

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

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

As regards the business core applications, which are maintained in-house, Tarshop deploys a strategy consisting in continuously improving its core applications based on careful supervision of the business key indicators in order to make improvements in those spots where the business needs them most. Examples of this strategy were the integration between Tarshop's core application and the collection procedure application and the telephone communications scheme which resulted in streamlined collections and better customer service. Besides, Tarshop's web and mobile services platform was renewed, which in turn led to automating contacts with customers and affiliated stores as well as improved loan sales at retail stores.

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

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

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

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

The acquisition and development of residential apartment complexes and residential communities for sale is one of our core activities. Our development of residential apartment complexes consists of the 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, 2010, revenues from our Development and sale of properties segment were Ps. 225.6 million, compared to Ps. 280.4 million in the fiscal year ended June 30, 2009.

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

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

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

IRSA-CYRELA's first project, which has been developed in a plot made up by two adjacent blocks in the Vicente López neighborhood, was launched in March under the name Horizons. It is one of the most significant developments in the greater Buenos Aires area and it will entail a new concept in residential complexes given its emphasis on the use of common spaces. This project includes two complexes with a total of six buildings; one of them facing the river with three 14-floor buildings (the River complex) and the other on Avenida del Libertador with three 17-floor buildings (the Park complex), totaling 59,000 sqm of constructed surface area for sale distributed in 467 units (to the exclusion of the units to be delivered in exchange for the acquisition of land). With its unique and innovating style in residential complexes, Horizons has 32 amenities, including a meeting room; a work zone; indoor swimming pools; club house and spa, sauna, gym, children room, teen room; theme-park areas; and aerobic trail, to name but a few. The showroom was opened to the public in March 2008 with immediate success. As of the date of these financial statements, preliminary sales agreements had been executed for 100% of our own units on sale, and the results will be reflected as the works make progress, proportionally consolidated at 50%.

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

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

**Sales and Development Properties**

|  | Date of Acquisition | Estimated               | Area intended for Sale (sqm) (2) | Total Units / Lots (3) | IRSA s Effective Interest | Percentage Built | Percentage Sold (4) | Accumulated Sales in (Ps. 000) as of June 30 of fiscal year (6) |              |               | Book Value Ps./000 (7) |                |
|--|---------------------|-------------------------|----------------------------------|------------------------|---------------------------|------------------|---------------------|---|--------------|---------------|------------------------|----------------|
|  |                     | Real Cost (Ps. 000) (1) |                                  |                        |                           |                  |                     | Accumulated Sales (Ps. 000) (5)                                 | 2010         | 2009          |                        | 2008           |
| <b>DEVELOPMENT</b>                                   |                     |                         |                                  |                        |                           |                  |                     |   |              |               |                        |                |
| <b>Residential apartments</b>                        |                     |                         |                                  |                        |                           |                  |                     |   |              |               |                        |                |
| Torres Renoir (15)                                   | 09/09/99            | 22,861                  | 5,383                            | 28                     | 100.00%                   | 100.00%          | 100.00%             | 53,940  | 142          | 53,798        |                        |                |
| Swap receivables Rosario Plot of land (8) (16)       | 04/30/99            |                         | 4,692                            | 80                     | 63.35%                    | 100.00%          | 0.00%               |   |              |               |                        | 11,023         |
| Caballito Plot of land (16)                          | 11/03/97            | 42,668                  | 9,784                            | 1                      | 50.00%                    | 0.00%            | 0.00%               |   |              |               |                        | 6,794          |
| Swap receivables Caballito Plot of land (Cyrsa) (14) | 11/03/97            |                         | 7,451                            |                        | 100.00%                   | 0.00%            | 0.00%               |   |              |               |                        | 18,970         |
| Swap receivables Caballito Plot of land (KOAD) (14)  | 11/03/97            |                         | 6,833                            | 118                    | 100.00%                   | 98.00%           | 65.00%              |   |              |               |                        | 32,462         |
| Libertador 1703 y 1755 (Horizons) (15)               | 01/16/07            | 458,998                 | 59,000                           | 467                    | 50.00%                    | 83.12%           | 100.00%             |   |              |               |                        | 208,644        |
| Other (9)  | N/A                 | 234,552                 | 120,080                          | 1,438                  |                           |                  |                     | 367,847   | 1,289        | 3,483         | 61,133                 | 10,227         |
| <b>Subtotal residential apartments</b>               |                     | <b>759,079</b>          | <b>213,223</b>                   | <b>2,132</b>           |                           |                  |                     | <b>421,787</b>  | <b>1,431</b> | <b>57,281</b> | <b>61,133</b>          | <b>288,120</b> |
| <b>Residential communities</b>                       |                     |                         |                                  |                        |                           |                  |                     |   |              |               |                        |                |
| Abril/Baldovinos (10)                                | 01/03/95            | 130,955                 | 1,408,905                        | 1273                   | 100.00%                   | 100.00%          | 99.40%              | 237,062   | 5,067        | 9,904         | 4,030                  | 1,763          |
| El Encuentro   | 11/18/97            |                         | 125,889                          | 110                    | 100.00%                   | 100.00%          | 7.10%               | 11,830  | 3,482        |               |                        | 10,256         |
| Villa Celina I, II y III                             | 05/26/92            | 4,742                   | 75,970                           | 219                    | 100.00%                   | 100.00%          | 100.00%             | 14,028  |              | 76            |                        |                |
| <b>Subtotal residential communities</b>              |                     | <b>135,697</b>          | <b>1,610,764</b>                 | <b>1,602</b>           |                           |                  |                     | <b>262,920</b>  | <b>8,549</b> | <b>9,980</b>  | <b>4,030</b>           | <b>12,019</b>  |
| <b>Land Reserves</b>                                 |                     |                         |                                  |                        |                           |                  |                     |   |              |               |                        |                |
| Puerto Retiro  | 05/18/97            |                         | 82,051                           |                        | 50.00%                    | 0.00%            | 0.00%               |   |              |               |                        | 54,600         |
| Santa María del Plata                                | 07/10/97            |                         | 715,951                          |                        | 90.00%                    | 0.00%            | 10.00%              | 31,000  |              |               |                        | 140,584        |
| Pereiraola   | 12/16/96            |                         | 1,299,630                        |                        | 100.00%                   | 0.00%            | 100.00%             | 46,311  | 46,311       |               |                        |                |
| Alcorta Plot of land (8)                             | 07/07/98            |                         | 1,925                            |                        | 63.35%                    | 0.00%            | 100.00%             | 22,969  |              |               |                        |                |
| Rosario Plot of land (8)                             | 04/30/99            |                         | 31,000                           |                        | 63.35%                    | 0.00%            | 19.85%              | 11,072  |              | 7,644         | 3,428                  | 19,894         |
| Caballito Mz 35 Plot of land                         | 11/03/97            |                         | 9,784                            |                        | 100.00%                   | 0.00%            | 100.00%             | 19,152  |              |               | 19,152                 |                |
| 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%               | 273   | 21           | 29            | 57                     | 5,705          |
| Beruti Plot of land (8)                              | 06/24/08            |                         | 3,207                            |                        | 63.35%                    | 0.00%            | 0.00%               |   |              |               |                        | 52,934         |
| Pilar  | 05/29/97            |                         | 740,237                          |                        | 100.00%                   | 0.00%            | 0.00%               |   |              |               |                        | 3,408          |

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|                               |          |                   |                   |              |         |         |                  |                |                |                |                |
|-------------------------------|----------|-------------------|-------------------|--------------|---------|---------|------------------|----------------|----------------|----------------|----------------|
| Coto Air Space (8)            | 09/24/97 | 24,000            | 63.35%            | 0.00%        | 0.00%   |         |                  |                |                | 13,188         |                |
| Torres Jardín IV              | 07/18/96 | 3,176             | 100.00%           | 0.00%        | 0.00%   |         |                  |                |                | 3,030          |                |
| Caballito Plot of land (8)    | 10/01/98 | 23,389            | 63.35%            | 0.00%        | 0.00%   |         |                  |                |                | 36,745         |                |
| Patio Olmos (8)               | 09/25/07 | 5,147             | 63.35%            | 100.00%      | 0.00%   |         |                  |                |                | 32,949         |                |
| Other land reserves (11)      | N/A      | 13,596,833        |                   |              |         |         | 1,041            |                | 1,041          | 35,704         |                |
| <b>Subtotal land reserves</b> |          | <b>20,843,235</b> |                   |              |         |         | <b>131,818</b>   | <b>46,332</b>  | <b>8,714</b>   | <b>22,637</b>  | <b>403,200</b> |
| <b>Other</b>                  |          |                   |                   |              |         |         |                  |                |                |                |                |
| Dique III                     | 09/09/99 | 10,474            | N/A               | 100.00%      | 0.00%   | 100.00% | 91,638           |                |                |                |                |
| Bouchard 551                  | 03/15/07 | 9,946             | N/A               | 100.00%      | 100.00% | 100.00% | 108,423          |                |                | 108,423        |                |
| Madero 1020                   | 12/21/95 | 5,069             | N/A               | 100.00%      | 100.00% | 100.00% | 18,848           | 71             | 1,830          |                | 476            |
| 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 | 6,819             | N/A               | 100.00%      | 100.00% | 100.00% | 82,958           | 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         |                |
| Crucero I stores              |          | 192               | N/A               | 100.00%      | 100.00% | 100.00% | 2,006            |                |                | 2,006          |                |
| Other                         | N/A      | 7,017             | N/A               | 100.00%      | 100.00% | 100.00% | 25,479           | 912            | 3,099          |                | 112            |
| <b>Subtotal Other (12)</b>    |          | <b>67,302</b>     |                   |              |         |         | <b>612,118</b>   | <b>169,255</b> | <b>204,387</b> | <b>109,011</b> |                |
| <b>TOTAL (13)</b>             |          | <b>894,776</b>    | <b>22,734,524</b> | <b>3,734</b> |         |         | <b>1,428,643</b> | <b>225,567</b> | <b>280,362</b> | <b>196,811</b> | <b>703,339</b> |

Notes:

- (1) Cost of acquisition plus total investment made and/or planned if the project has not been completed, for residential apartments and or communities (adjusted for inflation as of 02/28/03, as applicable).

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

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### ***Residential Apartments and Lofts***

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

### ***Projects Under Development***

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

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

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

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In April 2007, IRSA created CYRSA S.A. in order to have a corporate vehicle to facilitate the development of a specific project together with one or more investors having in-depth knowledge and vast experience in the industry. To that end, IRSA 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).

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

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

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

***Completed Apartment Projects***

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

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

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

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

**Concepción Arenal 3000, City of Buenos Aires.** Concepción Arenal 3000 is a 70-loft residential property located in the north-central area of the City of Buenos Aires. Each loft unit

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has a salable area of 86 square meters and a parking space. Lofts in this building are targeted towards the middle-income market. As of June 30, 2010, the project had been completed and fully sold.

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

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

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

### ***Residential Communities***

In the residential communities market, IRSA 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 IRSA build streets and roads and arrange for the provision of basic municipal services and amenities such as open spaces, sports facilities and security. IRSA seeks 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 have also influenced the trend to adopt this lifestyle.

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

***Abril, Hudson, Greater Buenos Aires.*** Abril is a 312-hectare private residential community located near Hudson City, approximately 34 kilometers south of the City of Buenos Aires. IRSA has 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



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meter mansion and entertainment facilities. A bilingual school, horse stables and sports centers and the construction of the shopping center were concluded in 1999. The neighborhoods have been completed, and as of June 30, 2010, 99.4% of the property had been sold for an aggregate of Ps. 237.1 million, with 9,816.07 square meters available for sale.

***El Encuentro, Benavidez, Tigre.*** In the district of Benavidez, Municipality of Tigre, 35 kilometers north from downtown Buenos Aires, IRSA owns 110 lots in a 110-hectare gated residential complex known as El Encuentro, consisting of a total of 527 lots with a total saleable area of 610,785.15 square meters with two privileged front accesses: the main one to Vía Bancalari and the service one to Highway No. 9, allowing an easy way to and from the city. On May 21, 2004 an exchange deed was signed for the original lot whereby DEESA agreed to pay US\$ 4.0 million to IRSA's subsidiary Inversora Bolívar, of which US\$ 1.0 million were paid in cash and the balance of US\$3.0 million was paid on December 22, 2009, with the transfer of 110 residential plots already chosen, totaling a saleable area of 116,501 square meters. The development of the project is completed and equipped with power supply, water, sewage, effluent treatment plant, public lighting, finished driveways and accesses, buildings, sports facilities, etc.

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

***Land Reserves***

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

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

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

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

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In the year 2000, IRSA filed a master plan for the Santa María del Plata site, which was assessed by COPUA and submitted to the City's Treasurer's Office for its consideration. In 2002, the Government of the City of Buenos Aires issued a notice of public hearing and in July 2006, the COPUA made some recommendations about the project. On December 13, 2006, IRSA 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, IRSA sold 10% of the capital stock of Solares de Santa María for the amount of US\$ 10.6 million to Unicity S.A., an unrelated third party, who is affiliated to the Sutton Group. We have collected US\$1.5 million of the purchase price and the balance of US\$ 9.1 million was capitalized in September 2010.

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

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

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

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

***Beruti plot of land.*** During June 2008, APSA acquired a plot of land situated at Berutti 3351/3359, between Bulnes and Avenida Coronel Díaz in Palermo, a neighborhood in the City of Buenos Aires quite close to our Shopping Center known as Alto Palermo Shopping. The transaction involved a surface area of 3,207 square meters for a price of US\$ 17.8 million.

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This has been a significant acquisition because of the strategic location of the property, in the immediate vicinity of our main shopping center. On October 13, 2010 Alto Palermo and TGLT, entered into an agreement to barter this plot of land, for more information, please see *Recent Developments* and *Significant Changes* .

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

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

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

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

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

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

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

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

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

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

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

To secure payment of the price, the buyer pledged its Pereiraola's shares, which remain in IRSA's custody. Besides, the buyer created a first-degree mortgage in its 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. IRSA is considering several alternatives for this property including the development of a residential community or the sale of this property in its current state and, therefore, we do not have a cost estimate or financing plan. The plot's book value is estimated to be Ps.3.4 million as of June 30, 2010.

### ***Land Reserves in Other Provinces***

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

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

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

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

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

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

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

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

The first stage of the works is to be finished within 22-month 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. For more information, see *Recent Developments* and *Significant Changes*

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

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***Arcos del Gourmet.*** On November 27, 2009, APSA exercised an option to acquire the 80% of Arcos del Gourmet's common stock.

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

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

## **Other Land Reserves**

Through IRSA, 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 Ponce de León. 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, IRSA acquired the Hotel Llao Llao, IRSA's first luxury hotel. Some months later, as part of the acquisition from Pérez Companc of the Old Alto Palermo, IRSA acquired an indirect 50% interest in the Hotel Intercontinental in Buenos Aires which IRSA owns through its subsidiary Inversora Bolívar. In March 1998, IRSA acquired the Hotel Libertador. During fiscal year 1999, IRSA 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, IRSA sold 50% of our interest in the Hotel Llao Llao to the Sutton Group. During fiscal year 2007 IRSA 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 IRSA luxury hotels:

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

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

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

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

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

**Terreno Bariloche, El Rancho, San Carlos de Bariloche, Province of Río Negro.** On December 14, 2006, through IRSA's hotel operator subsidiary, Llao Llao Resorts S.A., IRSA acquired a land covering 129,533 square meters of surface area in the City of San Carlos

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de Bariloche in the Province of Río Negro. The total price of the transaction was US\$7.0 million, of which US\$4.2 million were paid cash and the balance of US\$2.8 million was financed by means of a mortgage to be paid in 36 monthly, equal and consecutive installments of US\$0.086 million each. The land is in the border of the Lago Gutiérrez, close to the Hotel Llao Llao in an outstanding natural environment and it has a large cottage covering 1,000 square meters of surface area designed by the architect Ezequiel Bustillo.

### **Other Investments in Argentina and Abroad**

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

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

The total purchase price for Zetol shares was fixed at US\$7.0 million; , of which US\$2.0 million have already been paid and the outstanding balance is to be paid in five installments of US\$ 1.0 million each, accruing interest at an annual 3.5% rate on outstanding balances, until completion of the projected construction or within a maximum term of 93 months counted as from the date of acquisition. The sellers may choose to receive, in lieu of cash for the outstanding balances (principal plus interest), the rights to the units to be built in the property owned by Zetol, representatives of 12% of the total marketable meters to be constructed.

The total price for the acquisition of Vista al Muelle was US\$ 0.83 million. There has been a US\$ 0.5 million down payment and it has been agreed that the balance will be paid within a maximum 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.

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

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

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

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



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In December 2009, Vista al Muelle acquired certain real property, totaling US\$ 1.9 million. There has been a US\$ 0.3 million down payment and the balance shall be paid through the delivery of housing units and/or storefronts to be constructed.

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

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

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

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

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

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

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

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

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

**Building located at 183 Madison Avenue, New York, NY.** On August 26, 2010, IRSA with other U.S. partners entered into a conditional agreement for the purchase of a property located at 183 Madison Avenue, New York, NY.

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

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

For More information about Madison, see *Recent Developments* and *Significant Changes*.

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

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

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

#### *Overview*

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

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

#### *Management.*

IRSA generally acts as the managing agent of the office properties in which it owns 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 IRSA owns 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, IRSA is 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. IRSA's leaseable space is marketed through commissioned brokers, the media and directly by IRSA.

#### *Leases.*

Through IRSA, 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 IRSA's direct and indirect ownership interest in Offices and Other Non-Shopping Center Rental Properties.

**Table of Contents****IRSA s Offices and Other Non-Shopping Center Rental Properties**

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

## Notes:

- (1) Total leaseable area for each property as of June 30, 2010. Excludes common areas and parking.
- (2) Calculated dividing occupied square meters by leaseable area as of June 30, 2010.
- (3) Agreements in force as of 06/30/10 for each property were computed.
- (4) Total leases consolidated by application of the method under Technical Resolution RT21.
- (5) Cost of acquisition, plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment.
- (6) Includes the following properties: Madero 942 (fully sold), Av. de Mayo 595, Av. Libertador 602 (fully sold), Rivadavia 2768 and Sarmiento 517.
- (7) Includes the following properties: Constitución 1111, Crucero I (fully sold); Retail stores in Abril (wholly assigned) and Casona in Abril.
- (8) Includes the following properties: 1 unit of Alto Palermo Park, Constitución 1159 and Dique III (fully sold) and Canteras.
- (9) Corresponds to the Offices and other non-shopping center rental properties business unit mentioned in Note 4 to the Consolidated Financial Statements.
- (10) The building was occupied on 05/15/09.
- (11) Revenues from building management fees.

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The following table shows a schedule of the lease expirations of our office and other properties for leases outstanding as of June 30, 2010, assuming that none of the tenants exercise renewal options or terminate their lease early. Most tenants have renewal clauses in their leases.

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

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

\* Does not include vacant leased square meters.

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

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

|                           | Occupancy Percentage                      |          |          |
|---------------------------|---|----------|----------|
|                           | Fiscal year ended June 30, <sup>(1)</sup> |          |          |
|                           | 2010 (%)                                  | 2009 (%) | 2008 (%) |
| <b>Offices</b>            |   |          |          |
| Intercontinental Plaza    | 100                                       | 100      | 100      |
| Bouchard 710              | 83  | 100      | 100      |
| Bouchard 551              | 100                                       | 96       | 100      |
| Dock del Plata (3)        | N/A                                       | 80       | 100      |
| Libertador 498            | 100                                       | 100      | 100      |
| Maipú 1300                | 99  | 100      | 100      |
| Laminar Plaza (3)         | N/A                                       | N/A      | 100      |
| Madero 1020               | 100                                       | 100      | 100      |
| Reconquista 823/41 (3)    | N/A                                       | N/A      | 100      |
| Suipacha 652/64           | 95  | 100      | 100      |
| Edificios Costeros (3)    | N/A                                       | 59       | 89       |
| Costeros Dock IV          | 90  | 90       | 100      |
| Torre BankBoston          | 96  | 100      | 100      |
| Edificio República        | 80  | 64       | 19       |
| Dique IV, Juana Manso 295 | 92  | 89       | N/A      |
| Other (2)                 | 86  | 89       | 100      |

Notes:

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

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The following table sets forth the annual average income per square meter for our offices during fiscal years ended June 30, 2010, 2009 and 2008:

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

Notes:

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

**Properties**

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

**Edificio República 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, Federalia S.A. de Finanzas, Enap Sipetrol Argentina S.A., Infomedia, BASF Argentina S.A. and Banco Itaú.

**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 leaseable area. We have a 48.5% ownership interest in the building. At present, its main tenants are Standard Bank, BankBoston N.A. Suc. Bs. As., Exxon Mobile, Kimberley Clark de Argentina and Hope, Duggan & Silva S.C.

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





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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., Price Waterhouse & Co., AS. EM. S.R.L, Maersk Argentina S.A and Regus Business Centre S.A.

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

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

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

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

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

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

***Suipacha 652/64, City of Buenos Aires.*** Suipacha 652/64 is a 7-story office building located in the office district of the city. We own the entire building and 70 parking spaces. The building has unusually large floors, most measuring 1,580 square meters. This property underwent substantial renovations shortly after we acquired the deed in 1991 to prepare the

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building for rental. The building's principal tenants currently include Gameloft Argentina S.A., Monitor de Medios Publicitarios S.A., Organización de Servicios Directos Empresarios (OSDE) and Alto Palermo's subsidiary, Tarshop.

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

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

**Catalinas Norte Plot of Land.** On May 26, 2010, IRSA jointly with the Government of the City of Buenos Aires, executed a deed of conveyance of title whereby IRSA acquired a property located at Avenida Eduardo Madero 150, between Av. Córdoba and San Martín. The total price of the transaction was fixed in the amount of Ps. 95.0 million, Ps. 19.0 million of which were paid upon the execution of the preliminary sales agreement (on December 17, 2009), whereas the balance of Ps. 76 million was paid upon the execution of the deed on May 26, 2010.

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

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

**IRSA's Investment in Banco Hipotecario**

IRSA has a significant investment in Banco Hipotecario which represented 14.4% of IRSA's consolidated assets as of June 30, 2010. Established in 1886 by the Argentine government and privatized in 1999, Banco Hipotecario has historically been Argentina's leading mortgage lender, provider of mortgage-related insurance and mortgage loan services. All of its operations and customers are located in Argentina where it operates a nationwide network of 47 branches and 18 sales offices.

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

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

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

Banco Hipotecario seeks to achieve a balanced portfolio of mortgage loans, consumer financing and corporate credit lines, while maintaining an adequate risk management policy. As of June 30, 2010, its portfolio of non-mortgage loans represented 61.3% of its total loan portfolio, compared to 53.7% as of June 30, 2009.

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

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

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

**Seasonality**

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

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### **Competition**

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

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

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

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

Because most of IRSA's shopping centers are located in developed in 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. IRSA believes 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 it in areas through the development of new shopping center properties. IRSA's principal competitor is Cencosud S.A. which owns and operates Unicenter shopping center and the Jumbo hypermarket chain, among others.

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

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

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

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

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

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

Source: Argentine Chamber of Shopping Centers.

**Consumer Financing**

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

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

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

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

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

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

**IRSA s Regulation and Government Supervision of its Real Estate Business**

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

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

***Leases***

Argentine law imposes certain restrictions on landlords, including:

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

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

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

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

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

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

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

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

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

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

***Development and Land Use***

*Buenos Aires Urban Planning Code.* IRSA's real estate activities are subject to several municipal zoning, building and environmental regulations. In the city of Buenos Aires, where the vast majority of its real estate properties are located, the Buenos Aires Urban Planning Code (*Código de Planeamiento Urbano de la Ciudad de Buenos Aires*) generally restricts the density and use of property and controls physical features of improvements on property, such as height,



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design, set-back and overhang, consistent with the city's urban landscape policy. The administrative agency in charge of the Urban Planning Code is the Secretary of Urban Planning of the City of Buenos Aires.

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

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

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

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

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

the preliminary registration with the Real Estate Registry of the purchase instrument within 30 days of execution of the agreements. Once the property is registered, the installment sale may not occur in a manner inconsistent with the Real Estate Installment Sales Act, unless seller registers his decision to desist from the sale in installments with the Real Estate Registry. In the event of a dispute over the title between the purchaser and third-party creditors of the seller, the installment purchaser who has duly registered the purchase instrument with the Real Estate Registry will obtain the deed to the plot. Further, the purchaser can demand conveyance of title after at least 25% of the purchase price has been paid, although the seller may demand a mortgage to secure payment of the balance of the purchase price.

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

*Consumer Protection Law.* Consumer Protection Law No. 24,240, as amended, regulates several issues concerning the protection of consumers in the arrangement and execution of contracts. The Consumer Protection Law purports to prevent potential abuses deriving from the strong bargaining position of sellers of goods and services in a mass-market economy where

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standard form contracts are widespread. As a result, the Consumer Protection Law deems void and unenforceable certain contractual provisions in consumer contracts, including those which contain:

warranty and liability disclaimers;

waiver of consumer rights;

extension of seller rights; and

shifting of the burden of proof against consumers.

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

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

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

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

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

*Buildings Law.* Buildings Law No. 19,724, as amended, sets forth a regime for the construction of buildings for later subdivision into condominium (*Propiedad Horizontal*). Under this law, developers must inform potential purchasers of their intention to sell the building as a condominium, as well as of all sale conditions, and the size of each unit in relation to the whole building. The sale of these units is subject to subdivision approval and in order to be included in Buildings Law regime must be registered with the Real Estate Registry (*Registro de la Propiedad Inmueble*). This law also states that, in the event that construction is not completed, all amounts

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already deposited must be repaid to the purchasers. All intervening parties are jointly and severally liable to reimburse all amounts deposited or paid by the purchasers. All agreements entered into with the purchasers shall be filed with the relevant real estate registry.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For more information see Item 3 *Risk Factors - IRSA's business is subject to extensive regulation and additional regulations may be imposed in the future.*

**Property**

As of June 30, 2010, most of IRSA's property (consisting of rental properties in the office and retail real estate sectors, development properties primarily in the residential real estate sector, and shopping centers) are located in Argentina. IRSA leases its headquarters, located at Bolívar 108, C1066AAD and Moreno 877, piso 22, C1091AAQ Buenos Aires, Argentina, pursuant to a lease agreement that expires on February 28, 2014, respectively. IRSA does not currently lease any material properties other than the headquarters.

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The following table sets forth certain information about IRSA's properties, as of June 30, 2010:

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





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

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| <b>Property (8)</b>                | <b>Date of Acquisition</b> | <b>Leasable/<br/>Sale m<sup>2</sup>(1)</b> | <b>Location</b>          | <b>Net Book Value<br/>Ps./000<br/>(2)</b> | <b>Encumbrance<br/>(in million of Ps.)</b> | <b>Outstanding principal amount<br/>(in million of Ps.)</b> | <b>Maturity Date</b> | <b>Balance due at last installment s<br/>maturity<br/>(in million of Ps.)</b> | <b>Rate</b> | <b>Use</b>                        | <b>Occupancy rate (9)</b> |
|------------------------------------|----------------------------|--|--------------------------|---|--|---|----------------------|---|-------------|-----------------------------------|---------------------------|
| Alto Noa Shopping (3)              | 03/29/95                   | 18,869                                     | City of Salta            | 21,570                                    |  |   |                      |   |             | Shopping Center                   | 99.9%                     |
| Buenos Aires Design (3)            | 11/18/97                   | 13,786                                     | City of Buenos Aires     | 8,811                                     |  |   |                      |   |             | Shopping Center                   | 98.4%                     |
| Alto Rosario Shopping (3)          | 11/09/04                   | 28,650                                     | City of Rosario          | 77,401                                    |  |   |                      |   |             | Shopping Center                   | 93.7%                     |
| Mendoza Plaza Shopping (3)         | 12/02/94                   | 40,651                                     | City of Mendoza          | 80,552                                    |  |   |                      |   |             | Shopping Center                   | 93.1%                     |
| Córdoba Shopping Villa Cabrera (3) | 12/31/06                   | 15,643                                     | City of Córdoba          | 68,958                                    |  |   |                      |   |             | Shopping Center                   | 98.8%                     |
| Dot Baires Shopping (3)            | 12/01/06                   | 49,750                                     | City of Buenos Aires     | 583,355                                   |  |   |                      |   |             | Shopping Center                   | 100.0%                    |
| Neuquén Project (3)                | 07/06/99                   | N/A  | Province of Neuquén      | 12,389                                    |  |   |                      |   |             | Shopping Center (in construction) | N/A                       |
| Abril/Baldovinos                   | 01/03/95                   | 1,408,905                                  | Province of Buenos Aires | 1,763                                     |  |   |                      |   |             | Residential Communities           | N/A                       |
| El Encuentro                       | 11/18/97                   | 125,889                                    | Province of Buenos Aires | 10,256                                    |  |   |                      |   |             | Residential Communities           | N/A                       |
| Puerto Retiro                      | 05/18/97                   | 82,051                                     | City of Buenos Aires     | 54,600                                    |  |   |                      |   |             | Land Reserve                      | N/A                       |
| Baicom Plot of land                | 12/23/09                   | 6,905                                      | Province of Buenos Aires | 4,459                                     |  |   |                      |   |             | -Land Reserve                     | N/A                       |
| Santa María del Plata              | 07/10/97                   | 715,951                                    | City of Buenos Aires     | 140,584                                   |  |   |                      |   |             | Land Reserve                      | N/A                       |
| Pereiraola                         | 12/16/96                   | 1,299,630                                  | Province of Buenos Aires |   |  |   |                      |   |             | Land Reserve                      | N/A                       |
| Rosario Plot of land (3)           | 04/30/99                   | 31,000                                     | City of Rosario          | 19,894                                    |  |   |                      |   |             | Land Reserve                      | N/A                       |
| Canteras Natal Crespo              | 07/27/05                   | 4,300,000                                  | Province of Córdoba      | 5,705                                     |  |   |                      |   |             | Land Reserve                      | N/A                       |
| Beruti Plot of land (3)            | 06/24/08                   | 3,207                                      | City of Buenos Aires     | 52,934                                    |  |   |                      |   |             | Land Reserve                      | N/A                       |



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| Property (8)                                       | Date of Acquisition | Leasable/<br>Sale m2(1) | Location                          | Net Book Value<br>Ps./000<br>(2) | Encumbrance    | Outstanding principal amount<br>(in million of Ps.) | Maturity Date | Balance due at last installment s<br>maturity<br>(in million of Ps.) | Rate | Use                               | Occupancy rate<br>(9) |
|--|---------------------|-------------------------|-----------------------------------|----------------------------------|----------------|---|---------------|--|------|-----------------------------------|-----------------------|
| Patio Olmos (3)                                    | 09/25/07            | 5,147                   | Province of Córdoba               | 32,949                           |                |   |               |  |      | Land Reserve                      | N/A                   |
| Others Reserves of Land (4)                        | N/A                 | 14,387,635              | City and Province of Buenos Aires | 92,075                           |                |   |               |  |      | Land Reserve                      | N/A                   |
| Residential apartments, communities and others (7) | N/A                 | N/A                     | City and Province of Bs.As.       | 288,120                          |                |   |               |  |      | Residential apartments and others | N/A                   |
| Hotel Llao Llao                                    | 06/01/97            | 24,000                  | City of Bariloche                 | 79,176                           |                |   |               |  |      | Hotel                             | 45.7%                 |
| Hotel Intercontinental                             | 11/01/97            | 37,600                  | City of Buenos Aires              | 54,599                           |                |   |               |  |      | Hotel                             | 67.9%                 |
| Hotel Sheraton Libertador                          | 03/01/98            | 17,463                  | City of Buenos Aires              | 40,673                           | Guarantee (10) | 19.0  | Mar-11        | 19.0   |      | Hotel                             | 82.3%                 |
| Bariloche Plot of Land                             | 12/01/06            | N/A                     | Province of Rio Negro             | 21,900                           |                |   |               |  |      | Hotel                             | N/A                   |

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

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**Insurance**

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

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

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

**Table of Contents****C. ORGANIZATIONAL STRUCTURE****Subsidiaries and Affiliated Companies**

The following table includes a description of our subsidiaries and affiliated companies as of June 30, 2010:

| Subsidiaries   | Effective<br>Ownership<br>and<br>Voting Power<br>Percentage | Property/Activity  |
|--|---|--|
| Inversiones Ganaderas S.A.                               | 100%  | This company owns two farms located in the Province of Catamarca: Tali Sumaj and El Recreo .   |
| Agropecuaria Anta S.A. (f/k/a Agropecuaria Cervera S.A.) | 100% <sup>(1)</sup>   | This company has the concession for the start-up of production pertaining to a comprehensive biological, economic and social development project in various properties located in the Department of Anta, in the Province of Salta, and it is duly authorized to implement a large-scale project covering agricultural, cattle breeding and forestry activities.   |
| Cactus Argentina S.A.                                    | 48.00%  | This company represents our strategic alliance with Cactus Feeders Inc. and Tyson Foods Inc. for feed lot production. It owns a 170-hectare farm located in the district of Villa Mercedes in the Province of San Luis. It will have the capacity to support 75,000 head of beef cattle per year, in cycles of approximately 28,000 head each.   |
| Agro-Uranga S.A.   | 35.72%  | An agriculture, dairy and beef cattle company which owns two farms ( Las Playas and San Nicolás ) covering 8,299 hectares in the provinces of Santa Fe and Córdoba, and approximately 1,434 beef cattle head.  |
| Futuros y Opciones.Com S.A.                              | 64.30%  | A leading agricultural web site which provides information about markets and services of economic and financial consulting through the Internet. The company has begun to expand the range of commercial services offered to the agricultural sector by developing direct sales of supplies, grain brokerage services and beef cattle operations.  |
| IRSA Inversiones y Representaciones Sociedad Anónima     | 57.49% <sup>(3)</sup>                                       | It is a leading Argentine company devoted to the development and management of real estate.  |
| BrasilAgro Companhia Brasileira de Propiedades Agrícolas | 23.24%  | BrasilAgro is mainly involved in four areas: sugar cane, grains and cotton, forestry activities, and livestock.  |
| Exportaciones Agroindustriales Argentinas S.A.           | 48.00% <sup>(4)</sup>                                       | EAASA a company that owns a cold storage plant in Santa Rosa, Province of La Pampa, with capacity to slaughter and process approximately 9,500 cattle head per month.  |
| Agrology S.A.  | 100% <sup>(1)</sup>   | Agrology S.A. is involved in contributions, association or investment of capital in individuals or companies organized or to be organized in Argentina or abroad through the purchase and sale of bonds, shares, debentures and any kind of securities and commercial paper under any of the systems or forms created or to be created, and to the management and administration of the capital stock it owns on companies controlled by it. |
| FyO Trading S.A.   | 65.60% <sup>(2)</sup>                                       | FyO Trading S.A. s purpose is to engage, in its own name or on behalf of or associated with third parties, in activities related to the production of agricultural products and raw materials, export and import of agricultural products and national and international purchases and sales of agricultural products and raw materials.   |

- (1) Includes Inversiones Ganaderas S.A.'s interest.
- (2) Includes Futuros y Opciones.Com S.A.'s interest.
- (3) Includes the interest in Agrology S.A..
- (4) Includes the interest in Cactus.

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The following is IRSA's organizational chart and its principal subsidiaries as of June 30, 2010:

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



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As of June 30, 2010, we owned, together with our subsidiaries, 24 farms, which have a total surface area of 473,368 hectares.

The following table sets forth our properties' size (in hectares), primary current use and book value. The market value of farmland is generally higher the closer a farm is located to Buenos Aires:

**Owned Farms as of June 30, 2010**

|          | Facility  | Province              | Country   | Gross Size<br>(in hectares) | Date of<br>Acquisition | Primary current use                                  | Net<br>Carrying<br>value<br>(Ps. Millions)<br>(1) | Encumbrances<br>(Ps. millions) |
|----------|---|-----------------------|-----------|-----------------------------|------------------------|--|---|--------------------------------|
| 1        | La Adela  | Buenos Aires          | Argentina | 1,054                       | Original               | Crops  | -9.8  |                                |
| 2        | La Juanita  | Buenos Aires          | Argentina | 4,302                       | Jan-96                 | Crops/Milk   | 18.7  |                                |
| 3        | El Invierno   | La Pampa              | Argentina | 1,946                       | Jun-05                 | Crops  | 9.3   |                                |
| 4        | El Tigre  | La Pampa              | Argentina | 8,365                       | Apr-03                 | Crops/Milk   | 34.9  |                                |
| 5        | San Pedro   | Entre Ríos            | Argentina | 6,022                       | Sep-05                 | Crops/Beef Cattle                                    | 48.6  |                                |
| 6/7      | Santa Bárbara/<br>La Gramilla                           | San Luis              | Argentina | 7,052                       | Nov-97                 | Crops under<br>irrigation                            | 18.7  |                                |
| 8        | Cactus<br>Argentina S.A.<br>(2)                         | San Luis              | Argentina | 82                          | Dec-97                 | Feed lot   | 10.7  |                                |
| 9/10     | Las Playas/San<br>Nicolás (3)                           | Córdoba /<br>Santa Fe | Argentina | 2,965                       | May-97                 | Crops/Milk/Beef<br>Cattle                            | 13.0  |                                |
| 11       | La Esmeralda  | Santa Fe              | Argentina | 9,370                       | Jun-98                 | Crops/Beef Cattle                                    | 11.4  |                                |
| 12       | Las Vertientes  | Córdoba               | Argentina | 4                           |                        | Silo   | 0.5   |                                |
| 13       | La Suiza  | Chaco                 | Argentina | 41,993                      | Jun-98                 | Beef Cattle  | 32.7  |                                |
| 14/15    | 8 de Julio/<br>Carmen                                   | Santa Cruz            | Argentina | 100,911                     | May-07/<br>Sep-08      | Sheep Production<br>Beef Cattle/Natural<br>Woodlands | 10.5  |                                |
| 16       | El Recreo   | Catamarca             | Argentina | 12,394                      | May-95                 | Beef Cattle/Crops/<br>Natural Woodlands              | 75.6  |                                |
| 17       | Los Pozos   | Salta                 | Argentina | 240,858                     | May-95                 | Crops  | 4.3   |                                |
| 18       | La Esperanza  | La Pampa              | Argentina | 980                         | Mar-08                 | Other  | 11.1  |                                |
| 19       | Puertas de Luján  | Buenos Aires          | Argentina | 115                         | Dec-08                 |  |   |                                |
| 20/21/22 | Las Londras/San<br>Cayetano/San<br>Rafael/La Fon<br>Fon | Santa Cruz            | Bolivia   | 12,166                      | Nov-08/<br>Jan-09      | Crops  | 106.1   | Mortgage 25.2                  |
| 23/24    | Jerovia (4)   | Boquerón              | Paraguay  | 22,789                      | Feb-09                 | Natural Woodlands                                    | 30.1  |                                |
|          | <b>Subtotal</b>   |                       |           | <b>473,368</b>              |                        |  | <b>447.3</b>                                      |                                |

(1) Acquisition costs plus improvements and furniture necessary for the production, less depreciation.

(2) Hectares and carrying amount in proportion to our 48.00% interest in Cactus.

(3) Hectares and carrying amount in proportion to our 35.72% interest in Agro-Uranga S.A.

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- (4) Hectares and carrying amount in proportion to our 50.00% interest in Cresca S.A through Agrology S.A.

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**Table of Contents****Overview of Real Estate Properties**

For information about our Real Estate Properties, please see *Item 4.B Business Overview- Real Estate Business-Office and Other Non Shopping Center Rental Properties-Properties* .

**Insurance*****Agricultural Business***

We carry insurance policies with insurance companies that we consider to be financially sound.

We employ multi-risk insurance for our farming facilities and industrial properties, which covers property damage, negligence liability, fire, falls, collapse, lightning and gas explosion, electrical and water damages, theft, and business interruption.

Such insurance policies have specifications, limits and deductibles which we believe are customary. Nevertheless, they do not cover damages to our crops.

We carry directors and officer s insurance covering management s civil liability, as well as legally mandated insurance, including employee personal injury.

We also provide life or disability insurance for our employees as benefits.

We believe our insurance policies are adequate to protect us against the risks for which we are covered. Nevertheless, some potential losses are not covered by insurance and certain kinds of insurance coverage may become prohibitively expensive.

The types of insurance used by the company are the following:

| <b>Insured property</b>                   | <b>Risk covered</b>                               | <b>Amount insured in<br/>Thousand of<br/>Pesos</b> | <b>Book value in<br/>Thousand<br/>of<br/>Pesos</b> |
|---|---|--|--|
| Buildings, machinery, silos and furniture | Theft, fire and technical insurance               | 104,694  | 38,539   |
| Vehicles                                  | Theft, fire and civil and third parties liability | 4,499  | 1,788  |

***Real Estate Business***

For information about Real Estate insurances, please see *Item 4.B Business Overview Real Estate Business-Office and other non shopping center rental properties-Insurance*.

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

None.

**Item 5. Operating financial review and prospects****A. CONSOLIDATED OPERATING RESULTS**

The following management s discussion and analysis of our financial condition and results of operations should be read together with Selected Consolidated Financial Data and our consolidated financial statements and related notes appearing elsewhere in this annual report. This

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discussion and analysis of our financial condition and results of operations contains forward-looking statements that involve risks, uncertainties and assumptions. These forward-looking statements include such words as, expects, anticipates, intends, believes and similar language. Our actual results may differ materially and adversely from those anticipated in these forward-looking statements as a result of many factors, including without limitation those set forth elsewhere in this annual report. See Item 3 Risk Factors for a more complete discussion of the economic and industry-wide factors relevant to us and the opportunities and challenges as a result of the global economic crisis, and risks on which we are focused.

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

Effective October 1, 2008, we started consolidating the accounts of IRSA after a series of acquisitions, which increased our ownership interest in IRSA to 54.01%. Accordingly, the consolidated statement of income for the year ended June 30, 2009 includes (i) the results of IRSA as an equity investee from July 1, 2008 through September 30, 2008; and (ii) the results of operations of IRSA consolidated into those of the Company for nine months from October 1, 2008 through June 30, 2009. The consolidated statement of income for the year ended June 30, 2008 is not comparable to either the June 30, 2009 or 2010 in this regard since it only includes the results of IRSA as it was an equity investee for the whole period.

For a discussion of results of operations of IRSA and to assist in understanding changes in the real estate business, please see *Item 5 Operating and Financial review and prospects* in IRSA's Annual Report on Form 20-F for IRSA the year ended June 30, 2010 which is publicly available on the SEC's website ([www.sec.gov](http://www.sec.gov)). The discussion and analysis of IRSA is for the full annual periods ended June 30, 2010 compared to June 30, 2009, and June 30, 2009 compared to June 30, 2008. The discussion and analysis of IRSA for the fiscal year ended as of June 30, 2009, is not comparable to our consolidated results for that fiscal year as we only consolidated IRSA for nine months from and including October 1, 2008. In addition, IRSA's discussion and analysis does not reflect purchase accounting adjustments applied by us.

The management's discussion and analysis ( MD&A ) of IRSA included in IRSA's 20-F for the year ended June 30, 2010 and 2009 is referred only on a supplemental basis only.

We maintain our financial books and records in Pesos. Except as mentioned in the following paragraph, we prepare our consolidated financial statements in conformity with Argentine GAAP and the regulations of the *Comisión Nacional de Valores* which differ in significant respects from U.S. GAAP. These differences involve methods of measuring the amounts shown in the financial statements as well as additional disclosures required by U.S. GAAP and Regulation S-X of the SEC. See Note 30 to our Audited Consolidated Financial Statements included elsewhere in this annual report for a description of the principal differences between Argentine GAAP and U.S. GAAP, as they relate to us, and reconciliation to U.S. GAAP of our net income and shareholders' equity.

In order to comply with the regulations of the Argentine Securities Commission, we discontinued adjustment for inflation as of March 1, 2003 and we recognize deferred tax assets and liabilities on a non-discounted basis. These accounting practices differ from the Argentine GAAP. However, we consider that those departures have not had a significant impact on our financial statements.

**Effects of the devaluation and the economic crisis**

Most of our assets are located in Argentina, where our operations are performed. Therefore, our financial position and the results of our operations are strongly dependent on the economic conditions prevailing in Argentina. Due to the four-year recession ended in the second quarter of 2002, the Argentine economy suffered a material deterioration. Argentina's trade and fiscal deficits and the rigidity of its fixed exchange rate system (known as the convertibility regime), combined with the country's excessive reliance on foreign capital and with its mounting external debt, resulted in a deep contraction of the economy and in banking and fiscal crises when capital started to leave the country.

In response to the political and economic crisis, the Argentine government undertook a number of far-reaching initiatives that significantly changed the monetary and foreign exchange regime and the regulatory framework for conducting business in Argentina. Between December 2001 and January 2002, Argentina abolished the fixed parity between the Peso and the U.S. dollar, rescheduled bank deposits, converted dollar denominated debts into pesos, and suspended payment on a significant portion of its public debt.

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Various sectors of the Argentine economy were severely affected by the changes in the foreign exchange regime and the regulatory framework. In April 2002, the economy started its path to stabilization and realized a clear improvement of economic variables during the second half of the year, mainly as a result of expanding exports and decreasing imports. While the devaluation of the Peso had adverse consequences, it resulted in a positive balance for Argentina's current account, which fostered a reactivation of domestic production. The sharp decline in the Peso's value against foreign currencies, together with a decline in production costs in U.S. dollar terms, made Argentine products relatively inexpensive in the export markets. At the same time, the costs of imported goods increased significantly, substantially boosting domestic demand for domestic products.

During the second half of 2002, Argentina's Gross Domestic Product (GDP) increased 4.4%, and the consumer price index inflation was 8.0% for the six-month period ended December 31, 2002, compared to 30.5% for the six-month period ended June 30, 2002. The improving economic conditions, particularly the reduction of capital outflows, allowed the government to begin lifting restrictions on bank withdrawals in November 2002.

Despite the improvement in economic conditions during the second half of 2002, Argentina's overall GDP contracted 10.9% for the full year, receding to 1993 values, investment decreased and inflation increased sharply. The main impact of the crisis was the tremendous social hardship. Unemployment rose from 12.9% to 19.7% between 1998 and 2002, real wages declined 24% in 2002, and the poverty index increased from 29% of the population in 2000 to 52% in 2002.

In May 2003, Argentina's political environment was reorganized when Nestor Kirchner took office as president. The economy continued to show indications of recovery, as GDP grew 8.8% in 2003. A combination of sound fiscal and monetary policies kept consumer price inflation under control at 3.5% in 2003. During 2003, Argentina moved towards normalizing its relationship with the IMF, withdrew all the national and provincial governments' quasi-money securities from circulation and eliminated all deposit restrictions. The trade balance experienced a sustained surplus, aided by the rise in commodity prices and export volumes.

Social indicators also improved. The unemployment rate decreased to 17.3% in 2003 and real wages began to recover.

During 2004 and 2005, the Argentine economy continued to grow. GDP grew 9.0% in 2004 and 9.0% in 2005 according to the Argentine Central Bank's survey of independent forecasting firms. In June 2005, the Argentine government completed a restructuring of a substantial portion of the federal government's public debt, which had been in default since December 2001. Argentina reduced the outstanding principal amount of its public debt from US\$191.3 billion to US\$126.6 billion and negotiated lower interest rates and extended payment terms.

During 2008, the global economy deteriorated significantly as a consequence of the subprime mortgage crisis. Therefore, Argentina faced a global economic slow-down and reduction in activity levels that may impair economic growth. During the first half of 2009, signs of recovery have been observed, such as increases in the level of activity of certain advanced economies. Argentina can continue to generate positive export balances through the export of primary commodities and industrial manufactures.

Inflation remained relatively low in 2004 although it almost doubled from 2003, and it stood at 12.3% during 2005, 9.8% during 2006, 8.5% during 2007, 7.2% during 2008, 7.7% during 2009 and 11.0% during the first half of 2010.

There were encouraging signs of a local economic recovery in 2009 and the first semester of 2010 in which the economy grew more than expected. Most of the currencies have appreciated against the US dollar, particularly our commercial partners, and the capital flows have turned to developing countries which gives a good scenario for the Argentinean balance of payments. Besides, local consumption has grown in this period, reinforced by local credit.

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Although Argentina's economy has recovered significantly from the crisis of 2002, the effects of the global economic slow-down on Argentina can not be predicted. We cannot assure you that the favorable economic conditions that Argentina has experienced in recent years will continue. See *Risk Factors - Risks Related to Argentina*.

### **Effects of inflation**

From 1997 until the end of year 2001, the Argentine government's policies substantially reduced the level of inflation. Therefore, during that period inflation did not significantly affect our financial condition and results of operations. The following are annual inflation rates since 2002 published by the Argentine Ministry of Economy and Production:

| <b>Year ended June 30,</b> | <b>Consumer Price Index</b> | <b>Wholesale Price Index</b> |
|----------------------------|-----------------------------|------------------------------|
| 2002                       | 28.4%                       | 88.2%                        |
| 2003                       | 10.2%                       | 8.1%                         |
| 2004                       | 4.9%                        | 8.6%                         |
| 2005                       | 9.0%                        | 7.7%                         |
| 2006                       | 11.0%                       | 12.1%                        |
| 2007                       | 8.8%                        | 9.4%                         |
| 2008                       | 9.3%                        | 13.8%                        |
| 2009                       | 5.3%                        | 5.4%                         |
| 2010                       | 11.0%                       | 15.5%                        |

The increase in inflationary risk may erode our present macroeconomic stability, causing a negative impact on our operations.

The Wholesale Price Index ( IPIM ) increased by 9.2% in the first ten months of 2010, and the consumer price index increased 12.5% in the first ten months of 2010.

### **Effects of interest rate fluctuations**

Most of our U.S.dollar denominated debt accrues interest at a fixed rate. An increase in interest rates will not necessarily result in a significant increase in our financial costs and may not materially affect our financial condition and our results of operations.

### **Effects of foreign currency fluctuations**

A significant portion of our financial debt is denominated in U.S.dollars. Therefore, a devaluation of the Argentine Peso against the U.S.dollar would increase our indebtedness measured in Pesos and materially affect our results of operations. Foreign currency exchange rate fluctuations significantly increase the risk of default on our mortgages and lease receivables. Due to the fact that many of our customers have their cash flows in Pesos, a fluctuation of exchange rate may increase their U.S.dollar-denominated liabilities. Foreign currency exchange restrictions that may be imposed by the Argentine Government could prevent or restrict our access to U.S.dollars, affecting our ability to service our U.S. dollar denominated liabilities.

### **Factors Affecting Comparability**

We describe below certain factors affecting the comparability of our results of operations from period to period. These factors are based upon currently available information and do not represent all of the factors that are relevant to an understanding of our current and future results of operations. For ease of presentation we divided these factors into factors affecting comparability within our Agricultural business and Real estate business respectively.

In addition, our results of operations for the year ended June 30, 2009 are affected by the consolidation of the results of operations of IRSA as from October 1, 2008. Prior to October 1, 2008, our investment in IRSA was accounted for under the equity method of accounting. Thus, our results of operations for the year ended June 30, 2008 are not fully comparable to the results of operations for the year ended June 30, 2009 and 2010 in regards to the Real estate business.





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### ***Agricultural Business***

#### *Purchase and Sales of Farmlands*

Our strategy includes the identification, acquisition, exploitation and selective disposition of rural properties that have attractive prospects for long-term value appreciation. As a part of this strategy, from time to time we purchase and sell farmlands. The acquisition or disposition of farmlands in any given period may make the production results of that period difficult to compare to those of other periods.

#### *Seasonality*

Like any other agribusiness company, our business activities are inherently seasonal. Harvest and sales of grains (corn, soybean and sunflower) in general take place from February to June. Wheat is harvested from December to January. With respect to our international market, climate conditions in Bolivia allow a double season of soybean, corn and sorghum production and, accordingly, these crops are harvested in April and October, while wheat and sunflower are harvested during August and September, respectively. Other segments of our activities, such as our sales of cattle and milk and our forestry activities, tend to be more of a successive character than of a seasonal character. However, the production of beef and milk is generally higher during the second quarter, when pasture conditions are more favorable. Therefore, there may be significant variations in results from one quarter to the other.

### ***Real Estate Business***

#### *Recent results on equity investees*

As of June 30, 2010 we owned 28.03% of Banco Hipotecario (without considering treasury shares), Argentina's leading mortgage lender and provider of mortgage-related insurance and mortgage loan services. Banco Hipotecario restructured its financial debt in 2004 and has recorded attractive results from its operations since then. For the fiscal years ended June 30, 2008, 2009 and 2010, our investment in Banco Hipotecario generated a loss of Ps.12.4 million and a gain of Ps.142.1 million and a gain of Ps.151.6, respectively. The income and losses recorded by the Real Estate Business as a result of this shareholding interest in 2008, 2009 and 2010 fiscal years represented (22.6%), 89.6% and 45.3%, respectively, of the consolidated net income derived from the real estate business for such years, but we cannot assure that the investment in Banco Hipotecario will generate similar gains, if any, in the future.

#### *Variability of results due to substantial property acquisitions and dispositions*

The development and sale of large residential and other properties does not yield a stable, recurring stream of revenue. On the contrary, large acquisitions and sales significantly affect revenues for a reporting period, making it difficult to compare our year-to-year results. For example, the Ps.68.6 million sale of building Costeros Dique II and the Ps.46.3 million sale of Pereiraola undeveloped parcel of land have significantly impacted our results for our 2010 fiscal year. Our historical revenues have varied from period to period depending upon the timing of sales of properties, and our future period-on-period results of operations are likely to continue to vary, perhaps significantly, as a result of periodic acquisitions and dispositions of properties.

### **Critical Accounting Policies**

We prepared our Audited Consolidated Financial Statements in accordance with Argentine GAAP. The critical accounting policies are policies important to the portrayal of a company's financial condition and operating results, and which require management to make difficult and subjective judgments that are inherently uncertain. Based on this definition, we have identified the following significant accounting policies as critical to the understanding of our financial statements. The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets

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and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. These estimates and judgments are subject to an inherent degree of uncertainty. We believe that the estimates and judgments upon which we rely are reasonable based upon information available to us at the time these estimates and judgments are made. We continually evaluate our judgments, estimates and assumptions. To the extent there are material differences between these estimates and actual results, our financial statements will be affected. We believe the following to be our more significant critical accounting policies and estimates used in the preparation of our financial statements:

recognition of revenues;

investments in affiliates and business combinations;

investments in certificates of participation ( CPs )

provision for allowances and contingencies;

impairment of long-lived assets;

intangible assets concession rights;

debt restructuring;

derivative instruments;

deferred income tax; and

minimum presumed income tax ( MPIT ).

***Revenue recognition***

***Agricultural Business***

We primarily derive our revenues from the sale of crops, milk and live beef cattle, feed lot operation (through its equity investee Cactus), and services and leasing of its farms to third parties and brokerage activities and sale of farms.

We follow Technical Resolution No.22 ( RT No. 22 ) Agricultural Activities , issued by FACPCE, which prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activities. Agricultural activity is the management by an enterprise of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets.

RT No.22 prescribes, among other things, the accounting treatment for biological assets during its biological transformation. RT No. 22 establishes a hierarchy of measurement for biological assets depending on their stage of development. For a description of the measurement principles applied to the various biological assets within inventories, please see Note 3.h) to our audited consolidated financial statements included else where in this annual report.

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RT No.22 defines biological transformation as the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset. Biological assets are defined as living plants and animals. Agricultural produce such as harvested crops, beef, milk and raw materials are the harvested produce of biological assets. Biological transformation results in the following types of outcomes: asset changes through (i) growth (an increase in quantity or improvement in quality of an animal or plant), (ii) degeneration (a decrease in the quantity or deterioration in quality of an animal or plant), or (iii) procreation (creation of additional living animals or plants).

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Under RT No. 22, the statement of income shows the following line items relating to the agricultural activity:

**Production Income:** Production income is recognized when there is a qualitative or quantitative change in biological assets. As it relates to crops, production income is recognized when they are harvested. At the point of harvest and thereafter, harvested crops are measured at net realizable value, therefore, a gain is generally recognized for the difference between the cost recognized and net realizable value. Thus, under RT No. 22, gains are recognized when crops are harvested rather than when they are sold. As it relates to cattle, production income is recognized, for example, when a calf is born or there is a change in weight.

**Cost of Production:** Cost of production consists of costs directly related to the transformation of biological assets and agricultural produce. As it relates to crops, costs are capitalized as incurred. At the point of harvest, costs are recognized in the income statement to match production income. As it relates to cattle, costs are recognized in the income statement as incurred;

**Sales:** Revenue from the sale of agriculture produce is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured. Revenue from cattle feeding operations primarily comprised of feeding, animal health and yardage, and revenue from operating leases and brokerage activities are recognized as services are performed. Sales represent the consideration received or receivable for the sale to third parties based generally on the applicable quoted market prices of the respective produce or biological asset in the respective markets at the point of sale. At the point of sale, the produce is measured at net realizable value, which generally reflects the sale price less direct selling costs, using the applicable quoted market price;

**Cost of Sales:** Cost of sales consists of certain direct costs related to the sales of agricultural produce other than selling expenses. The cost of sales represents the recognition as an expense of the produce held in inventory valued at net realizable value. Therefore, based on the description in sales and this line item, the amount of sales is generally equal to the cost of sales plus direct selling expenses. Based on this, the Company generally does not recognize any significant additional profit upon selling the inventory beyond the gains or losses recognized within the line item unrealized gain (loss) on inventories ;

**Unrealized gain (loss) on inventories:** Under RT No. 22, gains or losses that arise from measuring harvested produce and cattle at net realizable value are recognized in the statement of income in the period in which they arise. In addition, this line item generally includes gains or losses from futures and options contracts on agriculture produce. Revenue from the sale of farms is recognized when all of the following criteria are met:

- (i) the sale has been consummated;
- (ii) the Company has determined that the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property;
- (iii) the Company's receivable is not subject to future subordination; and
- (iv) the Company has transferred to the buyer the risk of ownership, and does not have a continuing involvement in the property.

Under RT No.22, the exhibits entitled Cost of Sales and Cost of Production presents a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the relevant periods. This reconciliation includes (a) the gain or loss arising from changes in fair value less estimated point-of-sale costs; (b) increases due to purchases; (c) decreases attributable to sales and biological assets classified as held for sale; (d) increases due to harvest; and (e) other changes.



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*Real Estate Business*

We record revenue from the rental and operation of services at offices and shopping centers in Argentina, the development and sale of properties, consumer finance transactions, and Hotels. This section reflects our policies for revenue recognition as well as those of our controlled and under common control subsidiaries.

*Development and sale of properties.* We record revenue from the sale of properties when all of the following criteria are met:

(a) the sale has been carried out (a sale is not deemed to be carried out until (i) the parties are bound by the terms of a contract, (ii) all considerations have been exchanged, (iii) any permanent financing under the seller's responsibility has been agreed, and (iv) all conditions precedent have been complied with);

(b) we determine that the initial and continuing investment of the purchaser is appropriate to evidence a commitment to pay for the property (the appropriateness of the purchaser's initial investment is measured by (i) its composition and (ii) its size compared to the sales price of the property);

(c) our receivable is not subject to any future condition (our receivable will not be placed or occupy any rank, category or position lower than the other obligations of the purchaser); and

(d) we have transferred to the purchaser all the risks and benefits of ownership, and do not have a continuing participation in the property.

Generally, we enter into sale agreements with the purchasers of units for residential development before construction commences. According to this practice, we commence our marketing and sales efforts in accordance with the architectural designs already agreed and the model units. As a general rule, the purchasers pay a unit reservation fee and subsequently enter into sale agreements at a fixed price. The balance of the purchase price is payable upon delivery of the fully constructed 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 given period and budget, subject to customary exceptions.

IRSA uses the percentage-of-completion method of accounting with respect to sales of property developments under construction. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs applied to the total contract price. The company does not commence revenue and cost recognition until such time as significant construction activities have begun and substantial advance payments have been received according to parameters estimated by us.

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

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

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*Leases and services from office and other non-shopping center rental properties.* Rentals from lessees are accounted for as operating leases. Lessees pay a basic monthly rental. Revenue from rentals is recognized based on the straight-line method during the term of the lease.

*Leases and services from shopping center operations.* Rentals from lessees are accounted for as operating income. Generally, lessees pay a rental consisting in the higher value between (i) a basic monthly rental (the Basic Rental ) and (ii) a specific percentage of monthly gross retail sales of the lessee (the Percentage Rental ) (which generally ranges from 4% to 10% of gross sales of the lessee). In addition, pursuant to the rental indexation clause in most leases, the lessee's Basic Rental is generally increased between 7% and 12% per year during the term of the lease. Certain lease agreements include provisions that set forth rentals based on a percentage of sales or based on a percentage of turnover exceeding a specified minimum. We determine compliance with specific goals and calculate the additional rental on a monthly basis as contemplated in the leases. Therefore, we do not recognize contingent rentals until the required minimum is exceeded.

The term of our leases ranges between 36 and 120 months. Law No. 24,808 sets forth that lessees may terminate commercial leases after an initial period of six months by giving at least 60 days prior written notice, subject to a penalty of one month to one month and a half of rental if the lessee terminates the lease during the first year of the lease and one month of rental if the lessee terminated the lease after the first year.

We also charge our lessees a monthly management fee, which is prorated among the lessees in accordance with their lease prices and varies from one shopping center to the other, in relation to the common area administration and maintenance and the administration of contributions made by lessees to finance the promotion efforts of all the operations of shopping centers. Management fees are recognized on a monthly basis as accrued. In addition to rental, we generally charge an admission fee to lessees, i.e. a non-reimbursable admission fee that may be required from lessees upon execution and renewal of the lease. This admission fee is usually paid as a lump sum or in a small number of monthly installments. Admission fees are recognized using the straight-line method during the effective term of the respective leases. Additionally, leases in general provide for the reimbursement of the real estate tax, insurance, advertising costs and certain common area maintenance costs. These additional rentals and reimbursements to lessees are accounted for on an accrual basis.

We also derive revenue from visitor parking charges, and recognize parking revenue as services rendered.

*Consumer financing.* We derive revenue from consumer financing transactions with credit cards which consist mainly in (i) commissions for discounts to storekeepers, that are recognized when the information on the transaction is received and processed by us, (ii) data processing services consisting in the processing and printing of the statements of account of credit cardholders, that are recognized as services rendered, (iii) life insurance and disability expenses charged to credit cardholders, that are recognized on an accrual basis, and (iv) interest income from financing and loan activities.

*Hotels.* We recognize income from room services, catering services and restaurant facilities, as accrued at the closing of operations on each business day.

### ***Investments in affiliates and business combinations***

We use the equity method of accounting for investments in related companies in which we have significant influence (including BrasilAgro and IRSA as regards the latter, for the fiscal years ended June 30, 2008). IRSA's critical accounting policies as of such dates include provisions on allowances and contingencies, impairment of long-lived assets, accounting for debt restructuring and accounting for deferred income taxes and tax assets.

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As of June 30, 2010 and 2009, investments in subsidiaries and affiliates amounted to Ps. 1,366.7 million and Ps.828.2 million, representing 20.0% and 13.9%, respectively of our total consolidated assets.

### *BrasilAgro*

As of June 30, 2010 and 2009, we owned 23.24% and 19.14% of BrasilAgro, respectively and had the ability to exercise significant influence over this company. Additionally, as from June 30, 2010 we acquired 9,581,750 shares issued by BrasilAgro in the market. Therefore, we owned a 35.75% interest in BrasilAgro as of the date of presentation of this Annual Report.

We value our investment in BrasilAgro under the equity method of accounting because of: (a) our capacity to affect the operational and financial decisions due to the fact that (i) in accordance with BrasilAgro's by-laws, we are entitled to appoint three of BrasilAgro's nine directors (including the chairman of its board of directors every other two years), (ii) three directors are designated by BrasilAgro's other shareholders and (iii) the remaining three are independent directors appointed jointly by all shareholders, and (b) our rights under the shareholders agreement among us, Tarpon Agro LLC, Cape Town LLC, Elie Horn and Tarpon Investimentos S.A.. Under the terms of this shareholders agreement, the signatories have agreed to vote together at shareholders meetings with respect to matters related to proposals to change directors and administrators fees, increases of capital stock and declaration of dividends, among other issues.

### *Acquisition of equity investees*

Significant acquisitions of companies were recorded in line with the acquisition method set forth in Technical Resolution No. 18 ( RT No.18) and Technical Resolution No. 21 ( RT No. 21 ), both issued by FACPCE. All assets and liabilities acquired from independent third parties were adjusted to show their fair value. We identify the assets and liabilities acquired, including intangible assets such as: lease contracts acquired for values higher or lower than market value; costs incurred in entering into current lease contracts (the latter being the market cost that we avoid paying for acquiring lease contracts in operation), the value of brands acquired, the value of deposits associated with the investment in Banco Hipotecario, and the intangible value of relationships with customers.

The process of identification and the related determination of fair values requires complex judgments and significant estimates.

We use the information contained in valuations estimated by independent appraisers as the primary basis for assigning the price paid to the land, buildings, shopping centers, inventories, and hotels from the companies acquired. The amounts assigned to all the other assets and liabilities are based on independent valuations or on our own analysis of comparable assets and liabilities. The fair value of tangible assets acquired considers the property value as if it were unfurnished.

Under the terms of RT No. 21, if the value of the tangible and intangible assets and liabilities identified exceeds the price paid, the intangible assets acquired are not recognized as they would give rise to an increase in negative goodwill at the time of acquisition. Moreover, as concerns the negative goodwill generated, the portion related to expected future expenses or losses of the acquired companies will be recognized in the results of the same periods in which such expenses or losses occur or are allocated. The portion not related to expected future expenses or losses of the acquired companies will be treated as follows: (i) the amount that does not exceed the interest of the investor company over the fair values of identifiable non-monetary assets of the purchased companies will be recognized in income systematically over a term equal to the weighted average of the remaining useful life of the identifiable assets of the purchased companies that are subject to depreciation; (ii) the amount that exceeds the fair values of identifiable non-monetary assets of the purchased companies will be recognized in income at the moment of purchase.

If the price paid exceeds the fair value of tangible and intangible assets and liabilities identified, the excess is considered as goodwill.



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Moreover, upon defining the useful live of the goodwill the following factors have been considered: (i) the nature and foreseeable life of the acquired businesses; (ii) the stability and foreseeable life of the relevant industry segment; (iii) the effects caused on the acquired business by the obsolescence of products, changes in demand and other economic factors; (iv) the feasibility of maintaining the level of disbursements necessary for obtaining the future economic benefits from the acquired business; and (v) the period of control over the acquired business and the legal or contractual provisions affecting its useful life.

Based on these factors, we have estimated that it is not possible to determine a specific useful life for the most significant goodwill generated by the application of the acquisition method set forth in RT No. 18, and therefore it has determined that they have an indefinite useful life.

In accordance with the provisions of RT No. 18, if we determine that any goodwill has an indefinite useful life, it shall not compute its depreciation and shall compare it against its recoverable value at the closing of each fiscal year to verify whether its value has been impaired, charging impairment losses to the income for the fiscal year in which they were determined.

***Investments in Certificates of participation ( CPs )***

Tarshop enters into ongoing revolving-period securitization programs through which transfers credit card receivables to the trust in exchange for cash and retained interests in the trust.

CPs are carried at their equity value based on financial statements issued by the trusts, less allowances for impairment if the carrying value exceeds their estimated recoverable value and they are classified as investments.

We believe that this accounting policy is a critical accounting policy because fair values are based on estimates using valuation techniques, such as discounting estimated future cash flows using a rate commensurate with the risks involved or other acceptable methods. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding prepayments, discount rates, estimates of future cash flows and future expected loss experience. Changes in these assumptions could significantly affect these estimates. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair value, Tarshop's fair values should not be compared to those of other companies.

***Provisions for allowances and contingencies***

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

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

We believe that this accounting policy is a critical accounting policy because if the future conditions were materially different from the assumptions used to make the assessments, it might cause a material effect on our consolidated financial statements.

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

We periodically evaluate the carrying value of our long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We consider the carrying value of a long-lived asset to be impaired when the expected cash flows from the asset may be separately identified and are lower than their carrying value. In such case, a loss would be recognized based on the amount that the carrying value exceeds the long lived asset's market value. We determine market value principally by using valuations made by independent valuation experts.

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

### ***Agricultural Business***

We believe that the accounting policy concerning the impairment of long-lived assets is a critical accounting policy, because considerable judgment is necessary to determine the fair value of farms. Although farms are non-depreciable assets, in determining these values we consider: (i) their geographical location and climate; (ii) the conditions and features of the soil; (iii) the kind and quality of any improvements made; and (iv) their exploitation and return potential.

### ***Real Estate Business***

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

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

the impact that recognizing an impairment would have on assets reported on IRSA's balance sheet as well as on the results of its operations could be material.

As of June 30, 2002, IRSA had revised its assets in all segments to detect impairments resulting from the continued deterioration of the Argentine economy. Therefore, as of June 30, 2002, IRSA had recognized an impairment of Ps.140.6 million. During fiscal years 2003, 2005 and 2008 IRSA recognized impairment losses for a total of Ps.14.0 million, Ps.0.2 million and Ps.0.03 million, respectively. As a result of the increase in the market values of assets for which IRSA had recognized impairment losses, during the fiscal years ended June 30, 2004, 2005, 2006, 2007, 2008, 2009 and 2010 IRSA partially reversed impairment losses, and recognized gains Ps.63.0 million, Ps.28.2 million, Ps.12.6 million, Ps.2.6 million, Ps.2.7 million, Ps.1.1 million and Ps.0.4 million, respectively.

The fair market value of our office and rental properties was determined following the rent value method, taking into consideration each property's current cash flow, our vacancy amounts and tax impact, and the cash flow was projected for the remaining useful live of each property considering a lease growth rate ranging from 6% to 8% per annum and a projected stable vacancy of 5%. In addition, comparability with other properties in the market and our historic vacancy rates were considered. The price per square meter of our properties varies according to the category and type of building, and to each property's idiosyncratic traits. Vacancy rates continue to be extremely low, with rates of 2% over the stock. Moreover, we currently believe that a significant amount of new office space, comparable to our existing buildings, is not likely to become available in the City of Buenos Aires during the next two or three fiscal years. All discounted cash flow exercises were made considering the impact of depreciation and income tax, i.e., net of taxes. For buildings we consider to be Class A (those having the best location and condition) the average price per square meter used was between Ps.83 and Ps.135 per square meter per month, while for buildings we consider to be Class

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A/B (having very good location and/or condition) the average price was between Ps.55 and Ps.72 per square meter per month, and for buildings we consider Class B/C (those having good location and/or condition) it was Ps.37 per square meter per month.

With respect to IRSA's Hotels segment, the discounted cash flows methodology was applied by taking the forecasts of each hotel's cash flow over its remaining useful life and discounting such estimated amounts at rates according to risk, location and other relevant factors. The cash flows to be discounted considered revenues per room, per guest, per additional charge as well as the fixed and variable expenditures related to the transaction. Rate increases and occupancy variations were estimated based on the information supplied by each hotel's management and comparing them to industry-specific data in the local market. IRSA believes that tourism activities and related industries in Argentina have increased at a lower rate than in past years, by 8% to 12% over the last 12 months, above worldwide figures, according to inbound traveling and spending statistics provided by the National Tourism Agency. Seasonal or exceptional issues that adversely impacted on the result of hotel occupancy rates for the last year were not considered in the analyses.

Shopping centers were valued according to the rent value method. IRSA calculated discount rates considering each property's location, the comparability with other properties in the market, our historic rental income, vacancy rates and cash flow. The average discount rates we used ranged between 14.5% and 16.5%, the average price per leasable square meter was Ps.7,043 and the average vacancy rate was calculated taking into consideration a permanent vacancy rate of 5%. As in the case of offices, cash flows of results after income taxes and depreciation were considered, analyzing the periods for the remaining useful life of each asset.

IRSA uses the open market method for determining the fair market value of its land reserves and inventories. IRSA estimates the value of each site by taking into consideration the value of the property according to its surface area and location and potential construction, as well as the availability of inventory less cost sales.

***Intangible assets - concession rights***

We recorded the concession from the Province of Salta, in northern Argentina, received upon our acquisition of Agropecuaria Anta S.A. (Agropecuaria Anta) as an amortizable intangible asset at its fair value. Concession rights are amortized over the life of the concession, which was set at 35 years, with an option to extend it for an additional 29-year period. Amortization began at the time of the start-up of operations, which occurred during the fiscal year ended June 30, 2008.

This intangible asset will be tested for impairment whenever events or circumstances indicate that impairment may have occurred. If the carrying amount of an intangible asset exceeds its fair value based on future undiscounted cash flows, an impairment loss will be recognized. The amount of the impairment loss to be recorded would be based on the excess of the carrying amount of the intangible asset over its future discounted cash flows. Judgment is used in assessing whether the carrying amount of intangible assets is not expected to be recoverable over their remaining useful lives. The determination of the fair value requires significant management judgment including estimating future production and sales volumes, selling prices and costs, changes in working capital, investments in property and equipment and the selection of an appropriate discount rate. Sensitivities of these fair value estimates to changes in assumptions for production and sales volumes, selling prices and costs are also tested.

***Debt restructuring******Extension of the APSA's Convertible Notes - maturity date***

On August 20, 2002, APSA issued an aggregate amount of US\$50.0 million of uncollateralized convertible notes in exchange for cash and the settlement of certain liabilities. The Convertible Notes accrue interest at a fixed annual interest rate of 10% (payable semiannually), are convertible at any time at the option of the holder into common shares (at a conversion rate that consists in the higher of the result of dividing APSA shares' par value (Ps.0.1) by the exchange rate and US\$0.0324) and originally matured on July 19, 2006. On May 2, 2006 a Meeting of Alto Palermo's Noteholders resolved to extend the maturity date of the Convertible Notes through July 19, 2014, leaving the remaining terms and conditions unchanged.

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Argentine GAAP requires that an exchange of debt instruments between, or a modification of a debt instrument by, a debtor and a creditor shall be deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10% different from the present value of the remaining cash flows under the terms of the original instrument. The new debt instrument should be initially recorded at fair value, and that amount should be used to determine the extinguishment gain or loss to be recognized.

Fair value should be determined by the present value of the future cash flows to be paid under the terms of the new debt instrument discounted at a rate commensurate with the risks of the debt instrument and time value of money. If it is determined that the original and new debt instrument are not substantially different, then a new effective interest rate is to be determined based on the carrying amount of the original debt instrument and the revised cash flows. Based on the analysis performed, we concluded that the instruments were not substantially different and accordingly the original Convertible Notes were not considered to have been extinguished.

We believe that the accounting policy related to the extension of Alto Palermo's Convertible Notes' maturity date is a critical accounting policy because it required its management to make an estimate of the present value of the future cash flows, using an estimated discount rate which is highly susceptible to changes from period to period, and as a result the impact on the fair market value of our debt instruments could be material.

***Derivative instruments***

We record all derivative instruments as assets or liabilities on our balance sheet at fair value. We record changes in the fair value of derivatives in the statement of income.

***Deferred income tax***

We record income taxes using the deferred tax liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequence attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Technical Resolution No. 17 requires companies to record an impairment allowance for that component of net deferred tax assets which is not recoverable. We have treated the differences between the price-level restated amounts of assets and liabilities and their historical basis as permanent differences for deferred income tax calculation purposes.

At year-end there are temporary net liabilities (tax liabilities) mainly originated in the beef cattle valuation and the sale and replacement of fixed assets. Our Management has made estimates that allow us to recognize this deferred tax.

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

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

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

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### ***Minimum presumed income tax ( MPIT )***

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

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

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

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

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

Effect of U.S. GAAP adjustments on equity investees;

Valuation of inventories;

Deferred income tax;

Elimination of gain on acquisition of non-controlling interest;

Available-for-sale securities;

Accounting for convertible notes;

Effect of U.S. GAAP adjustments on management fee;

Reversal of gain recognized for assets held for sale;

Accounting for Warrants;

Depreciation of fixed assets;

Pre-operating and organization expenses;

Mortgage payable with no stated interest rate;

Accounting for IRSA step acquisition;

Securitization accounting;

Present-value accounting;

Reversal of previously recognized impairment losses;

Accounting for real estate barter transactions;

Reversal of (loss) gain from valuation of real estate inventories at net realizable value;

Appraisal revaluation of fixed assets;

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Software developed or obtained for internal use

Reversal of capitalized foreign exchange differences;

Debtors accounting for a modification of APSA convertible debt instruments;

Revenue recognition deferred commissions;

Revenue recognition scheduled rent increase;

Deferred revenues insurance & fees;

Non-controlling interest;

Amortization of fees related to Series II of APSA Non Convertible Notes; and

Derecognition of put option;

Differences in basis relating to purchase accounting;

Accounting for investment in Hersha Hospitality Trust, and

Acquisition of non-controlling interest in IRSA.

In addition, certain other disclosures required under U.S. GAAP have been included in the U.S. GAAP reconciliation. See Note 30 to our audited consolidated financial statements included elsewhere in this annual report.

Net income under Argentine GAAP for the years ended June 30, 2010, 2009 and 2008 was approximately Ps. 185.4 million, Ps.124.6 million, and Ps. 22.9 million, respectively, compared to approximately Ps. 193.4 million, Ps.116.6 million, and Ps.16.4 million, respectively, under U.S. GAAP. Shareholders' equity under Argentine GAAP as of June 30, 2010 and 2009, was Ps. 1,968.2 million and Ps. 1,812.9 million, respectively, compared to Ps. 1,857.7 million and Ps. 1,535.3 million, respectively, under U.S. GAAP.

***Segment Information***

We are required to disclose segment information in accordance with RT No. 18. RT No. 18 establishes standards for reporting information about operating segments in our Annual Consolidated Financial Statements and requires reporting of selected information about operating segments in interim financial reports issued to shareholders. Operating segments are components of a company about which separate financial information is available that is regularly evaluated by the board of directors, which is in charge of adopting operating decisions on how to allocate resources and assets. The statement also establishes standards for related disclosures about a company's products and services, geographical areas and major customers.

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During the fiscal year ended June 30, 2010, we acquired directly or indirectly 10,667,870 additional shares of IRSA. Our equity interest in IRSA is 57.49% as of June 30, 2010. We started consolidating the accounts and results of operations of IRSA as from October 1, 2008. Our consolidated financial information for periods prior to October 1, 2008 does not include the accounts of IRSA on a consolidated basis. Therefore, the income statement, balance sheet and cash flow data as of June 30, 2009 and for the year then ended is not comparable to prior periods. As a result of the consolidation, for the year ended June 30, 2010 and 2009, we review the consolidated results of operations divided into two main businesses: Agricultural and Real Estate businesses. These businesses are further segmented as described below. Comparative information has not been restated due to this change in consolidation.

During the fiscal year ended June 30, 2010, we continue operations in international markets other than Brazil which we have started during the previous fiscal year, i.e. Bolivia and Paraguay, mainly dedicated to crop activities within the Agricultural Business. Accordingly, the business segment Crops is further divided between Local (Argentina) and International (Bolivia and Paraguay) operations.



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Our international operations for the year ended June 30, 2008 were solely concentrated in Brazil through our equity interest of 14.39% in BrasilAgro which were reviewed as part of the Non-Operating segment. Our Brazilian operations are still conducted through our 23.24% equity interest in BrasilAgro for the year ended June 30, 2010.

Following is a description of the main segments within our Agricultural and Real Estate businesses.

### ***Agricultural Business***

Our agricultural operations are conducted through seven business segments organized primarily on a product-line basis, with each segment offering a variety of different but interrelated products. Our agricultural operations are subject to various risks, including but not limited to market prices for commodities, weather conditions and environmental concerns. One of our cornerstones is the transformation of farmland through our agricultural activities. Ultimately we may sell farmland to profit from land value appreciation opportunities and which, in the judgment of management, are surplus to our primary operations. Gains on the sale of farmland properties are presented in Sales of farmlands in the consolidated statement of income.

For all the years discussed our principal operations were located in Argentina, our country of domicile. For the year ended June 30, 2008, our international operations were concentrated in Brazil through our equity investment in BrasilAgro. For the year ended June 30, 2010, we continued our business in Brazil while we expanded our international operations to Bolivia and Paraguay.

Our business segments within the agricultural business are as follows:

The Crops Segment includes the planting and harvesting and sale of fine and coarse grains and oilseeds, including wheat, corn, soybeans and sunflowers;

The Beef Cattle Segment consists of the raising and fattening of beef cattle from our own cattle stock and the purchase and fattening of beef cattle for sale to meat processors;

The Milk Segment consists of the production of milk for sale to dairy companies;

The Feed Lot Segment includes the cattle feeding operation;

Others Segment consists of services and leasing of farmlands to third parties and brokerage activities.

Sales of Farmlands Segment consists of gains from the sale of farmland to profit from land value appreciation opportunities as part of the land transformation objectives;

Non-Operating Segment includes gains or losses from equity investees (excluding gain or loss from Cactus) and depreciation for corporate assets.

We evaluate the performance of our agricultural business segments based on gross income from agricultural production plus gross income from sales - including sales of products and farmland- less selling and administrative expenses plus unrealized gains or losses on inventories. The column titled Sub-Total Agricultural Business represents the addition of the segment gains or losses from the Crops (Domestic and International, as applicable), Beef Cattle, Milk, Feedlot (as applicable), Others and Sales of Farmlands Segments. Excluded from total segment gains or losses are the gains or losses from the other equity investees included in the Non-Operating Segment.

Accounting policies of the reportable segments within the agricultural business are the same as those described in the summary of significant accounting policies to our Consolidated Financial Statements. Intercompany transactions between segments, if any, are eliminated.

***Real Estate Business***

Our real estate operations are conducted through our subsidiary IRSA. The real estate business is further segmented as follows:

Development and Sale of Properties: this segment includes the operating results of the construction and ultimate sale of residential buildings business.

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Office and Other Non-Shopping Center Rental Properties: this segment includes the operating results of the lease and service revenues of office space and other Non-Shopping Center Rental Properties from tenants.

Shopping Centers: this segment includes the operating results of the shopping centers principally comprised of lease and service revenues from tenants.

Consumer Financing: this segment includes the origination of loans and credit card receivables and related securitization programs.

Hotels: this segment includes the operating results of hotels principally comprised of room, catering and restaurant revenues.

Financial Operations and Others: this segment primarily includes revenues and associated costs generated from the sale of equity securities, other securities-related transactions and other non-core activities. This segment also includes the results from related companies associated with the banking business.

For all years presented the principal operations of our Real estate business were located in Argentina, the country of domicile of IRSA. During fiscal year 2009, IRSA acquired a 30% interest in Metropolitan, a limited liability company organized under the laws of Delaware, United States of America. Metropolitan's main asset is the Lipstick Building, a 34-story building located on Third Avenue between 53rd and 54th streets in Manhattan, New York City. For more information about Lipstick Building, see *Recent Developments* and *Significant Changes*. In addition, during the fiscal year 2010, IRSA acquired in the aggregate a 10.9% equity interest in Hersha, a real estate investment trust which owns controlling interests in 77 hotels most of which are located on the east coast of the United States. The results of operations of these investments were evaluated as part of the Financial Operations and Others Segment.

We evaluate the performance of our real estate business segments based on gross income from sales real estate business plus gain from recognition of inventories at net realizable value, gains from operations and holding of real estate assets and gains/losses from retained interests in securitized receivables less selling and administrative expenses. The column titled "Sub-Total Real Estate Business" represents the addition of the segment gains or losses from the Development and Sale of Properties, Office and Other Non-Shopping Center Rental Properties, Shopping Centers, Consumer Financing, Hotels and Financial Operations and Others.

Accounting policies of the reportable segments within the real estate business are the same as those described in the summary of significant accounting policies our Consolidated Financial Statements. Intercompany transactions between segments, if any, are eliminated.

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Financial information for each segment follows:

Year ended June 30, 2010

**Statement of income data**

| Description  | Crops       |               | Agricultural |            |           |            | Farm Sales | Non Operating (i) | Subtotal Agricultural business |
|--|-------------|---------------|--------------|------------|-----------|------------|------------|-------------------|--------------------------------|
|  | Local       | International | Beef cattle  | Milk       | Feed lot  | Others     |            |                   |                                |
| Production income  | Ps. 143,772 | Ps. 27,076    | Ps. 20,830   | Ps. 26,043 | Ps.       | Ps.        | Ps.        | Ps.               | Ps. 217,721                    |
| Cost of production   | (132,301)   | (27,423)      | (21,850)     | (20,383)   |           |            |            |                   | (201,957)                      |
| Production profit  | 11,471      | (347)         | (1,020)      | 5,660      |           |            |            |                   | 15,764                         |
| Sales (iii)  | 164,522     | 30,129        | 39,274       | 24,415     |           | 50,497     | 18,557     |                   | 327,394                        |
| Cost of sales (iv)   | (148,077)   | (27,552)      | (46,682)     | (24,415)   |           | (38,102)   | (4,825)    |                   | (289,653)                      |
| Sales profit (loss)  | 16,445      | 2,577         | (7,408)      |            |           | 12,395     | 13,732     |                   | 37,741                         |
| Gross (Loss) profit  | 27,916      | 2,230         | (8,428)      | 5,660      |           | 12,395     | 13,732     |                   | 53,505                         |
| Selling expenses   | (23,127)    | (4,481)       | (2,550)      | (540)      |           | (3,355)    |            |                   | (34,053)                       |
| Administrative expenses  | (19,440)    | (7,203)       | (12,329)     | (2,229)    |           | (1,839)    | (1,346)    |                   | (44,386)                       |
| Gain from recognition of inventories at net realizable value                     |             |               |              |            |           |            |            |                   |                                |
| Unrealized (loss) gain on inventories  | 1,515       | (268)         | 84,349       |            |           | (107)      |            |                   | 85,489                         |
| Net gain from retained interest in securitized receivables of consumer financing |             |               |              |            |           |            |            |                   |                                |
| (loss) Gain on equity investees  |             |               |              |            | (21,206)  |            |            | (12,205)          | (21,206)                       |
| <b>Segment (loss) gain</b>   | (13,136)    | (9,722)       | 61,042       | 2,891      | (21,206)  | 7,094      | 12,386     |                   | 39,549                         |
| Operating margin   | (4.3%)      | (17%)         | 101.6%       | 5.7%       |           | 14%        | 66.7%      |                   | 11.1%                          |
| Depreciation   | (5,044)     |               | (1,842)      | (687)      |           | (279)      |            | (653)             | (8,505)                        |
| <b>Balance Sheet Data</b>  |             |               |              |            |           |            |            |                   |                                |
| Assets   | Ps. 381,962 | Ps. 442,276   | Ps. 265,567  | Ps. 51,330 | Ps. 2,357 | Ps. 19,674 | Ps. 3,162  | Ps. 162,020       | Ps. 1,328,348                  |

| Description  | Real estate                        |                   |                  |                  |                    | Financial operations and others | Subtotal real estate business | Total       |
|--|------------------------------------|-------------------|------------------|------------------|--------------------|---------------------------------|-------------------------------|-------------|
|  | Development and sale of properties | Office and others | Shopping Centers | Hotel operations | Consumer financing |                                 |                               |             |
| Production income  | Ps.                                | Ps.               | Ps.              | Ps.              | Ps.                | Ps.                             | Ps.                           | Ps. 217,721 |
| Cost of production   |                                    |                   |                  |                  |                    |                                 |                               | (201,957)   |
| Production profit  |                                    |                   |                  |                  |                    |                                 |                               | 15,764      |
| Sales (iii)  | 225,567                            | 156,592           | 529,841          | 159,894          | 265,346            |                                 | 1,337,240                     | 1,664,634   |
| Cost of sales (iv)   | (99,893)                           | (35,705)          | (164,265)        | (103,191)        | (99,470)           |                                 | (502,524)                     | (792,177)   |
| Sales profit (loss)  | 125,674                            | 120,887           | 365,576          | 56,703           | 165,876            |                                 | 834,716                       | 872,457     |
| Gross (Loss) profit  | 125,674                            | 120,887           | 365,576          | 56,703           | 165,876            |                                 | 834,716                       | 888,221     |
| Selling expenses   | (2,388)                            | (4,452)           | (37,134)         | (16,509)         | (124,918)          |                                 | (185,401)                     | (219,454)   |
| Administrative expenses                                      | (35,079)                           | (45,679)          | (54,335)         | (35,074)         | (25,125)           |                                 | (195,292)                     | (239,678)   |
| Gain from recognition of inventories at net realizable value | 33,831                             |                   |                  |                  |                    |                                 | 33,831                        | 33,831      |
| Unrealized (loss) gain on inventories                        | 730                                | 361               |                  |                  |                    |                                 | 1,091                         | 86,580      |

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|  |             |               |               |             |             |               |               |               |
|--|-------------|---------------|---------------|-------------|-------------|---------------|---------------|---------------|
| Net gain from retained interest in securitized receivables of consumer financing |             |               |               |             | 37,470      |               | 37,470        | 37,470        |
| (loss) Gain on equity investees  | 1,907       |               | 40            | 5,990       |             | 152,479       | 160,416       | 139,210       |
| <b>Segment (loss) gain</b>   | 124,675     | 71,117        | 274,147       | 11,110      | 53,303      | 152,479       | 686,831       | 726,180       |
| Operating margin   | 54.4%       | 45.4%         | 51.7%         | 3.2%        | 20.1%       |               | 39.4%         | 35.3%         |
| Depreciation   | (17,121)    | (24,089)      | (106,475)     | (16,475)    | (7,993)     |               | (172,080)     | (180,585)     |
| <b>Balance Sheet Data</b>  |             |               |               |             |             |               |               |               |
| <b>Assets</b>  | Ps. 683,040 | Ps. 1,104,047 | Ps. 1,814,382 | Ps. 239,278 | Ps. 314,285 | Ps. 1,354,508 | Ps. 5,509,540 | Ps. 6,837,888 |

- (i) Not included in the segment gain;
- (ii) This item aggregates segment gain divided by the sum of production income and sales.
- (iii) This item aggregates sales of crops, beef cattle, milk, others and farmlands disclosed separately in the consolidated statements of income.
- (iv) This item aggregates costs of crops, beef cattle, milk, others and farmlands disclosed separately in the consolidated statements of income.

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Year ended June 30, 2009:

**Statement of income data**

|  | Crops       |               | Agricultural Business |            |            |           |                    | Non Operating (i) | Subtotal Agricultural business |
|--|-------------|---------------|-----------------------|------------|------------|-----------|--------------------|-------------------|--------------------------------|
|  | Local       | International | Beef Cattle           | Milk       | Feed lot   | Others    | Sales of Farmlands |                   |                                |
| Agricultural production income                               | Ps. 118,582 | Ps. 15,597    | Ps. 18,120            | Ps. 20,213 | Ps.        | Ps.       | Ps.                | Ps.               | Ps. 172,512                    |
| Cost of agricultural production                              | (159,109)   | (16,807)      | (16,241)              | (18,286)   |            |           |                    |                   | (210,443)                      |
| Gross (loss) income from agricultural production             | (40,527)    | (1,210)       | 1,879                 | 1,927      |            |           |                    |                   | (37,931)                       |
| Sales (iii)  | 147,680     | 16,783        | 17,646                | 19,270     |            | 36,045    | 1,959              |                   | 239,383                        |
| Cost of sales (iv)   | (130,054)   | (14,915)      | (16,237)              | (19,316)   |            | (24,210)  | (94)               |                   | (204,826)                      |
| Gross income from sales                                      | 17,626      | 1,868         | 1,409                 | (46)       |            | 11,835    | 1,865              |                   | 34,557                         |
| (Loss) Gross profit  | (22,901)    | 658           | 3,288                 | 1,881      |            | 11,835    | 1,865              |                   | (3,374)                        |
| Selling expenses   | (18,676)    | (2,406)       | (1,323)               | (328)      |            | (2,474)   |                    |                   | (25,207)                       |
| Administrative expenses                                      | (16,938)    | (3,018)       | (9,036)               | (1,620)    |            | (1,349)   | (140)              |                   | (32,101)                       |
| Gain from recognition of inventories at net realizable value |             |               |                       |            |            |           |                    |                   |                                |
| Unrealized (loss) / gain on inventories                      | (691)       | (183)         | (860)                 |            |            | 398       |                    |                   | (1,336)                        |
| Net (loss) in credit card trust Tarshop                      |             |               |                       |            |            |           |                    |                   |                                |
| (Loss) gain on equity investees                              |             |               |                       |            |            | (2,780)   |                    | (38,216)          | (2,780)                        |
| <b>Segment (loss) gain</b>                                   | (59,206)    | (4,949)       | (7,931)               | (67)       | (2,780)    | 8,410     | 1,725              |                   | (64,798)                       |
| Operating Margin (ii)  | (22.2%)     | (15.3%)       | (22.2%)               | (0.2%)     |            | 23.3%     | 88.1%              |                   | (15.7%)                        |
| Depreciation   | (3,799)     | (105)         | (1,408)               | (615)      |            | (1,066)   |                    | (835)             | (7,828)                        |
| <b>Balance Sheet</b>   |             |               |                       |            |            |           |                    |                   |                                |
| <b>Data</b>  |             |               |                       |            |            |           |                    |                   |                                |
| <b>Assets</b>  | Ps. 421,531 | Ps. 250,773   | Ps. 208,973           | Ps. 44,645 | Ps. 22,982 | Ps. 6,223 | Ps. 9,121          | Ps. 138,783       | Ps. 1,103,031                  |

|  | Real Estate Business               |                   |                  |                  |                    |                                 | Subtotal Real Estate business | Total       |
|--|------------------------------------|-------------------|------------------|------------------|--------------------|---------------------------------|-------------------------------|-------------|
|  | Development and sale of properties | Office and others | Shopping Centers | Hotel operations | Consumer financing | Financial operations and others |                               |             |
| Agricultural production income                   | Ps.                                | Ps.               | Ps.              | Ps.              | Ps.                | Ps.                             | Ps.                           | Ps. 172,512 |
| Cost of agricultural production                  |                                    |                   |                  |                  |                    |                                 |                               | (210,443)   |
| Gross (loss) income from agricultural production |                                    |                   |                  |                  |                    |                                 |                               | (37,931)    |
| Sales (iii)                                      | 278,107                            | 127,339           | 305,127          | 116,672          | 188,035            |                                 | 1,015,280                     | 1,254,663   |
| Cost of sales (iv)                               | (170,529)                          | (25,932)          | (87,097)         | (74,240)         | (78,125)           |                                 | (435,923)                     | (640,749)   |
| Gross income from sales                          | 107,578                            | 101,407           | 218,030          | 42,432           | 109,910            |                                 | 579,357                       | 613,914     |
| (Loss) Gross profit                              | 107,578                            | 101,407           | 218,030          | 42,432           | 109,910            |                                 | 579,357                       | 575,983     |
| Selling expenses                                 | (1,591)                            | (9,948)           | (24,153)         | (12,048)         | (139,535)          |                                 | (187,275)                     | (212,482)   |

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|  |             |               |               |             |             |             |               |
|--|-------------|---------------|---------------|-------------|-------------|-------------|---------------|
| Administrative expenses                                      | (16,804)    | (26,221)      | (32,946)      | (26,931)    | 339         | (102,563)   | (134,664)     |
| Gain from recognition of inventories at net realizable value | 9,237       |               |               |             |             | 9,237       | 9,237         |
| Unrealized (loss) / gain on inventories                      | (145)       | 1,073         |               |             |             | 928         | (408)         |
| Net (loss) in credit card trust Tarshop                      |             |               |               |             | (22,263)    | (22,263)    | (22,263)      |
| (Loss) gain on equity investees                              | 1,833       |               | 30            |             |             | 88,327      | 90,190        |
| <b>Segment (loss) gain</b>                                   | 100,108     | 66,311        | 160,961       | 3,453       | (51,549)    | 88,327      | 302,813       |
| Operating Margin (ii)  | 36.0%       | 52.1%         | 52.8%         | 3.0%        | (27.4%)     |             | 36.2%         |
| Depreciation   | (643)       | (25,772)      | (66,481)      | (14,082)    | (5,133)     | (112,111)   | (119,939)     |
| <b>Balance Sheet Data</b>                                    |             |               |               |             |             |             |               |
| Assets   | Ps. 540,358 | Ps. 1,036,959 | Ps. 1,915,268 | Ps. 232,848 | Ps. 174,865 | Ps. 972,727 | Ps. 4,873,025 |
|  |             |               |               |             |             |             | Ps. 5,976,056 |

- (i) Not included in the segment gain.
- (ii) This item aggregates segment gain divided by the sum of production income and sales.
- (iii) This item aggregates sales of crops, beef cattle, milk, others and farmlands disclosed separately in the consolidated statements of income.
- (iv) This item aggregates costs of crops, beef cattle, milk, others and farmlands disclosed separately in the consolidated statements of income.

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Year ended June 30, 2008:

**Statement of income data**

|  | Agricultural Business |             |            |            |            |                    |                   | Total         |
|--|-----------------------|-------------|------------|------------|------------|--------------------|-------------------|---------------|
|  | Crops                 | Beef Cattle | Milk       | Feed lot   | Others     | Sales of Farmlands | Non Operating (i) |               |
| Production income  | Ps. 117,474           | Ps. 23,927  | Ps. 18,420 | Ps.        | Ps.        | Ps.                | Ps.               | Ps. 159,821   |
| Cost of production   | (82,151)              | (19,316)    | (14,283)   |            |            |                    |                   | (115,750)     |
| Gross income from agricultural production                    | 35,323                | 4,611       | 4,137      |            |            |                    |                   | 44,071        |
| Sales (iii)  | 86,870                | 32,432      | 17,493     |            | 25,786     | 23,020             |                   | 185,601       |
| Cost of sales (iv)   | (75,949)              | (30,038)    | (17,630)   |            | (17,379)   | (3,006)            |                   | (144,002)     |
| Gross income (loss) from sales                               | 10,921                | 2,394       | (137)      |            | 8,407      | 20,014             |                   | 41,599        |
| Gross profit   | 46,244                | 7,005       | 4,000      |            | 8,407      | 20,014             |                   | 85,670        |
| Selling expenses   | (11,241)              | (1,379)     | (163)      |            | (1,714)    |                    |                   | (14,497)      |
| Administrative expenses                                      | (10,913)              | (11,425)    | (1,696)    |            | (2,070)    |                    |                   | (26,104)      |
| Gain from recognition of inventories at net realizable value |                       |             |            |            |            | 886                |                   | 886           |
| Unrealized (loss) / gain on inventories                      | (11,624)              | 8,535       |            |            | 746        |                    |                   | (2,343)       |
| (Loss) gain on equity investees                              |                       |             |            | (474)      |            |                    | 38,891            | 38,417        |
| <b>Segment gain (loss)</b>                                   | 12,466                | 2,736       | 2,141      | (474)      | 5,369      | 20,900             |                   | 43,138        |
| Operating Margin (ii)  | 6.1%                  | 4.9%        | 6.0%       |            | 20.8%      | 90.8%              |                   | 12.5%         |
| Depreciation   | (3,421)               | (1,246)     | (165)      |            | (1,025)    |                    | (617)             | (6,474)       |
| <b>Balance Sheet Data</b>                                    |                       |             |            |            |            |                    |                   |               |
| <b>Assets</b>  | Ps. 299,705           | Ps. 165,191 | Ps. 37,321 | Ps. 10,995 | Ps. 13,876 | Ps.                | Ps. 1,542,672     | Ps. 2,069,760 |

- (i) Not included in the segment gain.  
(ii) This item aggregates segment gain divided by the sum of production income and sales.  
(iii) This item aggregates sales of crops, beef cattle, milk, others and farmlands disclosed separately in the consolidated statements of income.  
(iv) This item aggregates costs of crops, beef cattle, milk, others and farmlands disclosed separately in the consolidated statements of income.



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### **Additional Information on the Real Estate Business Segments**

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

Selling expenses directly attributable to the Shopping centers, Consumer financing and Hotels segments are allocated to these segments. These expenses are incurred individually by each segment. All other selling expenses are allocated respectively to the remaining segments according to which segment has specifically incurred each expense.

#### *Allocation of administrative expenses to business segments*

Administrative expenses directly attributable to the Shopping centers, Consumer financing and Hotel. segments are allocated to these segments. These expenses are incurred individually by these segments. All other administrative expenses are prorated among the Development and sale of properties segment and the Offices and Other Non-Shopping Center Rental Properties segments based on the percentage of the operating assets and revenues generated by each segment. Accordingly, 40.6% and 59.4% of administrative expenses (excluding expenses directly attributable to the Shopping centers, Consumer financing and Hotels segments) are allocated to the Development and sale of properties segment and to the Offices and Other Non-Shopping Center Rental Properties segment, respectively.

#### *Allocation of results from recognition of inventories at net realizable value*

These results are allocated to the Sales and development segment.

#### *Allocation of results from retained interest in securitized receivables (Consumer financing)*

These results are allocated to the Consumer financing segment.

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

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

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

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

Each one of the following segments: Shopping centers, Consumer financing and Hotels manages its financial transactions individually. The gains/losses on said transactions are directly allocated to these segments. The financial gains or losses unrelated to these business units are shown in the Financial transactions and other segment as they are not specifically generated by any other segment separately, except Interest income and Interest expenses, which are prorated among all the segments in proportion to the corresponding assets to each segment.

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

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

**Table of Contents****Cresud's Results of Operations**

Effective July 1, 2006, we adopted RT No. 22 prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activity. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets. RT No. 22 prescribes, among other things, the accounting treatment for biological assets during the period of growth, degeneration, production, and procreation, and for the initial measurement of agricultural produce at the point of harvest. It requires measurement at fair value less estimated point-of-sale costs from initial recognition of biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. RT No. 22 requires that a change in fair value less estimated point-of-sale costs of a biological asset be included in profit or loss for the period in which it arises. RT No. 22 also requires that gains or losses arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs to be included in profit or loss for the period in which it arises. In agricultural activity, a change in physical attributes of a living animal or plant directly enhances or diminishes economic benefits to the entity. RT No. 22 is applied to agricultural produce, which is the harvested product of the entity's biological assets, only at the point of harvest. Accordingly, RT No. 22 does not deal with the processing of agricultural produce after harvest; for example, the processing of milk into cheese.

Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset. Biological assets are living unharvested crops, heads of cattle and milking cows. Agricultural produce such as harvested crops, beef, milk and raw materials are the harvested product of biological assets. Biological transformation results in the following types of outcomes: asset changes through (i) growth (an increase in quantity or improvement in quality of an animal or plant), (ii) degeneration (a decrease in the quantity or deterioration in quality of an animal or plant), or (iii) procreation (creation of additional living animals or plants).

The adoption of RT No. 22 did not have an impact in our measurement and recognition of biological transformation. Rather, it changed the format of our Consolidated Income Statement. Under RT No. 22 we break down the components of our costs as separate line items in the Consolidated Income Statement. There was no change in our gross profit for any of the periods presented.

Prior to the adoption of RT No. 22 gains or losses arising from initial recognition of biological assets and agricultural produce as well as changes in biological assets were included as a deduction from costs of sales. Under RT No. 22 these changes are disclosed separately in our Consolidated Income Statement under the line item titled "Production income".

Also, prior to the adoption of RT No. 22, costs directly related to the transformation of biological assets and agricultural produce were also included as an addition to costs of sales. Under RT No. 22, these costs are disclosed separately in our consolidated income statement under the line item titled "Cost of production" due to the direct relationship to the transformation of biological assets and agricultural produce.

The adoption of RT No. 22 did not affect our recognition of revenue which is included in the line item titled "Sales" in our consolidated income statement. As a result of the adoption of RT No. 22, our costs of sales show direct costs related to the sales of agricultural

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produce other than selling expenses. RT No. 22 intends to purport that costs of sales are not significant in agricultural activities while costs of biological transformation into agricultural produce represent the major costs of these activities.

In addition, under RT No. 22, the exhibits entitled *Cost of Sales* and *Cost of Production* included in our consolidated financial statements present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the relevant periods. This reconciliation includes (a) the gain or loss arising from changes in fair value less estimated point-of-sale costs; (b) increases due to purchases; (c) decreases attributable to sales and biological assets classified as held for sale; (d) increases due to harvest; (e) other changes.

The following terms used herein with the meanings specified:

### ***Agricultural Business***

*Production Income.* We recognize production income when there is a change in biological assets. For example, we recognize production income when crops are harvested or a cow is born or gains a certain amount of weight. Biological assets are living animals or plants, such as unharvested crops, heads of cattle and milking cows. Agricultural produce such as harvested crops, beef, milk and raw materials are the harvested product of biological assets.

*Cost of Production.* Our cost of production consists of costs directly related to the transformation of biological assets and agricultural produce.

*Sales.* Our sales consist of revenue on the sales of crops, milk, feed lot, and beef cattle. Sales are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectibility is reasonably assured. Revenue from cattle feeding operations, primarily comprised of feeding, animal health and yardage, and revenue from operating leases and brokerage activities are recognized as services are performed.

*Sales of Farmland.* Our sales consist of revenue on the sales of farmlands. We record farmland sales under the applicable accounting standards and do not recognize such sales until (i) the sale is consummated (a sale is not considered consummated until: (a) the parties are bound by the terms of a contract, (b) all contract terms and conditions have been considered, (c) any financing for which the seller is responsible has been arranged and (d) all conditions precedent to closing have been performed); (ii) we determine that the buyer's initial and continuing investments in the property being sold are adequate to demonstrate its commitment to pay for the property (the adequacy is measured by its financial capacity and size compared with the sale value of the property); (iii) the corresponding receivable is not subject to future subordination (our receivable will not be placed in or occupy a lower rank, class or position with respect to other obligations of the buyer) and (iv) we have transferred to the buyer the usual risks and rewards of ownership and have no continuing substantial involvement in the property.

*Cost of Sales.* Our cost of sales consists of its net realizable value.

*Cost of Farmland Sales.* Our cost of farmland sales consists of its book value and indirect costs related to the disposition of farmlands.

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*Results from inventory holding and transactions in the Buenos Aires Futures and Options Exchange Market and Chicago Board of Trade ( CBOT ).* Our gain from inventory holding consists of the changes in the carrying amount of biological assets between the beginning and the end of fiscal year and transactions in the Buenos Aires Futures and Options Exchange Market and CBOT.

### ***Real Estate Business***

*Sales and development of properties:* We record revenue from the sale of properties when all of the following criteria are met: (i) the sale has been consummated; (ii) we determine that the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property, (iii) our receivable is not subject to future subordination; and (iv) we have transferred to the buyer the risk and rewards of ownership and do not have a continuing involvement in the property.

In addition, we use the percentage-of-completion method of accounting with respect to sales of development properties under construction. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs according to budgeted costs. We do not commence revenue and cost recognition until such time as the decision to proceed with the project is made and construction activities have begun. The percentage-of-completion method of accounting requires that our Management to prepare budgeted costs in connection with sales of properties/units. All changes to estimated costs of completion are incorporated into revised estimates during the contract period.

*Income from lease and service of offices, shopping centers, hotels, consumer financing and others*

*Income from lease and service of offices:* Revenues from leases are recognized on a straight line basis over the life of the related lease contracts.

*Income from admission rights and rental of stores and stands Shopping Centers :* 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 revenues (the Percentage Rent ) (which generally ranges between 4% and 10% of tenant's gross revenues).

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

Certain lease agreements contain provisions, which provide for rents based on a percentage of sales or based on a percentage of revenues 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, these contingent rents are not recognized until the required thresholds are exceeded.

Generally, 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 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.

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Additionally, we charge our tenants monthly administration fees relating to the administration and maintenance of the common area and the administration of contributions made by tenants to finance promotional efforts for the overall shopping centers operations. The administration fees are prorated among the tenants according to their leases which vary from shopping center to shopping center. Administration fees are recognized monthly when earned.

In addition to rent, tenants are generally charged admission rights, a non refundable admission fee, that tenants may be required to pay upon entering into a lease 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 in earnings using the straight-line method over the life of the respective lease agreements.

*Income from Hotel operations:* We recognize revenues from its rooms, catering and restaurant facilities as accrued on the close of each business day.

*Income from Credit card operations Consumer Financing :* 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 financial income is recognized when accrued. Income generated from granting consumer loans mainly includes financial interests, which are recognized by the accrued method during the fiscal year irrespective of whether collection has or has not been made.

**OPERATING RESULTS**

*Fiscal year ended June 30, 2010 compared to fiscal year ended June 30, 2009*

*Production income*

Production income was Ps. 217.7 million for fiscal year 2010, 26.2% higher than the amount recorded for the previous fiscal year. This was primarily attributable to a Ps.36.7 million increase in our Crops segment, a Ps.2.7 million increase in our Beef cattle segment and a Ps.5.8 million increase in our Milk segment.

*Crops Local*

Production income from our Crops segment increased 21.2%, from Ps.118.6 million for fiscal year 2009 to Ps.143.8 million for fiscal year 2010, primarily as a result of:

a 33.9% increase in total production volumes, from Ps.215,857 tons in fiscal year 2009 to 289,141 tons in fiscal year 2010, mainly due to 13.0%, 71.0% and 19.7% increases in production volumes of corn, soybean and sorghum, respectively, partially offset by a decrease of 52.5% in volumes of wheat harvested and of 47.1% of sunflower harvested from year to year; and

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a 7.4% decrease in average prices of grain production.

The 33.9% increase in the production volume from our Crops segment was primarily due to a 64.5% increase in our average yield, from 2.14 tons per hectare in fiscal year 2009 to 3.52 tons per hectare in fiscal year 2010, mainly due to the mix of grain harvested and favorable weather conditions. Our total sown area for fiscal year 2009 was 100,925 hectares (including 8,067 hectares under concession through our subsidiary Agropecuaria Anta S.A.) whereas for fiscal year 2010 it was 82,088 (including 10,816 hectares under concession through our subsidiary Agropecuaria Anta S.A.). As of June 30, 2010, the harvested area was 86.3% of our total sown area, compared to 94.8% as of June 30, 2009.

The following table shows the board prices (1) as of June 30, 2009 and 2010:

|           | Fiscal year ended June 30, |      |
|-----------|----------------------------|------|
|           | 2009                       | 2010 |
|           | Ps.                        | Ps.  |
| Wheat     | 654                        | 632  |
| Sunflower | 770                        | 930  |
| Corn      | 450                        | 480  |
| Soybean   | 1,010                      | 903  |

(1) Rosario Commodities Exchange board prices

*Crops International*

Production income from our Crops segment increased 73.6%, from Ps.15.6 million in fiscal year 2009 to Ps.27.0 million in fiscal year 2010, mainly as a result of:

a 58.1% increase in global production volume from 21,174 tons in fiscal year 2009 to 33,475 tons in fiscal year 2010, mainly due to a 39.6% increase in volumes of soybean harvested and a 50.4% increase in volumes of corn harvested, as a result of the increase in our surface area under operation, from 9,950 hectares in fiscal year 2009 to 18,872 hectares in fiscal year 2010; and

a 9.8% increase in the average price of grain production.

As of June 30, 2010, the harvested area was 96.3% of the total sown area, compared to 100% as of June 30, 2009.

In addition, the increase in production volume of the Crops segment was partially offset by a 16.9% reduction in our average yield, from 2.13 tons per hectare in fiscal year 2009 to 1.77 tons per hectare in fiscal year 2010, mainly due to unfavorable weather conditions.

*Beef cattle*

Production income for the Beef cattle segment increased 15.0%, from Ps.18.1 million in fiscal year 2009 to Ps.20.8 million in fiscal year 2010, primarily as a result of:

a 42.3% increase in the average price of kilogram of cattle produced, from Ps.2.6 in fiscal year 2009 to Ps.3.7 million in fiscal year 2010,

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a 20.4% decrease in beef production volume, from 7,112 tons during fiscal year 2009 to 5,659 tons in fiscal year 2010. The beef production volume in farms decreased 22.5% in fiscal year 2010 compared to fiscal year 2009, partially offset by a 14.9% higher production of heads finished in the feedlot compared to the previous year; and

a 28.7% decrease in births during fiscal year 2010 compared to fiscal year 2009.

The number of hectares dedicated to beef cattle production decreased from 128,859 hectares in fiscal year 2009 to 105,857 in fiscal year 2010. This was mainly due to a smaller number of hectares devoted to cattle production leased from third parties.

*Milk*

Production income for the Milk segment increased 28.8%, from Ps.20.2 million in fiscal year 2009 to Ps.26.0 million in fiscal year 2010. This increase was mainly due to:

a 23.7% increase in average prices of milk, from Ps.0.93 per liter in fiscal year 2009 to Ps.1.15 per liter in fiscal year 2010; and

a 3.8% increase in milk production volumes, from 20.9 million liters in fiscal year 2009 to 21.7 million liters in this fiscal year. This increase in production volume was mainly due to (i) a slight increase in the average number of milking cows (from 3,286 in fiscal year 2009 to 3,297 in fiscal year 2010); and (ii) a slight increase of 3.5% in the efficiency level of average daily milk production per cow, from 17.4 liters in fiscal year 2009 to 18.0 liters in fiscal year 2010.

**Cost of production**

Cost of production decreased 4.0%, from Ps.210.4 million in fiscal year 2009 to Ps.201.9 million in fiscal year 2010. This decrease was mainly due to a 16.2 million decrease in our Crops segment, partially offset by a Ps. 5.6 million increase in our Beef cattle segment and a Ps.2.1 million increase in our Milk segment.

***Crops Local***

Cost of production from our Crops segment decreased 16.8%, from Ps.159.1 million in fiscal year 2009 to Ps.132.3 million in fiscal year 2010, primarily as a consequence of:

a lower number of hectares exploited in fiscal year 2010 compared to fiscal year 2009; and

a significant decrease in direct costs of production during fiscal year 2010 compared to fiscal year 2009, primarily as a result of lower prices of leases and supplies used (agrochemicals and seeds).

Total cost of production per ton decreased 38.4%, from Ps.740 in fiscal year 2009 to Ps.456 in fiscal year 2010, primarily as a result of lower direct costs of production and higher yields per hectare during fiscal year 2010 compared to fiscal year 2009 that allowed to dilute costs of production.

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### ***Crops International***

Cost of production from our Crops segment increased 63.2% from Ps.16.8 million in fiscal year 2009 to Ps.27.4 million in fiscal year 2010, mainly due to:

higher production volumes in fiscal year 2010 compared to fiscal year 2009; and

a larger number of hectares in operation in fiscal year 2010 compared to fiscal year 2009.

The total cost of production per ton increased 3.2% from Ps.794 in fiscal year 2009 to Ps.819 in fiscal year 2010, primarily as a result of higher direct costs of production compared to the previous fiscal year.

### ***Beef cattle***

Cost of production from our Beef cattle segment increased 34.5%, from Ps. 16.2 million in fiscal year 2009 to Ps. 21.8 million in fiscal year 2010. The higher cost of production from our Beef cattle segment during fiscal year 2010 is mainly attributable to:

higher feeding costs due to the increase in the number of heads fattened in feedlot and the increased prices of supplies.

The direct cost per kilogram produced increased 84.3%, from Ps. 0.89 in fiscal year 2009 to Ps. 1.64 in fiscal year 2010.

### ***Milk***

Cost of production for the Milk segment increased 11.5%, from Ps.18.3 million in fiscal year 2009 to Ps.20.4 million in fiscal year 2010. This increase was mainly due to:

a 3.8% increase in milk production volume in fiscal year 2010 compared to the previous fiscal year; and

the impact of higher indirect costs. As a result of the above, cost of production per liter of milk increased from Ps.0.89 in fiscal year 2009 to Ps.0.94 in fiscal year 2010.

### **Sales**

Total sales increased 32.7%, from Ps.1,254.7 million in fiscal year 2009 to Ps.1,664.6 million in fiscal year 2010. This was primarily due to a 36.8% increase in the agricultural business, from Ps.239.4 million in fiscal year 2009 to Ps.327.4 million in fiscal year 2010 and a 31.7% increase in the real estate business, from Ps.1,015.3 million in fiscal year 2009 to Ps.1,337.2 million in fiscal year 2010.



**Table of Contents****Agricultural business**

Sales increased 36.8% from Ps.239.4 million in fiscal year 2009 to Ps.327.4 million in fiscal year 2010, primarily as a result of a Ps.30.2 million increase in the Crops segment, a Ps.21.6 million increase in the Beef cattle segment, a Ps.5.1 million increase in the Milk segment, a Ps.14.4 million increase in the Other segment, and a Ps.16.6 million increase in our Sales of farms segment.

**Crops Local**

Sales from our Crops segment increased 11.4%, from Ps.147.7 million in fiscal year 2009 to Ps.164.5 million in fiscal year 2010, primarily as a consequence of:

a 16.5% increase in average prices of grains sold, from Ps.607 per ton in fiscal year 2009 to Ps.707 per ton in fiscal year 2010, partially offset by a slight reduction of 6,406 tons in crops sold in fiscal year 2010 compared to the previous fiscal year; and

a 33.9% increase in production volume, from 215,857 tons in fiscal year 2009 to 289,141 tons in fiscal year 2010, partially offset by a slight reduction of 6,406 tons in crops sold in fiscal year 2010 compared to the previous fiscal year.

|   | <b>Crops Inventories (in tons) <sup>(1)</sup></b> |               |                  |
|---|---|---------------|------------------|
|   | <b>Fiscal year ended June 30,</b>                 |               |                  |
|   | <b>2008</b>                                       | <b>2009</b>   | <b>Variation</b> |
| Inventories at the beginning of the fiscal year | 112,174   | 77,449        | (34,725)         |
| Purchases                                       | 8,316   | 22,845        | 14,529           |
| Production                                      | 222,181   | 253,051       | 30,870           |
| Sales   | (244,853)   | (238,447)     | 6,406            |
| Transfer of unharvested crops to expenses       | (20,369)  | (24,599)      | (4,230)          |
| Inventories at the end of the fiscal year       | <b>77,449</b>                                     | <b>90,299</b> | <b>12,850</b>    |

(1) Includes silage stocks.

**Crops International**

Sales from our Crops segment increased 79.5% from Ps.16.8 million in fiscal year 2009 to Ps.30.1 million in fiscal year 2010, mainly as a result of:

a 91.1% increase in sales volume, from 18,661 tons in fiscal year 2009 to 35,658 tons in fiscal year 2010, mainly due to a higher production volume of crops in this fiscal year and a larger initial inventory of crops due to the start of production activities during fiscal year 2009;

partially offset by a 6.3% reduction in the average price per ton sold, from Ps.899 in fiscal year 2009 to Ps.842 in fiscal year 2010.

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|   | Crops Inventory (in tons)  |          |                |
|---|----------------------------|----------|----------------|
|   | Fiscal Year ended June 30, |          |                |
|   | 2009                       | 2010     | Variation      |
| Inventories at the beginning of the fiscal year |                            | 2,513    | 2,513          |
| Purchases                                       |                            |          |                |
| Production                                      | 21,174                     | 33,475   | 12,301         |
| Sales   | (18,661)                   | (35,658) | (16,997)       |
| Transfer of unharvested crops to expenses       |                            | (326)    | (326)          |
| Inventories at the end of the fiscal year       | <b>2,513</b>               | <b>4</b> | <b>(2,509)</b> |

*Beef cattle*

Sales from our Beef cattle segment increased 122.6%, from Ps.17.6 million in fiscal year 2009 to Ps.39.3 million in fiscal year 2010, primarily as a result of:

a 40.2% increase in beef sales volume, from 6,348 tons in fiscal year 2009 to 8,898 tons in fiscal year 2010; and

a 58.6% increase in the average price per kilogram sold, from Ps.2.78 in fiscal year 2009 to Ps.4.41 in fiscal year 2010.

The average cattle stock decreased from 95,437 heads in fiscal year 2009 to 79,488 heads in fiscal year 2010, primarily as a result of the higher volume of sales described above and a reduction of our herd in the Los Pozos farm.

*Milk*

Sales from our Milk segment increased 22.4%, from Ps.19.3 million in fiscal year 2009 to Ps. 24.4 million in fiscal year 2010, primarily as a result of:

a 23.7% increase in average prices of milk, from Ps. 0.93 per liter in fiscal year 2009 to Ps. 1.15 per liter in fiscal year 2010; and

a 3.8% increase in production volume mainly due to a higher number of dairy cows being milked and a 3.5% increase in the efficiency level of production.

*Sales of farms*

Sales from our Sales of farms segment increased 847.3% from Ps.2.0 million in fiscal year 2009 to Ps.18.6 million in fiscal year 2010, mainly as a consequence of:

*Fiscal year 2010*

On June 15, 2010, we signed the deed of sale of the Tali Sumaj farm (12,701 hectares), located in the Province of Catamarca. The transaction was agreed for a price of Ps.18.6 million (US\$ 4.8 million), which was paid in full.

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*Fiscal year 2009*

On July 24, 2008, we signed the deed of sale for two parcels of land in El Recreo farm (1,829 hectares) located in the Province of Catamarca. The transaction was agreed for a price of Ps.1.1 million (US\$ 0.36 million) paid as follows: US\$ 0.12 million upon execution of the deed of sale, and the balance of US\$ 0.24 million to be paid in two annual and consecutive installments plus interest equivalent to the Libor rate plus 3%. The result of this transaction was recognized in fiscal year 2008 in accordance with Technical Resolution No. 17; and

On April 7, 2009, we signed the deed of sale for 1,658 hectares of Los Pozos farm located in the Province of Salta. The transaction was agreed for a price of Ps.2.0 million (US\$ 0.5 million), that was collected in full.

*Other*

Sales from our Other segment increased 40.1%, from Ps.36.0 million in fiscal year 2009 to Ps.50.5 million in fiscal year 2010, mainly due to:

a Ps.13.1 million increase in commodity brokerage services; and

a Ps.1.4 million increase for services to third parties, resale of raw materials, and others.

***Real estate business***

Sales from our Real estate business increased 31.7% from Ps.1,015.3 million to Ps.1,337.2 million in fiscal year 2010. This was caused mainly by a Ps.374.5 million increase in the Offices and other, Shopping centers, Hotels, and Consumer financing segments, partially offset by a Ps.52.5 million reduction in the Sales and developments segment.

***Cost of sales***

Total cost of sales increased 23.6% from Ps.640.8 million for fiscal year 2009 to Ps.792.2 million in fiscal year 2010. This was mainly due to a 41.4% increase in the agricultural business, from Ps.204.8 million in fiscal year 2009 to Ps.289.7 million in fiscal year 2010 and a 15.3% increase in the real estate business from Ps.435.9 million in fiscal year 2009 to Ps.502.5 million in fiscal year 2010.

***Agricultural business***

Cost of sales for fiscal year 2010 increased 41.4% from Ps.204.8 million in fiscal year 2009 to Ps.289.7 million in fiscal year 2010, primarily as a result of a Ps.30.7 million increase in the Crops segment, a Ps.30.4 million increase in the Beef cattle segment, a Ps.5.1 million increase in the Milk segment, a Ps.13.9 million increase in the Other segment, and a Ps.4.7 million increase in the Sales of farms segment.

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The cost of sales as a percentage of sales was 85.6% in fiscal year 2009 and 88.5% in fiscal year 2010.

### *Crops Local*

Cost of sales from our Crops segment increased 13.9%, from Ps. 130.1 million in fiscal year 2009 to Ps.148.1 million in fiscal year 2010, primarily as a result of:

a 16.5% increase in the average market price of grains in fiscal year 2010;

partially offset by a 2.6% reduction in the volume of tons sold compared to the previous fiscal year.

The average cost per ton sold increased 16.9%, from Ps.531 in fiscal year 2009 to Ps.621 in fiscal year 2010, mainly as a result of the higher average market prices of grains.

### *Crops International*

Cost of sales from our Crops segment increased 84.7% from Ps.14.9 million in fiscal year 2009 to ps.27.6 million in fiscal year 2010, mainly as a result of:

a 91.1% increase in the volume of sales of crops in fiscal year 2010 compared to the previous fiscal year;

partially offset by a 6.3% reduction in the average price per ton of crops, from Ps.899 in fiscal year 2009 to Ps.842 in fiscal year 2010.

The average cost per ton decreased 3.3%, from Ps.799 in fiscal year 2009 to Ps.773 in fiscal year 2010.

### *Beef cattle*

Cost of sales from our Beef cattle segment increased 187.5%, from Ps.16.2 million in fiscal year 2009 to Ps.46.7 million in fiscal year 2010, primarily as a result of:

a 40.2% increase in the beef sales volume in fiscal year 2010 compared to fiscal year 2009;

a 58.6% increase in the average price per kilogram, from Ps.2.78 in fiscal year 2009 to Ps.4.41 fiscal year 2010; and

a reduction in our cattle herd in the Los Pozos farm.

### *Milk*

Cost of sales from our Milk segment increased 26.4%, from Ps.19.3 million in fiscal year 2009 to Ps.24.4 million in fiscal year 2010, primarily as a result of:

a 23.7% increase in the level of prices of milk which had an impact on the cost of sales; and



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a 3.0% increase in the sale volume of milk.

### *Sales of farms*

Cost of sales from our Sales of farms segment increased significantly, from Ps.0.1 million in fiscal year 2009 to Ps.4.8 million in fiscal year 2010, mainly as a consequence of:

#### *Fiscal year 2010*

the cost of sales of 12,701 hectares of our Tali Sumaj farm was Ps.4.8 million.

#### *Fiscal year 2009*

the cost of sales of 1,829 hectares of our El Recreo farm was Ps.0.2 million; and

the cost of sales of 1,658 hectares of our Los Pozos farm was Ps.0.1 million.

### *Other*

Cost of sales from our Other segment increased 57.4%, from Ps.24.2 million in fiscal year 2009 to Ps.38.1 million in fiscal year 2010, primarily as a result of higher costs arising from brokerage activities due to an increase in the number of commodity trading transactions through our subsidiary Futuros y Opciones.com and costs generated by services to third parties, resale of raw materials and others.

### ***Real estate business***

Cost of sales from our Real estate business increased 15.3%, from Ps.435.9 million in fiscal year 2009 to Ps.502.5 million in fiscal year 2010. This was mainly due to a Ps.137.2 million increase in the Offices and other, Shopping Centers, Hotels and Consumer financing segments, partially offset by a Ps.70.6 million reduction in the Sales and developments segment.

### **Gross profit**

As a result of the above mentioned factors, gross profit increased 54.2%, from Ps.576.0 million in fiscal year 2009 to Ps.888.2 million in fiscal year 2010. This was mainly due to a significant increase in our agricultural business, from a Ps.3.4 million loss in fiscal year 2009 to a Ps.53.5 million profit in fiscal year 2010 and a 44.1% increase in the real estate business, from a Ps.579.4 million profit in fiscal year 2009 to a Ps.834.7 million profit in fiscal year 2010.

### ***Agricultural business***

As a result of the above mentioned factors, gross profit increased significantly, from Ps.3.4 million loss in fiscal year 2009 to Ps.53.5 million profit in fiscal year 2010. Our gross margin, calculated as our gross profit divided by our production income, was 2.0% negative for fiscal year 2009 and 24.6% positive for fiscal year 2010.

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### *Crops Local*

Gross profit from our Crops segment increased 221.9%, from a Ps.22.9 million loss in fiscal year 2009 to a Ps.27.9 million profit in this fiscal year.

### *Crops International*

Gross profit from our Crops segment increased 238.9%, from Ps.0.7 million in fiscal year 2009 to Ps.2.2 million during the current fiscal year.

### *Beef cattle*

Gross profit from our Beef cattle segment decreased 356.3%, from a Ps.3.3 million profit in fiscal year 2009 to Ps.8.4 million loss in fiscal year 2010.

### *Milk*

Gross profit from our Milk segment increased 200.9%, from Ps.1.9 million in fiscal year 2009 to Ps.5.7 million in fiscal year 2010.

### *Sales of farms*

Gross profit from our Sales of farms segment increased 636.3% from Ps.1.9 million in fiscal year 2009 to Ps.13.7 million in fiscal year 2010.

### *Other*

Gross profit from our Other segment increased 4.7%, from Ps.11.8 million in fiscal year 2009 to Ps.12.4 million in fiscal year 2010.

### ***Real estate business***

Gross profit from our real estate business increased 44.1% from Ps.579.4 million in fiscal year 2009 to Ps.834.7 million in fiscal year 2010. This was mainly due to a Ps.147.5 million increase in the Shopping centers segment and a Ps.107.8 million increase in the Sales and developments, Offices and other, Hotels and Consumer financing segments.

### **Selling expenses**

Total selling expenses increased 3.3% from Ps.212.5 million in fiscal year 2009 to Ps.219.4 million for fiscal year 2010. Selling expenses for fiscal years 2009 and 2010 include Ps.187.3 million and Ps.185.4 million from the real estate business, respectively.

### ***Agricultural business***

Selling expenses of our agricultural business increased 35.1% from Ps.25.2 million in fiscal year 2009 to Ps.34.0 million in fiscal year 2010. Selling expenses of our Crops, Beef cattle and Other segments represented 81.1%, 7.5% and 9.9%, respectively, from the total selling expenses as of June 30, 2010.

### *Crops Local*

Selling expenses of our Crops segment as a percentage of sales increased from 12.6% in fiscal year 2009 to 14.1% in fiscal year 2010, as a result of the increase in average sales

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prices of commodities in fiscal year 2010. Selling expenses per ton of grain sold increased 27.6%, from Ps.76 per ton in fiscal year 2009 to Ps.97 per ton in fiscal year 2010, primarily as a result of higher cost of freight, conditioning and storage.

### *Crops International*

Selling expenses of our Crops segment as a percentage of sales increased, from 14.3% during fiscal year 2009 to 14.9% in fiscal year 2010. Selling expenses per ton of grain sold decreased 2.3%, from Ps.129 per ton during fiscal year 2009 to Ps.126 per ton in fiscal year 2010.

### *Beef cattle*

Selling expenses of our Beef cattle segment as a percentage of sales decreased, from 7.5% in fiscal year 2009 to 6.5% in fiscal year 2010.

### *Milk*

Milk sales did not generate significant selling expenses as all the production was marketed directly to dairy producers.

### *Other*

Selling expenses of our Other segment as a percentage of sales decreased slightly from 6.9% in fiscal year 2009 to 6.6% in fiscal year 2010.

### ***Real estate business***

Selling expenses from the real estate business decreased 1.0%, from Ps.187.3 million in fiscal year 2009 to Ps.185.4 million in fiscal year 2010. This was mainly due to a Ps.20.1 million reduction in the Offices and other and Consumer financing segments, partially offset by a Ps.18.2 million increase in the Sales and developments, Shopping centers and Hotels segments.

### **Administrative expenses**

Total administrative expenses increased 78.0%, from Ps.134.7 million in fiscal year 2009 to Ps.239.7 million in fiscal year 2010. Fiscal years 2009 and 2010 include Ps.102.6 million and Ps.195.3 million, respectively, from the Real estate business.

### ***Agricultural business***

Administrative expenses from our Agricultural business increased 38.3% from Ps.32.1 million in fiscal year 2009 to Ps.44.4 million in fiscal year 2010.

### *Crops Local*

Administrative expenses increased 14.8%, from Ps.16.9 million in fiscal year 2009 to Ps.19.4 million in fiscal year 2010, mainly due to the increase in Salaries and wages and social security contributions resulting from compensation increases, an increase in Office and administration expenses resulting from higher rental expenses of our main offices and higher Bank commissions and expenses.



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### *Crops International*

Administrative expenses increased 138.7%, from Ps.3.0 million in fiscal year 2009 to Ps.7.2 million in fiscal year 2010, mainly due to the addition of our international businesses in Bolivia and Paraguay during this fiscal year.

### *Beef cattle*

Administrative expenses increased 36.4% from Ps.9.0 million in fiscal year 2009 to Ps.12.3 million in fiscal year 2010, mainly as a result of higher Salaries and wages and social security contributions resulting from compensation increases, an increase in Office and administration expenses due to higher rental expenses of our main offices and higher Bank commissions and expenses.

### *Milk*

Administrative expenses increased 37.6% from Ps. 1.6 million in fiscal year 2009 to Ps.2.2 million in fiscal year 2010, primarily as a result of higher Salaries and wages and social security contributions resulting from compensation increases, an increase in Office and administration expenses due to higher rental expenses of our main offices and higher Bank commissions and expenses.

### *Sales of farms*

Administrative expenses increased significantly, from Ps.0.1 million in fiscal year 2009 to Ps.1.3 million in fiscal year 2010, mainly as a result of an increase in the share of this segment.

### *Other*

Administrative expenses increased 36.3% from Ps.1.3 million in fiscal year 2009 to Ps.1.8 million in fiscal year 2010, primarily as a result of higher Salaries and wages and social security contributions resulting from compensation increases, an increase in Office and administration expenses due to higher rental expenses of our main offices and higher Bank commissions and expenses.

### ***Real estate business***

Administrative expenses from our real estate business increased 90.4%, from Ps.102.6 million in fiscal year 2009 to Ps.195.3 million in fiscal year 2010. This resulted mainly from a Ps.92.7 million increase in the Sales and developments, Offices and other, Shopping centers, Hotels and Consumer financing segments.

### **Gain from valuation of other assets at net realization value**

Gain from valuation of other assets at net realization value increased 266.3% from a Ps.9.2 million gain during fiscal year 2009 to a Ps.33.8 million gain in fiscal year 2010, derived from our real estate business.

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### **Gain (loss) from inventory holding**

Our gain (loss) from inventory holding increased significantly, from a Ps.0.4 million loss in fiscal year 2009 to a Ps.86.6 million gain in fiscal year 2010. Fiscal years 2009 and 2010 include a Ps.0.9 million and Ps.1.1 million gain as a result of our real estate business, respectively.

#### ***Agricultural business***

##### *Crops Local*

Our gain (loss) from inventory holding increased significantly, from a Ps.0.7 million loss in fiscal year 2009 to a Ps.1.5 million gain in fiscal year 2010, mainly as a result of a higher gain from inventory holding in grains and supplies, due to an increase in market prices, partially offset by a loss from transactions in the Futures and Options Exchange Market (*Mercado a Término*).

##### *Crops International*

Our gain (loss) from inventory holding decreased 46.4%, from a Ps.0.2 million loss in fiscal year 2009 to a Ps.0.3 million loss in fiscal year 2010, mainly as a result of a loss in inventory holding in grains and supplies, due to a decrease in market prices.

##### *Beef cattle*

Our gain (loss) from inventory holding increased significantly, from a Ps.0.9 million loss in fiscal year 2009 to a Ps.84.3 million gain in fiscal year 2010, primarily as a result of an increase in average market prices and changes of cattle category in the current fiscal year.

The increase in prices is due to a significant decrease in beef cattle offer. This was originated as a result of the severe drought that took place in Argentina during 2008, which affected the corporal condition of the breeding cows and caused a lower ratio of pregnancies and an increase in sales of cattle, mainly of female, to slaughter during last years. Due to the imbalance between offer and demand, there was an increase in prices in all the beef categories.

##### *Other*

Our gain (loss) from inventory holding decreased 126.9% from a Ps.0.4 million gain in fiscal year 2009 to a Ps.0.1 million loss in fiscal year 2010, mostly due to a decrease in average prices of minor products.

#### ***Real estate business***

Our gain (loss) from inventory holding of our real estate business increased 17.6%, from a Ps.0.9 million gain in fiscal year 2009 to a Ps.1.1 million gain in fiscal year 2010. This was mainly due to a Ps.0.9 million increase in the Sales and developments segment, offset by a Ps.0.7 million reduction in the Offices and other segment compared to the previous fiscal year.

### **Gain (loss) from investment in Tarjeta Shopping s trusts**

Our gain (loss) from inventory holding of our investment in Tarjeta Shopping trusts increased 268.3%, from a Ps.22.3 million loss in fiscal year 2009 to a Ps.37.5 million gain in

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fiscal year 2010, on account of the following factors: (i) the valuation of the Participation Certificates in various series of Consumer Financing Financial Trusts, (ii) the comparison of these valuations against their recoverable values (fair values) and (iii) the gains/losses on the placement of the notes (at the time of the Public Offering) associated to the various series of Consumer Financing financial trusts.

### **Operating income (loss)**

As a result of the above-mentioned factors, operating income (loss) increased 172.5%, from a Ps.215.4 million gain in fiscal year 2009 to a Ps.587.0 million gain in fiscal year 2010.

### ***Agricultural business***

Operating income (loss) from the agricultural business increased 197.6% from a Ps.62.0 million loss in fiscal year 2009 to a Ps.60.6 million gain in fiscal year 2010.

#### ***Crops Local***

Operating income (loss) from this segment increased 77.8% from a Ps.59.2 million loss in fiscal year 2009 to a Ps.13.1 million loss in fiscal year 2010.

#### ***Crops International***

Operating income (loss) from this segment decreased 96.4%, from a Ps.4.9 million loss in fiscal year 2009 to a Ps.9.7 million loss in fiscal year 2010.

#### ***Beef cattle***

Operating income (loss) from this segment increased significantly, from a Ps.7.9 million loss in fiscal year 2009 to a Ps.61.0 million gain in fiscal year 2010.

#### ***Milk***

Operating income (loss) from this segment increased significantly, from a Ps.0.1 million loss in fiscal year 2009 to a Ps.2.9 million gain in fiscal year 2010.

#### ***Sales of farms***

Operating income (loss) from this segment increased, from a Ps.1.7 million gain in fiscal year 2009 to a Ps.12.4 million gain in fiscal year 2010.

#### ***Other***

Operating income (loss) from this segment decreased 15.6% from a Ps.8.4 million gain in fiscal year 2009 to a Ps.7.1 million gain in fiscal year 2010.

### ***Real estate business***

Operating income (loss) from our real estate business increased 89.8%, from a Ps.277.4 million gain in fiscal year 2009 to a Ps.526.4 million gain in fiscal year 2010. This was mainly due to a Ps.218.0 million increase in the Shopping centers and Consumer financing segments and a Ps.31.0 million increase in the Sales and developments, Offices and other and Hotels segments.

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**Amortization of goodwill**

The amortization of goodwill increased 35.2%, from a Ps.32.3 million gain during fiscal year 2009 to a Ps.43.7 million gain in fiscal year 2010. This was mainly due to a Ps.8.3 million increase in the amortization of negative goodwill from the acquisition of our equity interest in IRSA and a Ps.3.0 million increase from our share in BrasilAgro.

**Net financial results**

We had a net financial income of Ps.44.7 million in fiscal year 2009 and a Ps.201.3 million loss in fiscal year 2010. This was primarily due to:

non-recurrent income of Ps.176.6 million in fiscal year 2009 generated by the repurchase of Notes issued by our subsidiaries IRSA and Alto Palermo S.A.;

a higher loss of Ps.29.2 million in net financial interest recorded in fiscal year 2010;

a lower gain of Ps.26.7 million generated by the results from hedging transactions in fiscal year 2010;

a lower gain of Ps.44.9 million generated by the results from financial and other transactions in fiscal year 2010;

a lower gain of Ps.4.0 million generated by translation differences in fiscal year 2010; and

a lower loss Ps.35.3 million generated by net exchange differences in fiscal year 2010.

Our net financial loss in fiscal year 2010 is mainly due to (i) a Ps.158.5 million loss from the negative impact of interest accrued on debt financing, mainly due to increased indebtedness and higher interest rates; (ii) a Ps.45.6 million loss generated by net exchange differences mainly as a result of a higher liability position in US dollars; and (iii) a Ps.4.9 million loss derived from holding results from the placement of funds and other financial transactions.

The above-mentioned losses were partially offset by (i) a Ps.5.4 million gain mostly generated by foreign exchange futures NDF, and (ii) a Ps.2.3 million gain generated by translation differences during fiscal year 2010 from the consolidation with our subsidiary established in the Republic of Uruguay. It should be pointed out that the average exchange rate increased 3.6%, from \$/US\$ 3.777 at the end of fiscal year 2009 to \$/US\$ 3.911 at the end of fiscal year 2010.

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

Gain on our equity investees increased 158.4%, from Ps.49.2 million in fiscal year 2009 to Ps.127.1 million in fiscal year 2010. This was primarily due to:

an increase of Ps.36.5 million in fiscal year 2010 with respect to our investment in IRSA. The result from our investment in IRSA in fiscal year 2010 includes a Ps.6.2 million loss due to the amortization of higher values generated by the business combination. The 42.7 million loss for fiscal year 2009 includes a Ps.33.6 million loss from our investment in IRSA and a Ps.9.1 million loss from the amortization of higher values generated by the business combination;

an increase of Ps.70.2 million in fiscal year 2010 due to income from related companies in our real estate business;

a decrease of Ps.11.3 million in fiscal year 2010 with respect to our equity interest in BrasilAgro. The result from our investment in BrasilAgro was a Ps.1.8 million gain for fiscal year 2009, compared to a Ps.9.5 million loss for fiscal year 2010;

a decrease of Ps.18.5 million in fiscal year 2010 with respect to our equity interest in Cactus. The result from our investment in Cactus was a Ps.2.6 million loss for fiscal year 2009, compared to a Ps.21.1 million loss for fiscal year 2010; and

an increase of Ps.1.1 million in fiscal year 2010 mainly as a result of our equity interest in AgroUranga S.A. The result from our investment in such company was a Ps.2.9 million gain in fiscal year 2009, compared to a Ps.3.7 million gain in fiscal year 2010.

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

Other income and expenses, net, represented a net expense of Ps.16.5 million and Ps.19.7 million in fiscal years 2009 and 2010, respectively. These results were mainly due to the negative impact from the tax on personal assets payable by us on behalf of our shareholders as required under Argentine law and to the impact from donations.

### **Management fee**

Under the consulting agreement entered into with Consultores Assets Management S.A., we pay a fee equal to 10% of our net income for agricultural advisory services and other management services. The fees amounted to Ps.13.6 million in fiscal year 2009 and Ps.20.6 million in fiscal year 2010.

### **Income tax**

Our income tax expense was Ps.92.7 million in fiscal year 2009 and Ps.145.9 million in fiscal year 2010. We recognize our income tax expense on the basis of the deferred tax liability method, thus recognizing temporary differences between accounting and tax assets and liabilities measurements. The main temporary differences for the Agricultural business derive from valuation of cattle stock and fixed assets sale and replacement, while those corresponding to the Real estate business derive from the sale and replacement of fixed assets.

For purposes of determining the deferred assets and liabilities, the tax rate expected to be in force at the time of their reversion or use, according to the legal provisions enacted as of the date of issuance of these financial statements (35%), has been applied to the identified temporary differences and tax losses.

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### **Minority interest**

Our minority interest was a Ps.94.2 million loss for fiscal year 2009 and a Ps.184.8 million loss in fiscal year 2010.

### **Net income**

Due to the above-mentioned issues, our net income increased 48.8%, from Ps.124.6 million for fiscal year 2009 to Ps.185.4 million in fiscal year 2010.

### **Fiscal year ended June 30, 2009 compared to fiscal year ended June 30, 2008**

#### **Production income**

Production income was Ps.172.5 million for the fiscal year 2009, 7.9% higher than the amount recorded for the previous fiscal year. This was primarily attributable to a Ps.16.7 million increase in our Crops segment and a Ps.1.8 million increase in our Milk segment, offset by a Ps.5.8 million decrease in our Beef cattle segment.

#### ***Crops Local***

Production income from our Crops segment increased 0.9%, from Ps.117.5 million for fiscal year 2008 to Ps.118.6 million for fiscal year 2009, primarily as a result of:

a 8.9% increase in total production volumes, from 198,146 tons in fiscal year 2008 to 215,857 tons in fiscal year 2009, mainly due to an increase in volumes of corn (9.9%), soybean (5.2%) and sunflower (40.4%) harvested, partially offset by a decrease of 1.0% in volumes of wheat harvested from year to year; and

a 7.2% decrease in average prices of grain production.

The 8.9% increase in the production volume from our Crops segment was mainly due to our harvest of a larger area of crops, from 59,639 hectares in fiscal year 2008 to 100,925 hectares in fiscal year 2009 (including 8,067 hectares under concession through our subsidiary Agropecuaria Anta S.A.).

As of June 30, 2009, the harvested surface was 94.8% of our total sown surface, compared to 91.6% as of June 30, 2008.

In addition, the production volume in our Crops segment was adversely impacted by a 35.6% decrease in our average yields, from 3.32 tons per hectare during fiscal year 2008 to 2.14 tons per hectare in fiscal year 2009, mainly as a result of a 69.2% increase in the exploited surface in fiscal year 2009 compared to the previous year, the mix of grains harvested and unfavorable weather conditions.

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The following table shows the board prices<sup>(1)</sup> as of June 30, 2008 and 2009:

|           | Fiscal year ended June 30, |       |
|-----------|----------------------------|-------|
|           | 2008                       | 2009  |
|           | Ps.                        | Ps.   |
| Wheat     | 633                        | 654   |
| Sunflower | 1,000                      | 770   |
| Corn      | 528                        | 450   |
| Soybean   | 904                        | 1,010 |

<sup>(1)</sup> Rosario Commodities Exchange board prices

**Crops International**

Production income from our Crops segment amounted to Ps.15.6 million in fiscal year 2009, mainly as a result of:

global production of 21,174 tons in fiscal 2009 corresponding to corn and soybean crops; and

average price of grain production of Ps.281 and Ps.955 for corn and soybean crops, respectively.

The surface area devoted to our Crops segment production was 9,950 hectares. The yield per hectare was 4.10 and 1.73 tons per hectare for corn and soybean, respectively.

**Beef cattle**

Production income for the Beef cattle segment decreased 24.3%, from Ps.23.9 million for fiscal year 2008 to Ps.18.1 million in fiscal year 2009, primarily as a result of:

a 6.4% decrease in the average price of kilogram of cattle produced, from Ps.2.7 during fiscal year 2008 to Ps. 2.6 in fiscal year 2009;

a 19.1% decrease in the production volume of cattle beef, from 8,786 tons during fiscal year 2008 to 7,112 tons in fiscal year 2009; this was mainly due to a 78.6% decrease in the production volume of heads finished in the feedlot during fiscal year 2009 compared to the previous year;

the effect of the drought, which led to the transfer of beef cattle to other farms, thus generating alterations in feeding; in addition, as a consequence of the winter, we obtained grass of lower quality, which affected slaughtering and subsequent sale in previous stages; and

a slight 5.8% decrease in births during fiscal year 2009 compared to fiscal year 2008.

The number of hectares dedicated to beef cattle production increased from 123,894 hectares in fiscal year 2008 to 128,859 hectares in fiscal year 2009. This increase was mainly due to the conversion of hectares of land reserve into cattle production hectares in the Los Pozos farm during fiscal year 2009.





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### ***Milk***

Production income for the Milk segment increased 9.7%, from Ps.18.4 million in fiscal year 2008 to Ps.20.2 million in fiscal year 2009. This increase was mainly due to:

a 9.9% increase in average prices of milk, from Ps.0.85 per liter in fiscal year 2008 to Ps.0.93 in fiscal year 2009; and

a slight 0.3% increase in milk production volumes, from 20.8 million liters in fiscal year 2008 to 20.9 million liters in fiscal year 2009. This increase in production volume was mainly due to (i) an increase in the average number of milking cows (from 3,174 in fiscal 2008 to 3,286 in fiscal 2009); and (ii) partially offset by a slight 3.1% decrease in the efficiency level of average daily milk production per cow, from 18.0 liters in fiscal year 2008 to 17.4 liters in fiscal year 2009.

### **Cost of production**

Cost of production increased 81.8%, from Ps.115.7 million in fiscal year 2008 to Ps.210.4 million in fiscal year 2009. This increase is mainly due to a Ps.93.8 million increase in our Crops segment, a Ps.4.0 million increase in our Milk segment, partially offset by a Ps.3.1 million decrease in our Beef cattle segment.

### ***Crops Local***

Cost of production from our Crops segment increased 93.7%, from Ps.82.2 million in fiscal year 2008 to Ps.159.1 million in fiscal year 2009, primarily as a consequence of:

a higher production volume in fiscal year 2009 compared to the previous year,

an increase in direct and indirect costs of production during fiscal year 2009 compared to the previous year, primarily as a result of higher prices of leases and supplies used (agrochemicals and seeds); and

a larger number of hectares exploited during fiscal year 2009 (mainly leased to third parties) compared to the previous year.

Total cost of production per ton increased 77.8%, from Ps.416 in fiscal year 2008 to Ps.740 in fiscal year 2009, primarily as a result of higher costs of production and lower yields per hectare during the current fiscal year.

### ***Crops International***

Cost of production from our Crops segment was Ps. 16.8 million in fiscal year 2009. The total cost of production per ton was Ps.794, higher than expected mostly as a result of an increased use of supplies for production and higher costs of soil preparation and improvement, due to the commencement of operations.

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### ***Beef cattle***

Cost of production from our Beef cattle segment decreased 15.9%, from Ps.19.3 million in fiscal year 2008 to Ps.16.2 million in fiscal year 2009. The lower cost of production from our Beef cattle segment during fiscal year 2009 is mainly attributable to:

lower volume of cattle beef production, mostly derived from a lower number of cattle heads finished in the feedlot; and

lower feeding costs due to the decrease in the number of heads fattened in the feedlot, partially offset by increased prices of supplies and the effects of the drought requiring higher feed portion volumes.

The direct cost per kilogram produced decreased 31.0%, from Ps.1.29 in fiscal year 2008 to Ps.0.89 in fiscal year 2009.

### ***Milk***

Cost of production for the Milk segment increased 28.0%, from Ps.14.3 million in fiscal year 2008 to Ps.18.3 million in fiscal year 2009. This increase was mainly due to:

a slight 0.3% increase in milk production in fiscal year ended June 30, 2009 compared to the previous fiscal year; and

the impact of higher indirect and feeding costs as a consequence of the drought, which generated an increased use of dietary supplements. As a result of the above, cost of production per liter of milk increased from Ps.0.69 in fiscal year 2008 to Ps.0.89 in fiscal year 2009.

### **Sales**

Total sales increased from Ps.185.6 million in fiscal year 2008 to Ps.1,254.7 million in fiscal year 2009. This was primarily due to a 29.0% increase in the agricultural business, from Ps.185.6 million in fiscal 2008 to Ps.239.4 million in fiscal 2009, and Ps.1,015.3 million as a result of the consolidation with IRSA through the Real estate business during the current fiscal year.

### ***Agricultural Business***

Sales increased 29.0% from Ps.185.6 million in fiscal year 2008 to Ps.239.4 million in fiscal year 2009, primarily as a result of a Ps.77.6 million increase in the Crops segment, a Ps.1.8 million increase in the Milk segment, a Ps.10.3 million increase in the Other segment, partially offset by a Ps.14.8 million decrease in the Beef cattle segment and a Ps.21.1 million decrease in our Sales of farmlands segment.

### ***Crops Local***

Sales from our Crops segment increased 70.0%, from Ps.86.9 million in fiscal year 2008 to Ps.147.7 million in fiscal year 2009, primarily as a consequence of:

a 56.2% increase in the sales volume, from 156,718 tons in fiscal year 2008 to 244,853 tons in fiscal year 2009, mainly due to a higher grain production volume during fiscal year 2009 and a higher level of grain inventories at the beginning of the year (112,174 tons at the beginning of fiscal year 2009 compared to 74,563 tons at the beginning of fiscal year 2008); and

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a 8.9% increase in average prices of grains sold, from Ps.558 per ton in fiscal year 2008 to Ps.607 per ton in fiscal year 2009.

|   | Grain Inventories (in tons) <sup>(1)</sup> |               |                 |
|---|--|---------------|-----------------|
|   | Fiscal year ended June 30,                 |               |                 |
|   | 2008                                       | 2009          | Change          |
| Inventories at the beginning of the fiscal year | 74,563                                     | 112,174       | 37,611          |
| Purchases                                       | 10,223                                     | 8,316         | (1,907)         |
| Production                                      | 198,146                                    | 222,181       | 24,035          |
| Sales   | (156,718)                                  | (244,853)     | (88,135)        |
| Transfer of unharvested crops to expenses       | (14,040)                                   | (20,369)      | (6,329)         |
| Inventories at the end of the fiscal year       | <b>112,174</b>                             | <b>77,449</b> | <b>(34,725)</b> |

(1) Includes silage stocks.

*Crops International*

Sales from our Crops segment amounted to Ps.16.8 million in fiscal year 2009, mainly as a result of:

a sales volume of 4,500 and 14,161 tons of corn and soybean, respectively; and

an average price of grains sold during the year of Ps.400 and Ps.1,058 for corn and soybean crops, respectively.

*Beef cattle*

Sales from our Beef cattle segment decreased 45.6%, from Ps.32.4 million in fiscal year 2008 to Ps.17.6 million in fiscal year 2009, primarily as a result of:

a 45.6% decrease in beef sales volume, from 11,677 tons in fiscal year 2008 to 6,348 tons in fiscal year 2009, as a result of a lower production volume of cattle finished in the feedlot and delays in steer fattening due to the drought; and

an average price per kilogram sold during both periods of Ps.2.78.

The average cattle stock increased from 92,555 heads in fiscal year 2008 to 94,460 heads in fiscal year 2009, primarily as a result of the lower volume of sales described above.

*Milk*

Sales from our Milk segment increased 10.2%, from Ps.17.5 million in fiscal year 2008 to Ps.19.3 million in fiscal year 2009, primarily as a result of:

a 9.9% increase in average prices of milk, from Ps.0.85 per liter in fiscal year 2008 to Ps.0.93 per liter in fiscal year 2009; and



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a 0.3% increase in production volume mainly due to a higher number of dairy cows being milked, slightly offset by a decrease in the efficiency level of production.

*Farmlands*

Sales from our Sales of farms segment decreased 91.5% from Ps.23.0 million in fiscal year 2008 to Ps.2.0 million in fiscal year 2009, mainly as a consequence of:

*Fiscal year 2009*

On July 24, 2008, we signed the deed of sale for two parcels of land in El Recreo farm (1,829 hectares) located in the Province of Catamarca. The transaction was agreed for a price of Ps.1.1 million (US\$ 0.36 million) paid as follows: US\$ 0.12 million upon execution of the deed of sale, and the balance of US\$ 0.24 million to be paid in two annual and consecutive installments plus interest equivalent to the Libor rate plus 3%; and

On April 7, 2009, we signed the deed of sale for 1,658 hectares of Los Pozos farm located in the Province of Salta. The transaction was agreed for a price of Ps.2.0 million (US\$ 0.5 million), that was collected in full as of the date of this Annual Report.

*Fiscal year 2008*

On October 27, 2007, we signed the deed of sale for a parcel of land of 4,974 hectares of the Los Pozos farm located in the Province of Salta. The transaction was agreed at a price of Ps.3.5 million (US\$ 1.1 million). The sale value was US\$ 225.0 per hectare; and

On December 27, 2007, we sold a parcel of land of 2,430 hectares of the La Esmeralda farm located in the Province of Santa Fe. The total sale price was Ps.19.5 million (US\$ 6.2 million), which were collected in full. The sale value was US\$ 2,550 per hectare.

*Other*

Sales from our Other segment increased 39.8%, from Ps.25.8 million in fiscal year 2008 to Ps.36.0 million in fiscal year 2009, mainly due to:

a Ps.5.6 million increase in commodity brokerage services; and

a Ps.4.7 million increase for services to third parties, resale of raw materials, and others.

***Real Estate Business***

Sales from our consolidation with IRSA amounted to Ps.1,015.3 million, of which Ps.278.1 million are from the Sales and developments segment, and Ps.737.2 million correspond to the segment Income from office rentals and services, shopping centers, hotels, consumer financing and others.

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### **Cost of sales**

Total cost of sales increased from Ps.144.0 million to Ps.640.8 million for fiscal years 2008 and 2009, respectively. This was mainly due to a 42.2% increase in the agricultural business, from Ps.144.0 million in fiscal year 2008 to Ps.204.8 million in fiscal year 2009, and Ps.435.9 million as a result of the consolidation with IRSA through the Real estate business during the current fiscal year.

### ***Agricultural Business***

Cost of sales for fiscal year 2009 increased 42.2% to Ps.204.8 million, from Ps.144.0 million in fiscal year 2008, primarily as a result of a Ps.69.0 million increase in the Crops segment, a Ps.1.7 million increase in the Milk segment and a Ps.6.8 million increase in the Other segment, partially offset by a Ps. 13.8 million decrease in the Beef cattle segment and Ps.2.9 million decrease in the Sales of farmlands segment.

The cost of sales as a percentage of sales was 77.6% in fiscal year 2008 and 85.6% in fiscal year 2009.

### ***Crops Local***

Cost of sales from our Crops segment increased 71.2%, from Ps.76.0 million in fiscal year 2008 to Ps.130.1 million in fiscal year 2009, primarily as a result of:

a 56.2% increase in the volume of grain sold in fiscal year 2009 compared to the previous year; and

a 8.9% increase in the average market price of grains in fiscal year 2009.

The average cost per ton sold increased 9.6%, from Ps.485 in fiscal year 2008 to Ps.531 in fiscal year 2009, mainly as a result of the higher average market prices of grains.

### ***Crops International***

Cost of sales from our Crops segment amounted to Ps.14.9 million in fiscal year 2009. The average cost per ton was Ps.799 during the current fiscal year.

### ***Beef cattle***

Cost of sales from our Beef cattle segment decreased 45.9%, from Ps.30.0 million in fiscal year 2008 to Ps.16.2 million in fiscal year 2009, primarily as a result of:

a 45.6% decrease in the beef sales volume in fiscal year 2009; and

an average price of Ps.2.78 per kilogram sold in both periods.

### ***Milk***

Cost of sales from our Milk segment increased 9.6%, from Ps.17.6 million in fiscal year 2008 to Ps.19.3 million in fiscal year 2009, primarily as a result of:

a 9.9% increase in the level of prices of milk which had an impact on the cost of sales; and



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a 0.2% increase in the sale volume of milk.

*Farmlands*

Cost of sales from our Sales of farmlands segment decreased 96.9% from Ps.3.0 million in fiscal year 2008 to Ps.0.1 million in fiscal year 2009, mainly as a consequence of:

*Fiscal year 2009*

the cost of sales of the 1,829 hectares of our El Recreo farm, in the amount of Ps.0.2 million; the gain from this transaction was recognized in the prior fiscal year as established in Technical Resolution No. 17; and

the cost of sales of the 1,658 hectares of our Los Pozos farm, in the amount of Ps.0.1 million.

*Fiscal year 2008*

the cost of sales of a parcel of land of 4,974 hectares of our Los Pozos farm was Ps.0.3 million; and

the cost of sales of a parcel of land of 2,430 hectares of our La Esmeralda farm was Ps.2.7 million.

*Other*

Cost of sales from our Other segment increased 39.3%, from Ps.17.4 million in fiscal year 2008 to Ps.24.2 million in fiscal year 2009, primarily as a result of higher costs arising from brokerage activities due to an increase in the number of commodity trading transactions through our subsidiary Futuros y Opciones.com and costs generated by services to third parties, resale of raw materials and others.

***Real Estate Business***

Cost of sales from our consolidation with IRSA amounted to Ps.435.9 million, of which Ps.170.5 million are from the Sales and developments segment, and Ps.265.4 million correspond to the segment Income from office rentals and services, shopping centers, hotels, consumer financing and others.

**Gross profit**

As a result of the above mentioned factors, gross profit increased from Ps.85.7 million in fiscal year 2008 to Ps.576.0 million in fiscal year 2009. This was mainly due to a 103.9% decrease in our agricultural business, from a Ps.85.7 million profit in fiscal 2008 to a Ps.3.4 million loss in fiscal 2009, and a Ps.579.4 million profit as a result of the consolidation with IRSA through our Real estate business during the current fiscal year.



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### ***Agricultural Business***

As a result of the above mentioned factors, gross profit decreased 103.9%, from a Ps.85.7 million profit in fiscal 2008 to a Ps.3.4 million loss in fiscal 2009. Our gross margin, calculated as our gross profit divided by our production income, was 53.6% positive for fiscal 2008 and 2.0% negative for fiscal year 2009.

#### ***Crops Local***

Gross profit from our Crops segment decreased 149.5%, from a Ps.46.2 million profit for fiscal year 2008 to a Ps.22.9 million loss in fiscal year 2009.

#### ***Crops International***

Gross profit from our Crops segment was Ps.0.7 million during the current fiscal year as a result of transactions on the international market.

#### ***Beef cattle***

Gross profit from our Beef cattle segment decreased 53.1%, from Ps.7.0 million in fiscal year 2008 to Ps.3.3 million in fiscal year 2009.

#### ***Milk***

Gross profit from our Milk segment decreased 53.0%, from Ps.4.0 million in fiscal year 2008 to Ps.1.9 million in fiscal year 2009.

#### ***Farmlands***

Gross profit from our Sales of farmlands segment decreased 90.7% from Ps.20.0 million in fiscal year 2008 to Ps.1.9 million in fiscal year 2009.

#### ***Other***

Gross profit from our Other segment increased 40.8%, from Ps.8.4 million in fiscal year 2008 to Ps.11.8 million in fiscal year 2009.

### ***Real Estate Business***

Gross profit from our consolidation with IRSA amounted to Ps.579.4 million, of which Ps.107.6 million are from the Sales and developments segment, and Ps.471.8 million correspond to the segment Income from office rentals and services, shopping centers, hotels, consumer financing and others.

### ***Selling expenses***

Total selling expenses increased from Ps.14.5 million in fiscal year 2008 to Ps.212.5 million in fiscal year 2009. Selling expenses for fiscal 2009 include Ps.187.3 million as a result of the consolidation with IRSA through the Real estate business.

### ***Agricultural Business***

Selling expenses of our agricultural business increased 73.9% from Ps.14.5 million in fiscal year 2008 to Ps.25.2 million in fiscal year 2009. Selling expenses of our Crops, Beef cattle and Other segments represented 83.6%, 5.2% and 11.1%, respectively, from the total selling expenses as of June 30, 2009.

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### *Crops Local*

Selling expenses of our Crops segment as a percentage of sales decreased slightly from 12.9% in fiscal year 2008 to 12.6% in fiscal year 2009, as a result of the increase in average sales prices of commodities. Selling expenses per ton of grain sold increased 6.3%, from Ps.72 per ton in fiscal year 2008 to Ps.76 per ton in fiscal year 2009, primarily as a result of higher cost of freight, conditioning and storage.

### *Crops International*

Selling expenses of our Crops segment as a percentage of sales were 14.3% during fiscal year 2009. Selling expenses per ton of grain sold amounted to Ps.129 per ton in fiscal year 2009.

### *Beef cattle*

Selling expenses of our Beef cattle segment as a percentage of sales increased from 4.3% in fiscal year 2008 to 7.5% in fiscal year 2009.

### *Milk*

Milk sales did not generate significant selling expenses as all the production was marketed directly to dairy producers.

### *Other*

Selling expenses of our Other segment as a percentage of sales increased slightly from 6.6% in fiscal year 2008 to 6.9% in fiscal year 2009.

### ***Real Estate Business***

Selling expenses from our consolidation with IRSA amounted to Ps.187.3 million, of which Ps.1.6 million are from the Sales and Developments segment, and Ps.185.7 million correspond to the segment Income from office rentals and services, shopping centers, hotels, consumer financing and others.

### **Administrative expenses**

Total administrative expenses increased from Ps.26.1 million in fiscal year 2008 to Ps.134.7 million in fiscal year 2009. Fiscal year 2009 includes Ps.102.6 million as a result of the consolidation with IRSA through the Real estate business.

### ***Agricultural Business***

Administrative expenses from our agricultural business increased 23.0% from Ps.26.1 million in fiscal year 2008 to Ps.32.1 million in fiscal year 2009.

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### *Crops Local*

Administrative expenses increased 55.2% from Ps.10.9 million in fiscal year 2008 to Ps.16.9 million in fiscal year 2009, mainly due to the increase in fees and compensation for services, (including accounting, legal and technical advisory fees), salaries and wages and social security contributions (due to increases in payroll), office and administration expenses.

### *Crops International*

This item includes administrative expenses from our foreign operations for Ps.3.0 million in fiscal year 2009.

### *Beef cattle*

Administrative expenses decreased 20.9% from Ps.11.4 million in fiscal year 2008 to Ps.9.0 million in fiscal year 2009, mainly as a result of a decrease in the share of the segment, partially offset by an increase in fees and compensation for services (including accounting, legal and technical advisory fees), salaries and wages and social security contributions (due to increases in payroll), office and administration expenses.

### *Milk*

Administrative expenses decreased 4.5% from Ps.1.7 million in fiscal year 2008 to Ps.1.6 million in fiscal year 2009, primarily as a result of a decrease in the share of the segment, partially offset by an increase in fees and compensation for services (including accounting, legal and technical advisory fees), salaries and wages and social security contributions (due to increases in payroll), office and administration expenses.

### *Farmlands*

This item includes administrative expenses from our Sales of farmlands segment for Ps. 0.1 million in fiscal year 2009.

### *Other*

Administrative expenses decreased 34.9% from Ps.2.1 million in fiscal year 2008 to Ps.1.3 million in fiscal year 2009, primarily as a result of a decrease in the share of the segment, partially offset by an increase in fees and compensation for services (including accounting, legal and technical advisory fees), salaries and wages and social security contributions (due to increases in payroll), office and administration expenses.

### ***Real Estate Business***

Administrative expenses from our consolidation with IRSA amounted to Ps.102.6 million, of which Ps.16.8 million are from the Sales and Developments segment and Ps.85.8 million correspond to the segment Income from office rentals and services, shopping centers, hotels, consumer financing and others.

### **Gain from valuation of other assets at net realization value**

Gain from valuation of other assets at net realization value increased from Ps.0.9 million during fiscal year 2008 to Ps.9.2 million in fiscal year 2009. Fiscal 2009 includes Ps.9.2 million as a result of the consolidation with IRSA through the Real estate business.

**Table of Contents*****Agricultural Business***

During fiscal year 2009 there was no gain from valuation of other assets at net realization value. Gain from valuation of other assets at net realization value was Ps.0.9 million during fiscal year 2008. This gain was generated in connection with the bill of sale without possession of 1,829 hectares of two parcels of the El Recreo farm, owned by IGSA, for a price of US\$ 0.4 million. Although this sale had not yet been consummated, the property to be sold has been valued at the proposed sale price in accordance with current Argentine professional accounting standards and, as a result, a gain of approximately US\$ 0.3 million (Ps.0.9 million) was recognized due to such revaluation.

***Real Estate Business***

During fiscal year 2009 there was a Ps.9.2 million gain from the Sales and Developments segment as a result of the consolidation with IRSA through the Real estate business.

**Gain (loss) from inventory holding**

Our gain (loss) from inventory holding decreased from a Ps. 2.3 million loss in fiscal year 2008 to a Ps.0.4 million loss in fiscal year 2009. Fiscal year 2009 includes a Ps.0.9 million gain as a result of the consolidation with IRSA through the Real estate business.

***Agricultural Business******Crops Local***

Our gain (loss) from inventory holding decreased 94.0% from a Ps.11.6 million loss in fiscal year 2008 to a Ps.0.7 million loss in fiscal year 2009, mainly as a result of a higher gain from transactions in the Futures and Options Exchange Market (*Mercado a Término*), partially offset by a loss from inventory holding in grains and supplies, due to a decrease in market prices.

***Crops International***

There was a loss from inventory holding of Ps.0.2 million in this segment.

***Beef cattle***

Our gain (loss) from inventory holding decreased 110.1% from a Ps.8.5 million gain in fiscal year 2008 to a Ps.0.9 million loss in fiscal year 2009, primarily as a result of the decrease in average market prices and changes of cattle category in the current fiscal year.

***Other***

Our gain (loss) from inventory holding decreased 46.6% from a Ps.0.7 million gain in fiscal year 2008 to a Ps.0.4 million gain in fiscal year 2009, mostly due to a decrease in average prices of minor products.

***Real Estate Business***

During fiscal year 2009, a Ps.0.9 million gain was recorded as a result of the consolidation with IRSA through the Real estate business, of which a Ps.0.1 million loss was from the Sales and Developments segment and a Ps.1.1 million gain corresponds to the segment Income from office rentals and services, shopping centers, hotels, consumer financing and others.

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### **Gain (loss) from investment in Tarjeta Shopping's trusts**

This item represented a Ps.22.3 million loss in fiscal year 2009 as a result of our consolidation with IRSA through the Real estate business.

### **Operating income (loss)**

As a result of the above mentioned factors, operating income (loss) increased from a Ps.43.6 million gain in fiscal year 2008 to a Ps.215.4 million gain in fiscal year 2009. Fiscal year 2009 includes Ps.277.4 from our consolidation with IRSA through the Real estate business.

### ***Agricultural Business***

Operating income (loss) from the agricultural business decreased 242.2% from a Ps.43.6 million gain in fiscal year 2008 to a Ps.62.0 million loss in fiscal year 2009.

#### *Crops Local*

Operating income (loss) from this segment decreased 574.9% from a Ps.12.5 million gain in fiscal year 2008 to a Ps.59.2 million loss in fiscal year 2009.

#### *Crops International*

Operating income (loss) from this segment was a Ps.4.9 million loss in fiscal year 2009.

#### *Beef cattle*

Operating income (loss) from this segment decreased 389.9% from a Ps.2.7 million gain in fiscal year 2008 to a Ps.7.9 million loss in fiscal year 2009.

#### *Milk*

Operating income (loss) from this segment decreased 103.1% from a Ps.2.1 million gain in fiscal year 2008 to a Ps.0.1 million loss in fiscal year 2009.

#### *Farmlands*

Operating income (loss) from this segment decreased 91.7% from a Ps.20.9 million gain in fiscal year 2008 to a Ps.1.7 million loss in fiscal year 2009.

#### *Other*

Operating income (loss) from this segment increased 56.6% from a Ps.5.4 million gain in fiscal year 2008 to a Ps.8.4 million gain in fiscal year 2009.

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### ***Real Estate Business***

During fiscal year 2009 there was a Ps.277.4 million gain as a result of the consolidation with IRSA through the Real estate business, of which Ps.98.3 million are from the Sales and developments segment and Ps.179.1 million correspond to the segment Income from office rentals and services, shopping centers, hotels, consumer financing and others.

### **Amortization of goodwill**

The amortization of goodwill was a Ps.32.3 million gain during fiscal year 2009 (including Ps.1.1 million from our consolidation with IRSA through the Real estate business), which corresponds mostly to the amortization of negative goodwill from the acquisition of our equity interest in IRSA for a Ps.29.2 million gain, and a Ps.2.1 million gain from our share in BrasilAgro.

### **Net financial results**

We had a net financial loss of Ps.52.3 million in fiscal year 2008, and a Ps.44.7 million gain in fiscal year 2009 (includes a Ps.74.6 million loss as a result of our consolidation with IRSA through the Real estate business). This was primarily due to:

a higher loss of Ps.58.6 million generated by net exchange differences in fiscal year 2009; fiscal year 2009 includes a Ps.137.4 million loss from the consolidation with IRSA through the Real estate business;

a Ps.6.3 million gain generated by translation differences in fiscal year 2009;

a higher loss of Ps.106.9 million generated by net financial interest in fiscal year 2009; fiscal year 2009 includes a Ps.100.0 million loss from the consolidation with IRSA through the Real estate business;

a higher gain of Ps.32.1 million generated by the results from hedging transactions in fiscal year 2009; fiscal year 2009 includes a Ps.9.4 million gain from the consolidation with IRSA through the Real estate business;

a higher gain of Ps.47.5 million generated by the results from financial and other transactions in fiscal year 2009; fiscal year 2009 includes a Ps.45.4 million gain from the consolidation with IRSA through the Real estate business;

a Ps.176.6 million gain generated by the results from the repurchase of Notes in fiscal year 2009; fiscal year 2009 includes a Ps.105.8 million gain from our consolidation with IRSA through the Real estate business.

Our net financial gain in fiscal year 2009 is mainly due to (i) a Ps.176.6 million gain from the repurchase of Notes in fiscal year 2009; (ii) a Ps.49.9 million gain from the placement of funds and other financial transactions, (iii) a Ps.32.1 million gain mostly generated by foreign exchange non deliverable- forwards NDFs, and (iv) a Ps.6.3 million gain generated by translation differences during fiscal year 2009 from the consolidation with our international Agriculture and cattle raising business.

These financial gains were partially offset by (i) a Ps.126.3 million loss generated by the negative impact of financial interest from loans and interest from the issuance of Notes of

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the Real estate business, and (ii) a Ps.89.1 million loss from net exchange differences, mainly as a result of a consolidated liability position in U.S. dollars from the issuance of Notes of the Real estate business, partially offset by an asset position in foreign currency of the Agriculture and cattle raising business generated by the proceeds of a capital increase during the previous fiscal year. It should be pointed out that the average exchange rate increased 25.7%, from \$/US\$ 3.005 at the end of fiscal year 2008 to \$/US\$ 3.777 at the end of fiscal year 2009.

**Gain (loss) on equity investees**

Gain on our equity investees increased 28.1%, from Ps.38.4 million in fiscal year 2008 to Ps.49.2 million in fiscal year 2009 (including a Ps.90.2 million gain from our consolidation with IRSA through the Real Estate Business). This was primarily due to:

a decrease of Ps.74.3 million in fiscal year 2009 with respect to our investment in IRSA. The result from our investment in IRSA was a Ps.42.8 million loss during the first quarter of fiscal year 2009 (including the amortization of higher values generated by the business combination). As from October 1, 2008, the company acquired the controlling interest of IRSA and, accordingly, since that date our financial statements are presented in consolidated form with IRSA s. The result from our investment in fiscal 2008 was a Ps.31.5 million gain (including the amortization of higher values generated by the business combination and the amortization of goodwill);

a decrease of Ps.1.2 million in fiscal year 2009 with respect to our equity interest in BrasilAgro. The result from our investment in BrasilAgro was a Ps.3.1 million gain for fiscal year 2008, compared to a Ps.1.8 million gain for fiscal year 2009;

a decrease of Ps.3.8 million in fiscal year 2009 with respect to our equity interest in Agro-Uranga S.A. and Cactus. The result from our investment in these companies was a Ps.3.9 million gain for fiscal year 2008, compared to a Ps.0.1 million gain for fiscal year 2009.

**Other income and expenses, net**

Other income and expenses, net, represented a net expense of Ps.4.1 million and Ps.16.5 million in fiscal years 2008 and 2009, respectively. Fiscal year 2009 includes a Ps.7.5 million loss as a result of the consolidation with IRSA through the Real estate business. These results were mainly due to the negative impact from the tax on personal assets payable by the Company on behalf of its shareholders as required under Argentine legislation.

**Management fee**

Under the consulting agreement entered into with Consultores Assets Management S.A., we pay a fee equal to 10% of our net income for agricultural advisory services and other management services. The fees amounted to Ps.2.2 million and Ps.13.6 million in the fiscal years 2008 and 2009, respectively.

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### **Income tax**

Our income tax expense was Ps.0.3 million in fiscal year 2008 and Ps.92.7 million in fiscal year 2009, of which Ps.82.8 million result from our consolidation with IRSA through the Real estate business. We recognize our income tax expense on the basis of the deferred tax liability method, thus recognizing temporary differences between accounting and tax assets and liabilities measurements. The main temporary differences for the Agriculture and cattle raising business derive from valuation of cattle stock and fixed assets sale and replacement, while those corresponding to the Real estate business derive from the sale and replacement of fixed assets.

For purposes of determining the deferred assets and liabilities, the tax rate expected to be in force at the time of their reversion or use, according to the legal provisions enacted as of the date of issuance of this Annual Report (35%), has been applied to the identified temporary differences and tax losses.

### **Minority interest**

Our minority interest was a Ps.0.3 million loss for fiscal year 2008 and a Ps.94.2 million loss for fiscal year 2009. Our minority interest during the current fiscal year includes a Ps. 5.9 million gain from our consolidation with IRSA through the Real estate business.

### **Net income**

Due to the above mentioned issues, our net income increased 443.0%, from Ps.22.9 million for fiscal year 2008 to Ps.124.6 million in fiscal year 2009.

## **B. LIQUIDITY AND CAPITAL RESOURCES**

### **Liquidity**

Our principal sources of liquidity have historically been:

cash generated by our issuance of common shares;

cash generated by operations;

cash from borrowings and financing arrangements (including cash from the exercise of warrants); and

cash proceeds from the sale of farmlands.

Our principal cash requirements or uses (other than in connection with our operating activities) have historically been:

acquisition of interests in related companies;

capital expenditures for property, plant and equipment (including acquisitions or purchases of farmlands);

interest payments and repayments of short-term and long-term debt; and



payments of dividends.

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Our liquidity and capital resources include our cash and cash equivalents, proceeds from operating activities, sales of real estate investments, bank borrowing, long-term debt and capital financing.

**Cash Flows**

The table below shows, for the periods indicated, our cash flows:

|  | <b>For the fiscal year ended June 30,</b> |                |                |
|--|---|----------------|----------------|
|  | <b>2010</b>                               | <b>2009(*)</b> | <b>2008(*)</b> |
|  | <b>(in millions of Pesos)</b>             |                |                |
| Net cash provided by (used in) operating activities      | 167.6                                     | 248.4          | (39.1)         |
| Net cash used in investing activities                    | (523.4)                                   | (316.1)        | (443.8)        |
| Net cash provided by (used in) financing activities      | 319.8                                     | (241.7)        | 917.8          |
| <br>Net (decrease) increase in cash and cash equivalents | <br>(36.0)                                | <br>(309.4)    | <br>434.9      |

(\*) See change in accounting policy related to statement of cash flows for the years ended June 30, 2009 and 2008 in Note 2.J to our audited consolidated financial statements included elsewhere in this Annual report.

As of June 30, 2010, we had cash and cash equivalents for Ps. 175.7 million, a decrease compared to Ps. 211.7 million as of June 30, 2009. The decrease was primarily due to the increase in ownership interests in Hersha and other related companies and other non current investments for Ps. 311.3 million, the acquisition and improvement of fixed assets for Ps.199.7 million and the payment of dividends for Ps. 97.3 million, partially offset by cash inflows from operating activities for Ps. 167.6 million, the issuance of negotiable obligations for Ps. 129.2 million and the increase in the short and long term debt for Ps. 376.1 million.

As of June 30, 2009, we had cash and cash equivalents of Ps.211.7 million, a decrease from Ps.521.1 million as of June 30, 2008. The decrease was primarily due to the acquisition and improvement of fixed assets of Ps.308.3 million, a reduction of short and long tem debt of Ps.8.5 million, an increase in our interest in related companies of Ps.150.4 million, the repurchase of treasury stock for Ps.73.2 million, repurchase of non-convertible notes for Ps.140.5 and payment of dividends of Ps.43.1 million, partially offset by cash inflows for operating activities of Ps.248.4 million and for the consolidation with IRSA for Ps.171.5 million.

***Net Cash Provided by (Used in) Operating Activities******Fiscal Year ended June 30, 2010 and 2009***

Net cash provided by operations decreased from a net cash inflow of Ps.248.4 million in the fiscal year ended on June 30, 2009 to Ps. 167.6 million in the fiscal year ended on June 30, 2010. The decrease in net cash provided by operating activities was primarily due to the Ps.147.3 million decrease in social security contributions payable, taxes payable and customer advances, a Ps. 129.9 million increase in inventories, a Ps. 26.0 million reduction in trade payables, a Ps. 20.4 million increase in receivables from sales, leases and services in the fiscal year ended on June 30, 2010 compared to the fiscal year ended on June 30, 2009; that was partially offset by an increase in operating gains for Ps. 82.7 million, a Ps.110.4 million decrease in other receivables, a decrease of Ps. 10.2 million in intangible assets and an

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increase in other debts and interest accrued for Ps. 39.4 million. Our operating activities resulted in net cash inflows of Ps.167.6 million for the fiscal year ended on June 30, 2010, mainly due to operating gains of Ps. 466.5 million, partially offset by an increase in receivables from sales, leases and services, other receivables and inventories and a decrease in social security contributions, taxes payable, customer advances and trade accounts payable for Ps. 298.9 million.

***Fiscal Year ended June 30, 2009 and 2008***

Net cash provided by operations increased from a net cash outflow of Ps. 39.1 million in the fiscal year ended June 30, 2008 to a net cash inflow of Ps. 248.4 million in the fiscal year ended June 30, 2009. The increase in net cash provided by operating activities was primarily due to the increase in operating gains of Ps.383.8 million, an increase in trade accounts payable of Ps. 36.0 million, an increase of Ps.47.8 million in social security payable and a decrease in inventories of Ps. 164.1 million, that were partially offset by a decrease in trade accounts receivable of Ps. 131.3 million, a decrease of Ps. 137.7 million in other receivables, and increase in intangible assets of Ps. 12.6 million and a decrease of Ps. 32.5 million in other debts. Our operating activities resulted in net cash inflows of Ps. 248.4 million for the fiscal year ended June 30, 2009, mainly due to operating gains of Ps. 383.8 million, a decrease in inventories and an increase in trade accounts payable and social security payable and taxes payable of Ps. 197.8 million, that was partially offset by a decrease in trade accounts receivable, other receivables and other debts and an increase in intangible assets of Ps. 333.2 million.

***Net Cash Used in Investing Activities******Fiscal Year ended June 30, 2010 and 2009***

Net cash used in investing activities increased from Ps. 316.1 million for the fiscal year ended on June 30, 2009 to Ps. 523.4 million in the fiscal year ended on June 30, 2010. Our investing activities resulted in net cash outflows for Ps. 523.4 million in the fiscal year ended on June 30, 2010 mainly due to the increase in ownership interests in controlled companies, other non-current investments and the acquisition of Hersha for Ps. 311.3 million, the acquisition and upgrading of fixed assets for Ps. 199.7 million, down payments on the acquisition of shares for Ps.23.7 million and payments for the acquisition of related companies for Ps. 8.3 million, partially offset by cash inflows related to the down payment on the sale of Tarshop shares for Ps. 20.0 million, dividends collected for Ps. 6.5 million and other fixed assets for Ps. 16.3 million.

***Fiscal Year ended June 30, 2009 and 2008***

Net cash used in investing activities decreased from a net cash outflow of Ps. 443.8 million in the fiscal year ended June 30, 2008 to a net cash outflow of Ps. 316.1 million in the fiscal year ended June 30, 2009. It was mainly due to the acquisition and upgrading of fixed assets and land reserves for Ps.317.2 million, and increase in interests in related companies of Ps. 212.9 million and loans granted of Ps. 9.8 million, which were partially offset by the cash inflow arising from the consolidation of IRSA of Ps. 171.5 million, a decreased in investments for Ps. 47.9 trillion, dividends collected for Ps. 3.2 millions and the sale and collection of receivables from the sale of fixed assets for Ps.1.2 million.

**Table of Contents*****Net Cash (Used in) Provided by Financing Activities******Fiscal Year ended June 30, 2010 and 2009***

Net cash used from financing activities amounted to Ps.241.7 million in the fiscal year ended June 30, 2009 compared to net cash provided of Ps. 319.8 million in the fiscal year ended June 30, 2010 mainly due to a Ps. 362.3 million increase in financial loans, inflow of cash arising from the issuance of Negotiable Obligations for Ps. 129.2 million and a decrease in the cash outflows for repurchasing Negotiable Obligations for Ps. 128.5 million. Our financing activities resulted in net cash inflows of Ps. 319.8 million mainly due to the proceeds of financial loans for Ps. 697.6 million, cash inflows associated with the issuance of Negotiable Obligations for Ps. 129.2 million and minority shareholders' contributions for Ps. 46.2 million, partially offset by the repayment of financial loans for Ps. 321.5 million, the payment of dividends for Ps. 97.3 million, cash outflows for repurchasing Negotiable Obligations for Ps. 12.0 million, payment of seller financing for Ps. 93.6 million and the acquisition of a minority ownership interest of Ps.27.0 million.

***Fiscal Year ended June 30, 2009 and 2008***

Net cash received from financing activities amounted to Ps.917.8 million in the fiscal year ended June 30, 2008 compared to a use of Ps.241.7 million in the fiscal year ended June 30, 2009 primarily due to a decrease of Ps.881.1 million, arising from our issuance of common shares of the previous fiscal year, outflows due to the repurchase of non-convertible notes of Ps.140.5 million, the repurchase of treasury shares of Ps.73.2, a decrease in financial loans of Ps.42.0 million, and increase in dividend payments of Ps.34.8 million and a Ps.15.1 million decrease in the exercise of warrants, partially offset by an increase of Ps.34.7 million due to minority shareholders' contributions. Our financing activities resulted in net cash outflows of Ps.241.7 million primarily due to the repurchase of non-convertible notes of Ps.140.5 million, the repurchase of treasury stock of Ps.73.2, payment of seller financing for Ps. 22.3 million, dividend payments of Ps.43.1 million, partially offset by minority shareholders' contributions for Ps.34.7 million and a net increase in financial loans of Ps. 13.8 million.

We believe our working capital (calculated by subtracting current liabilities from current assets) and our cash from operating activities are adequate for our present and future requirements. In the event that cash generated from our operations is at any time insufficient to finance our working capital, we would seek to finance such working capital needs through new debt, equity financing or selective asset sales. For more information about liquidity please see *Risk Factors*.

**Our Indebtedness****Convertible Notes due 2007**

On November 21, 2002, we issued US\$ 50.0 million of convertible notes due November 2007. The convertible notes accrued interest at 8% per annum, payable on a semi-annual basis. The conversion price was US\$ 0.5078 per common share which meant that each convertible note could be exchanged for 1.9693 common shares. Additionally, each convertible note contained an attached warrant granting an option to acquire 1.9693 shares at a price of US\$ 0.6093 each.

The exercise term of our outstanding warrants and the conversion term of our convertible notes issued on November 21, 2002 expired on November 14, 2007. During the

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conversion and exercise terms, the holders of our warrants and convertible notes exercised an aggregate of 49,867,018 warrants and converted an aggregate of 49,910,874 convertible notes. There are no additional outstanding warrants or convertible notes to acquire our shares.

**Credit Suisse Loan Agreement**

On May 2, 2006, we entered into a US\$8.0 million loan agreement with Credit Suisse. The maturity of this loan agreement was November 2, 2008 and the applicable interest rate was 3-month LIBOR plus 375 basis points. The Credit Suisse loan agreement was initially secured by a swap transaction under ISDA 2000 Definitions with IRSA's convertible notes for a total amount of US\$ 10.0 million, which were subsequently replaced with 1,834,860 GDRs of IRSA, plus a U.S. dollar denominated amount that fluctuates in accordance with the trading price of IRSA's shares. This loan agreement imposed certain restrictions on the payment of dividends. Under the agreement we were permitted to pay or distribute, directly or indirectly, whether in cash or obligations to third parties, up to US\$ 5.0 million for any calendar year:

for any dividend or other distribution on our capital stock or any interest on capital, excluding any dividends, distributions or interest paid solely in our capital stock or in options, warrants or other rights to acquire capital stock;

in respect of the purchase, acquisition, redemption, withdrawal, defeasance or other acquisition for value of any of our capital stock or any warrants, rights or options to acquire such capital stock;

in respect of the return of any capital to our shareholders as such;

in connection with any distribution or exchange of property in respect of our capital stock, warrants, rights, options, obligations or securities to or with our shareholders as such; or

in consideration of any irrevocable capital contributions or in payment of interest.

During the second quarter of fiscal year 2009, we fully repaid the Credit Suisse loans and, received from Credit Suisse, 1,834,860 GDRs of IRSA which were held as collateral for the loan.

**Table of Contents****Other Loans**

As of June 30, 2010, we had total loans for Ps.1,938.1 million, composed by:

| CURRENCY  | SCHEDULE OF MATURITIES OR AMORTIZATION |  |   |   |                         |              | TOTAL<br>(IN MILLION PESOS, CONSTANT CURRENCY AS OF JUNE 30, 2010) <sup>(3)</sup> | ANNUAL<br>AVERAGE<br>INTEREST<br>RATE<br>% |
|---|--|--|---|---|-------------------------|--------------|---|--|
|   | LESS<br>THAN 1<br>YEAR                 | MORE THAN<br>1 YEAR<br>AND<br>UP TO 2<br>YEARS | MORE THAN<br>2 YEARS<br>AND<br>UP TO 3<br>YEARS | MORE THAN<br>3 YEARS<br>AND<br>UP TO 4<br>YEARS | MORE THAN<br>4<br>YEARS |              |   |  |
|   |  |  |   |   |                         |              |   |  |
| <b>BANK AND OTHER DEBT</b>                                    |  |  |   |   |                         |              |   |  |
| BANK LOANS <sup>(4)</sup>                                     | PS./U\$S                               | 849.1  | 26.3  | 26.3  |                         |              | 901.7   | VARIABLE                                   |
| HOTELES ARGENTINOS LOAN                                       | PS.                                    | 19.0   |   |   |                         |              | 19.0  | 16.25                                      |
| CRESUD S SERIES II NOTES <sup>(5)</sup>                       | U\$S                                   | 35.3   |   |   |                         |              | 35.3  | 7.20                                       |
| APSA S CONVERTIBLE NOTES DUE 201 <sup>(4)</sup>               | U\$S                                   | 2.7  |   |   |                         | 60.8         | 63.5  | 10.00                                      |
| APSA S SERIES II NOTES <sup>(7)</sup>                         | PS.                                    | 26.7   | 24.9  |   |                         |              | 51.6  | 11.00                                      |
| APSA S SERIES I NOTES <sup>(8)</sup>                          | U\$S                                   | 2.7  | (0.5)   | (0.5)   | (0.5)                   | 263.1        | 264.3   | 7.88                                       |
| APSA S SERIES III NOTES DUE 201 <sup>(6)</sup>                |  |  |   |   |                         |              |   | BADLAR<br>PRIVATE<br>PLUS 3BPS             |
|   | PS.                                    | 44.2   |   |   |                         |              | 44.2  |  |
| APSA S SERIES IV NOTES DUE 201 <sup>(6)</sup>                 | U\$S                                   | 25.8   |   |   |                         |              | 25.8  | 6.75                                       |
| IRSA S SERIES I NOTES <sup>(9)</sup>                          | U\$S                                   | 15.4   | (0.9)   | (0.9)   | (0.9)                   | 443.4        | 456.1   | 8.50                                       |
| DEBT FINANCED BY SELLER                                       | PS./U\$S                               | 15.9   | 5.4   | 1.8   | 1.8                     | 3.5          | 28.4  |  |
| DEBT SECURED BY PURCHASE OF<br>ESTABLISHMENTS <sup>(10)</sup> | U\$S                                   | 25.2   |   |   |                         |              | 25.2  |  |
| SHORT TERM DEBT SECURITIES                                    | PS.                                    | 23.0   |   |   |                         |              | 23.0  |  |
| <b>TOTAL INDEBTEDNESS</b>                                     |  | <b>1,085.0</b>                                 | <b>55.2</b>                                     | <b>26.7</b>                                     | <b>0.4</b>              | <b>770.8</b> | <b>1,938.1</b>  |  |

(1) Includes accrued interest.

(2) Figures may not sum due to rounding.

(3) Exchange rate as of June 30, 2010 US\$1.00 = Ps. 3.931

(4) Includes bank overdrafts.

(5) Includes issuance expenses (under Argentine GAAP, expenses incurred in connection with the issuance of debt are classified as short or long term debt, as applicable).

(6) Includes (0.1) of higher values.

(7) Includes (1.6) of higher values.

(8) Includes (13.0) of higher values.

(9) Includes (15.1) of higher values.

(10) Disclosed under Trade account payables in the consolidated balance sheet.

**Bolivia Indebtedness**

The farms we purchased in the Republic of Bolivia are subject to mortgages, included under trade accounts payable in the Consolidated Balance Sheet. As of June 2010, the mortgage on Las Londras farm amounts to US\$2.5 million, effective until November 30,

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2010; the mortgage on San Cayetano and San Rafael farms amounts to US\$2.0 million, effective until November 2010; and the mortgage on La Fon Fon farm amounts to US\$ 1.9 million, effective until November 2010.

**Series I and Series II Notes**

On September 11, 2009, we issued two series of notes for a total amount of Ps.50 million, as per the following detail:

Series I Notes for an amount of Ps.15.5 million due 270 calendar days after the date of issuance, accruing interest at the Badlar Private rate plus a 3% spread, payable every three months on December 10, 2009, March 10, 2010 and June 8, 2010. Series I Notes will fall due in a single installment on June 8, 2010.

Series II Notes were issued for an amount equivalent in United States Dollars to Ps.34.5 million, due in one installment on September 13, 2010, at a fixed interest rate on the principal balance in United States Dollars of 7.20%, payable on December 10, 2009, March 10, 2010, June 8, 2010 and September 13, 2010.

On June 8, 2010, the payment of the third installment of interest of Series I Notes for Ps.471,869 and of Series II Notes for the sum of US\$159,201, started. On the same date, the amount of Ps. 15.5 million corresponding to the principal balance of Series I Notes was repaid.

**Series III and Series IV Notes**

On July 16, 2010, we issued the Series III non-convertible notes ( Series III ) for an aggregate amount of Ps.35.6 million, maturing 21 months from its issuance date, at a Badlar Privada rate plus 400 basis points. On the same date we issued Series IV non-convertible notes ( Series IV ) for an aggregate amount of US\$17.8 million equivalent to Ps.70.2 million, with a maturity date 24 months from its issuance date, at an annual fixed rate of 7.75%.

**Hoteles Argentinos Loan**

On March 15, 2010 IRSA entered into a loan agreement with Standard Bank Argentina S.A., whereby it lent to Hoteles Argentinos the sum of Ps.19.0 million, which were used to repay the loan with Credit Suisse First Boston International. In addition, on March 15, 2010, the mortgage and swap agreement entered into with Credit Suisse First Boston International were cancelled. The new loan with Standard Bank Argentina S.A. is repayable in a single payment that falls 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.

**Alto Palermo 10% Convertible Notes due 2014**

On July 19, 2002, Alto Palermo issued US\$50.0 million unsecured convertible notes in exchange for cash and settlement of certain liabilities with our shareholders. The proceeds of the issue were used to settle short-term bank loans in the sum of Ps.27.3 million, and to redeem secured corporate notes issued by Alto Palermo in the principal amount of Ps.52.8 million. These notes accrue interest (payable semi-annually) at a 10.0% fixed annual rate, and are convertible, at any time, at the holder's option into common shares at a par value of Ps.0.10 per share. The translation rate per U.S. Dollar is the lower of (i) Ps.3.08642 and (ii) the exchange rate effective at translation date divided by the par value of Alto Palermo's common shares. The maturity date of these notes was July 19, 2006, but at a noteholders' meeting held on May 2, 2006, the noteholders approved the extension of the maturity date of these notes to July 19, 2014. The other terms and conditions remained unchanged. During

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fiscal years 2007, 2006, 2005, 2004 and 2003, holders of approximately US\$2.77 million of Alto Palermo's convertible notes exercised their conversion rights; consequently, Alto Palermo issued 101,582; 52,741,373; 22,852,514 and 4,829,745 common shares, respectively. If all bondholders exercise their conversion rights, Alto Palermo's common shares would increase from Ps.782.1 million to Ps. 2,239.7 million. For more information please see *Recent Developments* and *Significant Changes* .

As of June 30, 2010, IRSA held US\$31.7 million principal amount of Convertible Notes.

**Alto Palermo Series I and Series II Notes**

On May 11, 2007, Alto Palermo issued two new series of notes under its global note program. The Series I Notes were issued in an aggregate principal amount of US\$120.0 million, bear interest at a fixed rate equal to 7.875% per annum payable semi-annually and mature on May 11, 2017. The Series II Notes were issued in an aggregate principal amount of Ps.154.0 million (equivalent to US\$50.0 million), bear interest at a fixed rate equal to 11.0% per annum payable semi-annually and mature in seven equal, consecutive semi-annual installments commencing on June 11, 2009.

*Purchases of Alto Palermo's Series I Notes.* During fiscal year 2009 IRSA acquired US\$39.6 million principal amount of Alto Palermo's Series I Notes for a total of US\$19.3 million, representing a weighted average price paid of US\$0.488, as the so-called "dirty price" IRSA paid includes accrued interest. During fiscal year 2009 IRSA's subsidiary Alto Palermo acquired US\$5.0 million principal amount of its Series I notes for a total purchase price of US\$2.0 million, representing a weighted average price paid of US\$0.3978. As of June 30, 2010, our consolidated holdings of Alto Palermo's Series I notes were US\$49.6 million principal amount. See *Recent Developments* and *Significant changes*

*Purchases of Alto Palermo's Series II Notes.* During fiscal year 2009 IRSA acquired US\$15.1 million principal amount of Alto Palermo's Series II Notes for a total of US\$8.2 million, representing a weighted average price paid of US\$0.5513. During fiscal year 2009 our subsidiary Alto Palermo acquired US\$3.0 million principal amount of its Series II Notes for a total of US\$2.3 million, representing a weighted average price paid of US\$0.75. As of June 30, 2010, IRSA's holding of Alto Palermo Series II notes were US\$19.9 million principal amount.

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

On November 13, 2009 Alto Palermo issued two new series of notes under its global note program. The Series III Notes were issued in an aggregate principal amount of Ps.55.8 million, bear interest at a variable rate equal to the Badlar Privada rate plus 3% payable quarterly and mature in a single installment on May 12, 2011. The Series IV Notes were issued in an aggregate principal amount of US\$6.6 million (equivalent to Ps.25.0 million), bear interest accrued on the principal amount denominated in U.S. Dollars at a fixed rate equal to 6.75% per annum payable semi-annually and mature on May 12, 2011, to be paid in a single installment.

The use of proceeds of both the Series III and Series IV notes was the refinancing or repayment of short term debt and working capital in Argentina.



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**IRSA s 8.5% Notes due 2017**

On February 2, 2007, IRSA issued its 8.5% Notes due 2017 in an aggregate principal amount of US\$150.0 million, which bear interest at a fixed rate equal to 8.5% per annum payable semi-annually and mature in a single installment on February 2, 2017.

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

50% of its cumulative consolidated net income; or

75% of its cumulative consolidated net income if our consolidated interest coverage ratio for our most recent four consecutive fiscal quarters is at least 3.0 to 1; or

100% of cumulative consolidated net income if our consolidated interest coverage ratio for its most recent four consecutive fiscal quarters is at least 4.0 to 1; or

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

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

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

These Series II notes are subject to the same covenants as described for Series I notes due 2017. See *Recent Developments* and *Significant changes*

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

On April 28, 2008, IRSA entered into a loan agreement with Banco Macro S.A. secured by mortgage, pursuant to which Banco Macro loaned us US\$33.6 million which IRSA used to repay the outstanding debt owing to *Fideicomiso República*, which IRSA had incurred in connection with our acquisition of Edificio República. The principal amount of the Banco Macro loan matures in five equal, consecutive installments due on April 28 each year, and accrues interest at a fixed rate of 12% per annum, payable semi-annually on April 28 and October 28 of each year. The Banco Macro loan is secured by a mortgage on the Edificio República.

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**C. RESEARCH AND DEVELOPMENTS, PATENTS AND LICENSES**

Investments in technology amounted to Ps.21.8 million, Ps.18.6 million and Ps.13.9 million for the fiscal years 2010, 2009 and 2008 respectively. Our total technology investments aim to increase the productivity of purchased land have amounted to Ps.198.7 million since fiscal year 1995.

We reach our objectives within this area through the implementation of domestic and international technological development projects focusing mainly on:

Quality and productivity improvement.

Increase in appreciation value of land through the development of marginal areas.

Increase in the quality of food in order to achieve global food safety standards. We aim to implement and perform according to official and private quality protocols that allow us to comply with the requirements of our present and future clients. Regarding official regulations, in 2003 we implemented the Servicio Nacional de Sanidad y Calidad Agroalimentaria law on animal identification for livestock in six farms. Simultaneously, in 2004 we implemented EurepGap Protocols with the objective of complying with European Union food safety standards and as a mean for continuous improvement of the internal management and system production of our farms. Our challenge is to achieve global quality standards.

Certification of suitable quality standards, since in recent years worldwide agriculture has evolved towards more efficient and sustainable schemes in terms of environmental and financial standpoints, where the innocuousness and quality of the production systems is becoming increasingly important. In this context, Good Agricultural Practices (GAP) have emerged, as a set of practices seeking to ensure the innocuousness of agricultural products, the protection of the environment, the workers safety and well-being, and agricultural health, with a view to improving conventional production methods. Certification of such standards allows to demonstrate the application of Good Agricultural Practices to production systems and ensures product traceability, allowing to impose stricter controls to verify the enforcement of the applicable laws.

The implementation of a system of control and assessment of agricultural tasks for analyzing and improving efficiency in the use of agricultural machinery hired. For each of the tasks, a minimum standard to be fulfilled by contractors was set, which has led to do an improvement in the plant stand upon sowing, a better use of supplies and lower harvesting losses.

We do not have any patents or licenses that are material for conducting our business.

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Our future operating results may be affected by variations in some factors, such as adverse changes in the price of commodities, the yield of crops, or changes in regulations. Though a recent significant drought has affected the main productive regions of the country, with a negative impact on the agriculture and livestock sectors in the 2008/2009 farm season, historical tendencies may not be representative of our future results. Our past results must not be considered indicative of our future performance. To mitigate certain risks associated with changes in weather and prices, we seek to apply hedging mechanisms through futures and option agreements in the grain market and to diversify our geographic areas of production.

**Production and sales**

At present we are engaged in various operations and activities including crops, cattle breeding and fattening, milk production, and certain forestry activities. We complement our operations with the purchase and sale of land to benefit from real estate valuations.

We conduct our business on owned and leased land. As of June 30, 2010, we owned 24 farms with approximately 473,368 hectares. Approximately 42,008 hectares of the land we own are used for crop production, approximately 93,222 hectares are used for beef cattle production, 100,911 hectares are used for sheep production, 4,900 hectares are used for milk production and approximately 3,222 hectares are leased from third parties for crop and cattle beef production.

The remaining 229,105 hectares consist mostly of land reserves. In addition, through our subsidiary Agropecuaria Anta S.A. we have the rights to hold approximately 132,000 hectares of land under concession for a 35-year period that can be extended for another 29 years. Also, during fiscal year 2009 ended on June 30, 2010, we leased 42,696 hectares from third parties for crop production and 12,635 hectares for beef cattle production.

The following table sets forth, at the dates indicated, the amount of land used for each production activity (including owned and leased land and land under concession):

|                                  | Uses of land <sup>(12)</sup> |                |                 |                      |                           |
|----------------------------------|------------------------------|----------------|-----------------|----------------------|---------------------------|
|                                  | Fiscal Year ended June 30,   |                |                 |                      |                           |
|                                  | 2006                         | 2007           | 2008            | 2009                 | 2010                      |
|                                  | (1) (7)                      | (1) (7) (8)    | (1) (7) (8) (9) | (1) (7) (8) (9) (10) | (1) (7) (8) (9) (10) (11) |
|                                  | <i>(in hectares)</i>         |                |                 |                      |                           |
| Crops <sup>(2)</sup>             | 41,283                       | 53,579         | 63,900          | 115,411              | 104,627                   |
| Beef Cattle <sup>(3)</sup>       | 129,946                      | 114,097        | 123,935         | 128,859              | 105,857                   |
| Milk                             | 1,698                        | 2,609          | 4,320           | 4,334                | 4,900                     |
| Sheep                            |                              | 90,000         | 90,000          | 100,911              | 100,911                   |
| Land reserves <sup>(4)</sup>     | 418,477                      | 393,677        | 383,573         | 356,796              | 343,153                   |
| Owned farmlands leased to others | 14,229                       | 13,771         | 8,467           | 8,317                | 11,049                    |
| <b>Total <sup>(5)</sup></b>      | <b>605,633</b>               | <b>667,733</b> | <b>674,195</b>  | <b>714,628</b>       | <b>670,497</b>            |

(1) Includes 35.723% of approximately 8,299 hectares owned by AgroUranga S.A., an affiliated Argentine company in which we own a non-controlling 35.7% interest.

(2) Includes wheat, corn, sunflower, soybean, sorghum and others.

(3) Breeding and fattening.

(4) We use part of our land reserves to produce charcoal, rods and fence posts.

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- (5) During fiscal year 2005, 16,299 hectares were leased for agricultural production. As of June 30, 2006, farmlands were leased in which 17,004 hectares were assigned to agricultural production and 32,647 to beef cattle production (including the Ñacurutú farm). As of June 30, 2007, 25,307 hectares were leased for agricultural production and 29,208 hectares were leased for beef cattle production. As of June 30, 2008, 30,449 hectares were leased for agricultural production and 32,895 were leased for beef cattle production. As of June 30, 2009, 59,615 hectares were leased for agricultural production and 32,795 were leased for beef cattle production. . As of June 30, 2010, 42,696 hectares were leased for agricultural production and 12,635 for beef cattle production.
- (6) Includes 977 hectares of San Enrique farm and 30,350 hectares of Ñacurutú farm, sold in fiscal year 2005.
- (7) Includes 6,022 hectares of San Pedro farm purchased on September 1, 2005 and approximately 162,000 hectares through our 99.99% interest in Agropecuaria Anta S.A. which holds, among other assets and rights, the concession for the start-up of production pertaining to a comprehensive development project. Does not include 5,727 hectares of El Gualicho farm sold on July 25, 2005.
- (8) Does not include 20,833 hectares of Tapenagá farm, 14,516 hectares of Los Pozos farm and 50 hectares of El Recreo farm, which were sold in fiscal year 2007. Includes 24% of 170 hectares owned by Cactus.
- (9) Does not include 4,974 hectares of Los Pozos farm and 2,430 hectares of La Esmeralda farm, which were sold in fiscal year 2008.
- (10) Includes 12,166 hectares of San Cayetano , San Rafael , La Fon Fon and Las Londras farms, which are located in Santa Cruz de la Sierra, Bolivia. Includes 50% of the 45,578 hectares of Jerovia farm located in the Department of Boquerón, Paraguay, owned by Cresca through our equity interest in Agrology S.A. Does not include 1,658 hectares of Los Pozos farm sold in April 2009. Does not include 30,000 hectares of Agropecuaria Anta S.A. which were returned due to the reduction in the concession scope established by Decree No. 3766 of the Executive Branch of Salta. Includes 48% of the 170 hectares owned by Cactus. Does not include rental for 1,829 hectares of El Recreo.
- (11) Does not include 12,701 hectares of the Talj Sumaj farm, sold on December 17, 2009.
- (12) Does not include BrasilAgro.

**Crops - Local**

Production income from our Crops segment increased 21.2%, from Ps.118.6 million for fiscal year 2009 to Ps.143.8 million for fiscal year 2010, primarily as a result of a 33.9% increase in total production volumes, from 215,857 tons in fiscal year 2009 to 289,141 tons in fiscal year 2010, mainly due to a 13.0%, 71.0% and 19.7% increase in volumes of corn, soybean and sorghum harvested, respectively, partially offset by a decrease of 52.5% in volumes of wheat harvested and of 47.1% of sunflower harvested from year to year; and a 7.4% decrease in average prices of grain production.

The 33.9% increase in the production volume from our Crops segment was primarily due to a 64.5% increase in our average yield, from 2.14 tons per hectare in fiscal year 2009 to 3.52 tons per hectare in fiscal year 2010, primarily due to the mix of grain harvested and favorable weather conditions. The surface area in operation for fiscal year 2009 was 100,925 hectares (including 8,067 hectares under concession through our subsidiary Agropecuaria Anta S.A.) whereas for fiscal year 2010 it was 82,088 (including 10,816 hectares under concession through our subsidiary Agropecuaria Anta).

As of June 30, 2010, the harvested area was 86.3% of our total sown area, compared to 94.8% as of June 30, 2009.

Cost of production from our Crops segment decreased 16.8%, from Ps.159.1 million in fiscal year 2009 to Ps.132.3 million in fiscal year 2010, primarily as a consequence of a lower number of hectares in operation in own farms and farms leased from third parties in fiscal year 2010 compared to fiscal year 2009; and a significant decrease in direct costs of production during fiscal year 2010 compared to fiscal year 2009, primarily as a result of lower prices of leases and supplies used (agrochemicals and seeds).

Total cost of production per ton decreased 38.4%, from Ps.740 in fiscal year 2009 to Ps.456 in fiscal year 2010, primarily as a result of lower direct costs of production and higher yields per hectare during fiscal year 2010 compared to fiscal year 2009 that allowed us to dilute our costs of production.

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Sales from our Crops segment increased 11.4%, from Ps.147.7 million in fiscal year 2009 to Ps.164.5 million in fiscal year 2010, primarily as a consequence of a 16.5% increase in average prices of grains sold, from Ps.607 per ton in fiscal year 2009 to Ps.707 per ton in fiscal year 2010; a 33.9% increase in production volume, from 215,857 tons in fiscal year 2009 to 289,141 tons in fiscal year 2010, partially offset by a 6,406 tons decrease in crops sold in fiscal year 2010 compared to the previous fiscal year.

Cost of sales from our Crops segment increased 13.9%, from Ps. 130.1 million in fiscal year 2009 to Ps.148.1 million in fiscal year 2010, primarily as a result of a 16.5% increase in the average market price of grains in fiscal year 2010 partially offset by a 2.6% reduction in the volume of tons sold compared to the previous fiscal year.

The average cost per ton sold increased 16.9%, from Ps.531 in fiscal year 2009 to Ps.621 in fiscal year 2010, mainly as a result of the higher average market prices of grains.

### ***Crops - International***

Production income from our Crops segment increased 73.6%, from Ps.15.6 million in fiscal year 2009 to Ps.27.0 million in fiscal year 2010, mainly as a result of a 58.1% increase in global production volume from 21,174 tons in fiscal year 2009 to 33,475 tons in fiscal year 2010, mainly due to a 39.6% increase in volumes of soybean harvested a 50.4% increase in volumes of corn harvested and a 9.8% increase in the average price of grain production. The 58.1% increase in production volume of our Crops segment resulted mainly from a larger surface area under operation, from 9,950 hectares in fiscal year 2009 to 18,872 hectares in fiscal year 2010.

As of June 30, 2010, the harvested area was 96.3% of the total sown area, compared to 100% as of June 30, 2009.

In addition, the production volume of our Crops segment was adversely impacted by a 16.9% reduction in our average yield, from 2.13 tons per hectare in fiscal year 2009 to 1.77 tons per hectare in fiscal year 2010, mainly due to unfavorable weather conditions.

Cost of production from our Crops segment increased 63.2% from Ps.16.8 million in fiscal year 2009 to Ps.27.4 million in fiscal year 2010, mainly due to higher production volumes in fiscal year 2010 compared to fiscal year 2009 and a larger number of hectares in operation in fiscal year 2010 compared to fiscal year 2009.

The total cost of production per ton increased 3.2% from Ps.794 in fiscal year 2009 to Ps.819 in fiscal year 2010, mainly due to higher direct costs of production compared to the previous fiscal year.

Sales from our Crops segment increased 79.5% from Ps.16.8 million in fiscal year 2009 to Ps.30.1 million in fiscal year 2010, mainly as a result of a 91.1% increase in sales volume, from 18,661 tons in fiscal year 2009 to 35,658 tons in fiscal year 2010, mainly due to a higher production volume of crops in this fiscal year and a larger initial inventory of crops due to the start of production activities during fiscal year 2009, partially offset by a 6.3% reduction in the average price per ton sold, from Ps.899 in fiscal year 2009 to Ps.842 in fiscal year 2010.

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Cost of sales from our Crops segment increased 84.7% from Ps.14.9 million in fiscal year 2009 to ps.27.6 million in fiscal year 2010, mainly as a result of a 91.1% increase in crops sales volume in fiscal year 2010 compared to the previous fiscal year, partially offset by a 6.3% decrease in the average price per ton of crops, from Ps.899 in fiscal year 2009 to Ps.842 in fiscal year 2010.

The average cost per ton decreased 3.3%, from Ps.799 in fiscal year 2009 to Ps.773 in fiscal year 2010.

***Beef cattle***

Production income from our the Beef cattle segment increased 15.0%, from Ps.18.1 million in fiscal year 2009 to Ps.20.8 million in fiscal year 2010, primarily as a result of a 42.3% increase in the average price per kilogram of cattle produced, from Ps.2.6 in fiscal year 2009 to Ps.3.7 million in fiscal year 2010, a 20.4% decrease in beef production volume, from 7,112 tons during fiscal year 2009 to 5,659 tons in fiscal year 2010. The beef production volume in farms decreased 22.5% in fiscal year 2010 compared to fiscal year 2009, partially offset by a 14.9% higher production of heads finished in the feedlot compared to the previous year and a 28.7% decrease in births during fiscal year 2010 compared to fiscal year 2009.

The number of hectares dedicated to beef cattle production decreased from 128,859 hectares in fiscal year 2009 to 105,857 in fiscal year 2010. This decrease was mainly due to a reduction in the number of hectares devoted to cattle production leased from third parties.

Cost of production from our Beef cattle segment increased 34.5%, from Ps. 16.2 million in fiscal year 2009 to Ps. 21.8 million in fiscal year 2010. The higher cost of production from our Beef cattle segment during fiscal year 2010 is mainly attributable to higher feeding costs due to the increase in the number of heads fattened in feedlot and the increased prices of supplies.

The direct cost per kilogram produced increased 84.3%, from Ps. 0.89 in fiscal year 2009 to Ps. 1.64 in fiscal year 2010.

Sales from our Beef cattle segment increased 122.6%, from Ps.17.6 million in fiscal year 2009 to Ps.39.3 million in fiscal year 2010, primarily as a result of a 40.2% increase in beef sales volume, from 6,348 tons in fiscal year 2009 to 8,898 tons in fiscal year 2010; and a 58.6% increase in the average price per kilogram sold, from Ps.2.78 in fiscal year 2009 to Ps.4.41 in fiscal year 2010.

The average cattle stock decreased from 95,437 heads in fiscal year 2009 to 79,488 heads in fiscal year 2010, primarily as a result of the higher volume of sales described above and a reduction of our herd in the Los Pozos farm.

Cost of sales from our Beef cattle segment increased 187.5%, from Ps.16.2 million in fiscal year 2009 to Ps.46.7 million in fiscal year 2010, primarily as a result of a 40.2% increase in the beef sales volume in fiscal year 2010 compared to fiscal year 2009 a 58.6% increase in the average price per kilogram, from Ps.2.78 in fiscal year 2009 to Ps.4.41 fiscal year 2010; and a reduction in our cattle herd in the Los Pozos farm.

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Production income for the Milk segment increased 28.8%, from Ps.20.2 million in fiscal year 2009 to Ps.26.0 million in fiscal year 2010. This increase was mainly due to a 23.7% increase in average prices of milk, from Ps.0.93 per liter in fiscal year 2009 to Ps.1.15 per liter in fiscal year 2010 and a 3.8% increase in milk production volumes, from 20.9 million liters in fiscal year 2009 to 21.7 million liters in this fiscal year. This increase in production volume was mainly due to (i) an increase in the average number of milking cows (from 3,286 in fiscal year 2009 to 3,297 in fiscal year 2010); and (ii) an increase of 3.5% in the efficiency level of average daily milk production per cow, from 17.4 liters in fiscal year 2009 to 18.0 liters in fiscal year 2010.

Cost of production for the Milk segment increased 11.5%, from Ps.18.3 million in fiscal year 2009 to Ps.20.4 million in fiscal year 2010. This increase was mainly due to a 3.8% increase in milk production volume in fiscal year 2010 compared to the previous fiscal year; and the impact of higher indirect costs. As a result of the above, cost of production per liter of milk increased from Ps.0.89 in fiscal year 2009 to Ps.0.94 in fiscal year 2010.

Sales from our Milk segment increased 22.4%, from Ps.19.3 million in fiscal year 2009 to Ps. 24.4 million in fiscal year 2010, primarily as a result of a 23.7% increase in average prices of milk, from Ps.0.93 per liter in fiscal year 2009 to Ps.1.15 per liter in fiscal year 2010, and a 3.8% increase in production volume mainly due to a higher number of dairy cows being milked and a 3.5% increase in the efficiency level of production.

Cost of sales from our Milk segment increased 26.4%, from Ps.19.3 million in fiscal year 2009 to Ps.24.4 million in fiscal year 2010, primarily as a result of a 23.7% increase in the level of prices of milk which had an impact on the cost of sales; and a 3.0% increase in the sale volume of milk.

***Sales of farms***

Sales from our Sales of farms segment increased 847.3% from Ps.2.0 million in fiscal year 2009 to Ps.18.6 million in fiscal year 2010. During fiscal year ended June 30, 2010 we signed the deed of sale of the Tali Sumaj farm (12,701 hectares), located in the Province of Catamarca. The transaction was agreed for a price of Ps.18.6 million (US\$ 4.8 million), was paid in full. During fiscal year ended June 30, 2009 we signed the deed of sale for two parcels of land in El Recreo farm (1,829 hectares) located in the Province of Catamarca. The transaction was agreed for a price of Ps.1.1 million (US\$ 0.36 million) paid as follows: US\$ 0.12 million upon execution of the deed of sale and the balance of US\$ 0.24 million to be paid in two annual and consecutive installments plus interest equivalent to the Libor rate plus 3%. The result of this transaction was recognized in fiscal year 2008 in accordance with Technical Resolution No. 17 and we signed the deed of sale for 1,658 hectares of Los Pozos farm located in the Province of Salta. The transaction was agreed for a price of Ps.2.0 million (US\$ 0.5 million) that was collected.

Cost of sales from our Sales of farms segment increased significantly, from Ps.0.1 million in fiscal year 2009 to Ps.4.8 million in fiscal year 2010. During fiscal year ended June 30, 2010 the cost of sales of 12,701 hectares of our Tali Sumaj farm was Ps.4.8 million. During fiscal year ended June 30, 2009 the cost of sales of 1,829 hectares of our El Recreo farm was Ps.0.2 million and the cost of sales of 1,658 hectares of our Los Pozos farm was Ps.0.1 million.

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### **Product Prospects**

The sources of the following information are the Ministerio de Agricultura, Pesca y Alimentación de la República Argentina, the United States Department of Agriculture ( USDA ) and the Food and Agriculture Organization of the United Nations ( FAO ).

#### ***Wheat***

USDA projections for the 2010/2009 campaign at global level estimate a production of approximately 642.9 million tons of wheat, 5.8% lower than the previous campaign, primarily due to lower cultivated areas globally and a drastic reduction in yields in the former Soviet Union (especially in Russia and Ukraine). As regards Argentina, the USDA projects a 13.5 million tons production for the 2010/2011 season, 28.6% higher than the prior year campaign.

The FAO forecasts that the world wheat output in 2010/11 is at 647.7 million tons, 5.1% lower than the previous year. The bulk of this downward revision reflects a sharp fall in production in the Russian Federation and smaller than expected harvests in many other countries which have offset improved prospects for production in Argentina, Australia and the United States. Attention is now increasing on production prospects for 2011 but, with winter plantings in major producing countries of CIS lagging behind last year and unfavourable weather hampering early crop development in the United States, prices are expected to remain high and volatile for the remainder of the season.

#### ***Corn***

Globally, the USDA estimates a 0.6% increase in corn production for the 2010/2011 campaign, totaling 818.5 million tons vis-à-vis 813.6 million tons in the previous cycle. The sown area is estimated in 160.3 million hectares, which remained relatively unchanged compared to the previous campaign.

For Argentina, the USDA estimates that corn production would reach approximately 25.0 million tons, 11.1% higher than in the 2009/10 campaign.

#### ***Soybean***

In the case of soybean, for the 2010/2011 campaign, the USDA projects a world production of 257.4 million tons, 1.1% less than the previous year. Most of this decrease comes from lower yields in Argentina, Brazil and other South American countries.

For Argentina, the USDA estimates project a production of 52.0 million tons for the 2010/11 campaign, 4.6% lower than that of 2009/10, but 62.5% higher than the 2008/09 campaign when Argentina suffered a severe drought.

#### ***Sunflower***

Globally, sunflower production for the 2010/2011 campaign is projected at approximately 30.5 million tons compared to 30.4 million tons in the previous year.

According to the USDA s report, the Argentine production of sunflower is forecast to be 2.8 million tons during 2010/11 campaign, 21.7% higher than the 2009/10 campaign.



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### ***Beef Cattle***

In connection with world beef cattle production, for 2010 the FAO estimates a 1.1% decrease, reaching 65.0 million tons. This increase in production is restrained by reduced animal inventories, high feed costs and a relatively weak consumer demand, which will make it difficult for producers to transfer the full increases of costs to prices. Larger outputs from Brazil and India fail to offset production declines in other large producing countries. In South America, beef output in 2010 is expected to decrease by 3.0%, to 14.8 million tons. This stems from a record fall in Argentine beef production, estimated in excess of 800,000 tons, due to the combined effects of a severe drought in 2009 and the persistence of low farmgate prices.

World production growth in 2011 is expected to be constrained once again by low cattle numbers and high feed costs. In the United States, according to USDA, the stagnation will be due to the high cow and heifer slaughter rates, while in Australia, output also could stagnate while farmers, encouraged by favourable weather, rebuild their herds. Output in Argentina and Uruguay are expected to fall as a direct consequence of the low calving rates during the severe drought of 2009, whose effects on output are expected to be felt mostly next year. Conversely, production in Brazil and India is set to continue expanding next year, thanks to higher cattle numbers and firm prices both at home and abroad.

### ***Milk***

According to the FAO, during 2009, the world production of milk is expected to reach 710.7 million tons, 1.7% higher than the previous year. Strong import demand from Asian countries and the Russian Federation has driven dairy product trade to historically high levels in 2010, with the demand largely met by higher exports from New Zealand and the United States. Dairy product prices in international trade have remained firm, in particular butter, which in October 2009 reached an all-time high. Production in developed countries is forecast to grow by around 1.0%, while that of developing countries may increase by 2.4%. On a per capita basis, consumption of milk and milk products in developing countries may increase by 1 kg. per capita in 2010, from 66.4 to 67.5 kg., fuelled by strong economic growth in Asia.

For Argentina, the FAO forecasts that production is expected to reach 10.4 million liters during 2010/11, similar to that of 2009/10.

### **Real Estate Business**

The global economy has started to show signals of recovery after the recent financial crisis. In the year 2009, at the global level, Gross Domestic Product ( GDP ) shrank slightly, with a -0.6% change according to the International Monetary Fund ( IMF ), a situation without precedents in the past 30 years. However, this figure conceals major inequalities amongst the groups of countries. GDP in the most developed markets dropped by 3.2% whereas in the developing countries markets, it rose by 2.4%.

The recovery seen in the second half of 2009 could not offset the shrinkage sustained in the first half. International financial markets posted minimum figures in early 2009 but exhibited profits at year end. At the global level, the MSCI All Countries index picked up a 31.5% change when measured in US\$; the MSCI World (representative of developed markets) posted a 27.0% variation whilst the MSCI Emerging Markets climbed a significant

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74.5%. Furthermore, it must be highlighted that performance at the level of developing countries was much higher than in the developed world. In this connection, performance at the local market levels also picked up the trend (in local currency). Whereas the S&P500 rose by 23.45%; the Eurostoxx 50, by 21.14% and the Nikkei by 17.82%, the Bovespa rose by 74.05% and Argentina's Merval rose by 108.56%.

Given this international context, the Argentine GDP has maintained its upward trend, though at a slower pace than in previous years, with a 0.9% variation in 2009 according to the Argentine Institute of Statistics and Censuses ( INDEC ). In the year to date, the level of activity has shown significant acceleration. For the first 5 months of 2010, the Monthly Economic Activity Estimator, as reported by INDEC and known as EMAE, picked up rises ranging from 4.9% to 12.4% compared to the same month in the previous fiscal year, with an upward trend. This indicator is usually used to predict GDP. Therefore, if the trend were to be maintained, GDP for 2010 could be expected to have risen by close to 8.0%.

During 2009, Total Consumption has been the most significant component in the Aggregate Demand, with a 77.7% share.

Sales in the Shopping Center sector have grown significantly in the first half of 2010. And the reason is to be found partly in the decline experienced in 2009 due to the international financial crisis that had had considerable bearing on Shopping Centers' revenues, but mainly in the recovery in consumption compared to the previous fiscal year, against a backdrop of high inflation in which salaries went hand in hand with retail price raises. Based on INDEC's most recently released figures, when measured year-on-year, the sales for the first half of 2010 rose by 41.6% compared to the same period a year earlier.

When it comes to retailer activity and according to CAME, the Confederation of Argentine Medium-Sized Enterprises, retail sales volumes grew by 11.9% in June 2010 compared to June 2009, driven by consumers' good mood and the tangible improvements in household nominal income. Most of the items offered by retailers performed with outstanding dynamism in June. Although demand continues to be driven by Household appliances, where the manifold credit facilities offered and promotional campaigns for some products led to yet another jump in sales, some other captions, such as Apparel, Sporting Items and Household Wares and Gifts posted, at the close of June, year-on-year ups in sales close to 20% (a growth rate not seen in quite a long time). With the end-of-month results for June included, the first half of the year came to a close with a 5.4% increase in the volumes sold compared to the same period a year earlier.

As regards the office market, according to Colliers Argentina, the stock of A+ and A office buildings on the market for the first semester of calendar 2010 grew by 107,000 sqm. Furthermore, during fiscal year 2010, the market had an expansion in occupied surface area of 83,000 sqm, exceeding the average of the last 10 years. Thus, the difference between the occupied surface area and the space demand determined an increase in the vacancy rate, which was 7.8% in A+ and A office buildings. On the other hand, the general level of market rental prices, measured in US dollars, was stabilized after a downward subsequent to the global financial crisis of 2008.

As regards the residential market, in the first half of calendar 2010, the number of deeds filed with the Registry of Real Property of the City of Buenos Aires for title conveyance totaled 40,249, representative of a 22.67% increase compared to the deeds filed

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during the first half of 2009. The current figure reflects a recovery compared to the levels of activity seen a year earlier, mostly considering that the first half of 2009 was the worst in the past 12 years. The mortgage deeds filed with the Registry of Real Property of the Autonomous City of Buenos Aires in the first half of the year represent an 8.2% increase compared to the same period in 2009, up from the 2,302 filed in the first half of 2009 to the 2,491 filed this year between January and June. This notwithstanding, access to credit for housing continues to be quite limited in Argentina, as it remains at less than 2% of the country's GDP.

When it comes to the hotel sector, the global financial crisis and the outbreak of the H1N1 influenza had a considerable bearing on the arrival of foreign tourists in Argentina in 2009. However, starting in November 2009, the trend of foreign tourist inflows reverted, with the 7.2%, 12% and 9% increases seen in January, February and March, respectively, warranting special mention. The foreign exchange rate, favorable to foreign tourists, continues to give Argentina a competitive edge as a tourist destination. Based on this outlook, hotel occupancy for 2010 is estimated to be in the region of 73% for 4-star and 5-star hotels. In turn, the corporate market has been showing significant growth, with Argentina being the venue of major events, congresses and conventions that generate large investments and favor hotel profitability.

**E. OFF-BALANCE SHEET ARRANGEMENTS****Agricultural Business**

In the ordinary course of business, FyO.com guarantees certain brokerage transactions. Under the agreement, FyO.com guarantees the performance of the producer in case it does not comply with the physical delivery. We have recourse against the non-performing party. As of June 30, 2010, the value of transacted merchandise for which guarantees were granted amounted to Ps.9.5 million. As of the date of this Annual Report, there were non-performing parties under the agreements for which we had to respond as guarantor. As of the date of this Annual Report, the value of transacted merchandise for which guarantees were granted amounted to Ps 7.6 million.

**Real Estate Business**

At June 30, 2010, IRSA did not have any off-balance sheet transactions, arrangements or obligations with unconsolidated entities or others that are reasonably likely to have a material effect on our financial condition, results of operations or liquidity.

**F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS**

The following table shows our contractual obligations as of June 30, 2010:

| Detail                      | Payments due by period (In million of Pesos) <sup>(1)</sup> |                  |                                    |                                     |                   |
|-----------------------------|---|------------------|------------------------------------|-------------------------------------|-------------------|
|                             | Total   | Less than 1 year | More than 1 year and up to 3 years | More than 3 years and up to 5 years | More than 5 years |
| Long-term debt obligations  | 1,640.9   | 370.1            | 247.5                              | 101.7                               | 921.6             |
| Purchase obligations        | 82.3  | 69.5             | 6.4                                | 2.6                                 | 3.8               |
| Other long-term obligations | 53.9  | 12.1             | 19.4                               | 21.5                                | 0.9               |
| <b>Total</b>                | <b>1,777.1</b>  | <b>451.7</b>     | <b>273.3</b>                       | <b>125.8</b>                        | <b>926.3</b>      |

(1) Includes accrued and prospecting interest.

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**G. SAFE HARBOR**

See the discussion at the beginning of this Item 5 and Forward Looking Statements in the introduction of this annual report, for forward-looking statement safe harbor provisions.

**Item 6. Directors, Senior Management and employees**

**A. DIRECTORS AND SENIOR MANAGEMENT**

**Board of Directors**

We are managed by a board of directors, which consists of ten directors and four alternate directors. Each director and alternate director is elected by our shareholders at an annual ordinary meeting of shareholders for a three-year term, provided, however, that only one third of the board of directors is elected each year. The directors and alternate directors may be re-elected to serve on the board any number of times. There are no arrangements or understandings pursuant to which any director or person from senior managements is selected.

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Our current board of directors was elected at the shareholders' meetings held on October 31, 2008, October 29, 2009, and October 29, 2010, for terms expiring in the years 2011, 2012 and 2013 as the case may be. Our current directors are as follows:

| <b>Directors<sup>(1)</sup></b> | <b>Date of Birth</b> | <b>Position in Cresud</b> | <b>Term Expires<sup>(2)</sup></b> | <b>Date of Current Appointment</b> | <b>Current Position Held Since</b> |
|--------------------------------|----------------------|---------------------------|-----------------------------------|------------------------------------|------------------------------------|
| Eduardo S. Elsztain            | 01/26/1960           | Chairman                  | 06/30/11                          | 10/31/08                           | 1994                               |
| Saúl Zang                      | 12/30/1945           | First vice- chairman      | 06/30/11                          | 10/31/08                           | 1994                               |
| Alejandro G. Elsztain          |                      | Second vice- chairman     |                                   |                                    |                                    |
|                                | 03/31/1966           | and CEO                   | 06/30/13                          | 10/29/10                           | 1994                               |
| Gabriel A.G. Reznik            | 11/18/1958           | Director                  | 06/30/12                          | 10/29/09                           | 2003                               |
| Jorge Oscar Fernández          | 01/08/1939           | Director                  | 06/30/12                          | 10/29/09                           | 2003                               |
| Fernando A. Elsztain           | 01/04/1961           | Director                  | 06/30/13                          | 10/29/10                           | 2004                               |
| David A. Perednik              |                      | Director and chief        |                                   |                                    |                                    |
|                                | 11/15/1957           | administrative officer    | 06/30/13                          | 10/29/10                           | 2004                               |
| Pedro Damaso Labaqui Palacio   | 02/22/1943           | Director                  | 06/30/12                          | 10/29/09                           | 2006                               |
| Daniel E. Mellicovsky          | 01/17/1948           | Director                  | 06/30/11                          | 10/31/08                           | 2008                               |
| Alejandro Gustavo Casaretto    | 10/15/1952           | Director                  | 06/30/11                          | 10/31/08                           | 2008                               |
| Salvador D. Bergel             | 04/17/1932           | Alternate director        | 06/30/11                          | 10/31/08                           | 1996                               |
| Gastón A. Lernoud              | 06/04/1968           | Alternate director        | 06/30/11                          | 10/31/08                           | 1999                               |
| Enrique Antonini               | 03/16/1950           | Alternate director        | 06/30/13                          | 10/29/10                           | 2007                               |
| Eduardo Kalpakian              | 03/03/1964           | Alternate director        | 06/30/13                          | 10/29/10                           | 2007                               |

(1) The business address of our management is Cresud S.A.C.I.F.I. y A., Moreno 877, 23<sup>rd</sup> Floor, (C1091AAQ) Buenos Aires, Argentina.

(2) Term expires at the annual ordinary shareholders meeting.

Jorge Oscar Fernandez, Pedro Dalmaso Labaqui Palacio, Daniel Elias Mellicovsky, Enrique Antonini and Eduardo Kalpakian, qualify as independent, in accordance with *Comisión Nacional de Valores* Resolution N° 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 University of Buenos Aires (*Universidad de Buenos Aires*). He has been engaged in the real estate business for more than twenty years. He is the also chairman of the board of directors of Alto Palermo, IRSA, Consultores Asset Management, Banco Hipotecario, Tarshop, BACS Banco de Crédito & Securitización, and BrasilAgro, among other companies. He is also a member of the board of trustees Hersha among other companies. He is Fernando A. Elsztain's cousin and Alejandro G. Elsztain's and Daniel R. Elsztain's brother.

**Saúl Zang.** Mr. Zang obtained a law degree from University of Buenos Aires (*Universidad de Buenos Aires*). He is a member of the International Bar Association (Asociación Internacional de Abogados) and the Interamerican Federation of Lawyers (Federación Interamericana de Abogados). He is a founding member of the law firm Zang,

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Bergel & Viñes. He is the chairman of Puerto Retiro S.A., and the I vice-chairman of IRSA, and vice-chairman of, Alto Palermo, Tarshop and Fibesa, among others, he is also director of Banco Hipotecario, Nuevas Fronteras S.A., Palermo Invest S.A. and BrasilAgro, among other companies.

**Alejandro G. Elsztain.** Mr. Elsztain obtained a degree in agricultural engineering from University of Buenos Aires (*Universidad de Buenos Aires*). Currently he is chairman of Fibesa S.A., Agrology S.A., II vice-chairman of IRSA and executive vice-chairman of Alto Palermo. He is also vice-chairman of Nuevas Fronteras S.A., Inversora Bolivar S.A., and Hoteles Argentinos, he is also director of BrasilAgro, among other companies. Alejandro G. Elszrain is brother of our Chairman Eduardo S. Elsztain and Alternate Director Daniel R. Elsztain and our Director Fernando A. Elsztain cousin.

**Gabriel A. G. Reznik.** Mr. Reznik obtained a degree in Civil Engineering from University of Buenos Aires (*Universidad de Buenos Aires*). He worked for IRSA since 1992 until May 2005 at which time he resigned. He formerly worked for an independent construction company in Argentina. He is an alternate director of Puerto Retiro S.A. and Fibesa, as well as member of the board of Banco Hipotecario, among other companies.

**Jorge Oscar Fernández.** Mr. Fernández obtained a degree in Economic Sciences from University of Buenos Aires (*Universidad de Buenos Aires*). He has performed professional activities at several banks, financial corporations, brokerage and insurance firms and other companies related to financial services. He is also involved in many industrial, commercial and professional institutions and associations.

**Fernando A. Elsztain.** Mr. Elsztain studied architecture at University of Buenos Aires (*Universidad de Buenos Aires*). He has been engaged in the real estate business as a consultant and as managing officer of a 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 IRSA, Alto Palermo and Hoteles Argentinos and an alternate director of Puerto Retiro, among other companies. He is Eduardo S. Elsztain s, Alejandro Elsztain s and Daniel Elsztain s cousin.

**David A. Perednik.** Mr. Perednik obtained a degree in accounting from University of Buenos Aires (*Universidad de Buenos Aires*). He has worked for several companies such as Marifran Internacional S.A., a subsidiary of Louis Dreyfus Amateurs where he worked as Financial Manager from 1986 to 1997. He also worked as a Senior Consultant in the administration and systems department of Deloitte & Touche from 1983 to 1986. He is also chief administrative officer of IRSA and Alto Palermo.

**Pedro Damaso Labaqui Palacio.** Mr. Labaqui obtained a law degree from University of Buenos Aires (*Universidad de Buenos Aires*). He is also director of Bapro Medios de Pago S.A., Permanent Syndic of Bayfe S.A. Fondos Comunes de Inversión, director and member of the Supervisory Committee of J. Minetti S.A.; and Director of REM Sociedad de Bolsa S.A.

**Daniel E. Mellicovsky.** Mr. Mellicovsky obtained a degree in accounting from the University of Buenos Aires (*Universidad de Buenos Aires*). He has served as director of several companies of the agricultural, food supplies, financial and hotel development sectors.

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**Alejandro G. Casaretto.** Mr. Casaretto obtained a degree in agriculture from University of Buenos Aires (*Universidad de Buenos Aires*). He has served as our technical manager, farm manager, and technical coordinator since 1975.

**Salvador D. Bergel.** Mr. Bergel obtained a law degree and a PhD from Litoral University (*Universidad Nacional del Litoral*). He is a founding partner of Zang, Bergel & Viñes and a consultant at Repsol YPF S.A. He is also an alternate director of Alto Palermo.

**Gastón Armando Lernoud.** Mr. Lernoud obtained a law degree from El Salvador University (*Universidad de El Salvador*) in 1992. He obtained a Masters degree in Corporate Law in 1996 from Palermo University (*Universidad de Palermo*). He was a senior associated member of Zang, Bergel & Viñes law firm until June 2002, when he joined Cresud's lawyers.

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

**Eduardo Kalpakian.** Mr. Kalpakian holds a degree in business from the University of Belgrano. He has also an MBA from the CEMA University of Argentina. He has been a director for 25 years of Kalpakian Hnos. S.A.C.I., a leading carpet manufacturer and flooring distributor in Argentina, as a director and is currently is vice chairman of the board and CEO. He is also vice chairman of the board of La Dormida S.A.A.C.E.I.

**Employment contracts with our directors**

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

**Management**

Our board of directors appoints and removes the senior management. Senior management performs its duties in accordance with the instructions of our board of directors. There are no arrangements by which a person is selected as a member of our senior management.

The following table shows information about our current senior management designated by the board of directors meeting:

| Name                  | Date of Birth | Position   | Current Position Held |
|-----------------------|---------------|--|-----------------------|
|                       |               |  | Since                 |
| Alejandro G. Elsztain | 03/31/1966    | Chief Executive Officer  | 1994                  |
| Gabriel Blasi         | 11/22/1960    | Chief Financial Officer  | 2004                  |
| David A. Perednik     | 11/15/1957    | Chief Administrative Officer   | 1997                  |
| Alejandro Casaretto   | 10/15/1952    | Regional Manager of  | 2008                  |
| Carlos Blousson       | 09/21/1963    | Agricultural Real Estate<br>General Manager of the International<br>Operation (Paraguay/ Bolivia/ Uruguay) | 2008                  |

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The following is a biographical 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 Austral University (*IAE, Universidad Austral*). He formerly worked as a senior securities trader at Citibank. He also performed several management positions related to investment banking and capital markets at Banco Río (BSCH) and was a financial director of Carrefour Group and Goyaique SACIFIA (Grupo Perez Companc). Currently, he also serves as chief financial officer of IRSA and Alto Palermo. Currently Mr. Blasi also serves as director of BrasilAgro and alternate director of Banco Hipotecario.

*Carlos Blousson.* Mr. Blousson obtained a degree in agriculture from University of Buenos Aires (*Universidad de Buenos Aires*). He has been working as our Sales Officer since 1996. Prior to joining Cresud, he worked as a futures and options operator at Vanexva Bursátil Sociedad de Bolsa-. Previously, he worked as a farm manager and a technical advisor at Leucon S.A.

### ***Executive Committee***

Pursuant to our by-laws, our day-to-day business is managed by an executive committee consisting of a minimum of four and a maximum of seven directors and one alternate member, 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. 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 day to day business, pursuant to delegation from Board of Directors in accordance with applicable law and our by-laws. Our by-laws authorize the executive committee to:

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

grant and revoke powers of attorney on behalf of us;

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



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

**Supervisory Committee**

Our Supervisory Committee is responsible for reviewing and supervising our administration and affairs, and verifying compliance with the bylaws and the decisions adopted at shareholders' meetings. The members of the Supervisory Committee are appointed at the annual general ordinary shareholders' meeting for a term of one year. The Supervisory Committee is composed of three members and three alternate members.

The following table shows information about the members of our Supervisory Committee, who were elected in the annual general ordinary shareholders' meeting which was held on October 29, 2010:

| <b>Member</b>         | <b>Date of Birth<br/>(m/d/y)</b> | <b>Position</b>  |
|-----------------------|----------------------------------|------------------|
| José Daniel Abelovich | 07/20/1956                       | Member           |
| Marcelo Héctor Fuxman | 11/30/1955                       | Member           |
| Noemi Cohn            | 05/20/1959                       | Member           |
| Roberto Murmis        | 04/07/1959                       | Alternate Member |
| Alicia Rigueira       | 12/02/1951                       | Alternate member |
| Silvia Cecilia de Feo | 10/07/1958                       | Alternate member |

All members of the supervisory committee qualify as independent, in accordance with *Comisión Nacional de Valores* Resolution No. 400/2002.

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 University of Buenos Aires (*Universidad de Buenos Aires*). He is a founding member and partner of Abelovich, Polano & Asociados S.R.L. / Nexia International, a public accounting firm in Argentina. Formerly, he had been a manager of Harteneck, López y Cía/Coopers & Lybrand and has served as a senior advisor in Argentina for the United Nations and the World Bank. He is a member of the Supervisory Committees of Alto Palermo, Shopping Alto Palermo, Hoteles Argentinos, Inversora Bolívar, IRSA and Banco Hipotecario S.A.

**Marcelo H. Fuxman.** Mr. Fuxman obtained a degree in accounting from the University of Buenos Aires (*Universidad de Buenos Aires*). He is a partner of Abelovich, Polano & Asociados S.R.L. / Nexia International, a public accounting firm in Argentina. He is also a member of the Supervisory Committee of Alto Palermo, Shopping Alto Palermo, Inversora Bolívar, IRSA and Banco Hipotecario S.A.

**Noemí Cohn.** Mrs. Cohn obtained a degree in accounting from the University of Buenos Aires. Mrs. Cohn is a partner at Abelovich, Polano & Asociados S.R.L. / Nexia International a public accounting firm in Argentina, and works in the audit area. Mrs. Cohn worked in the audit area in Harteneck, Lopez and Company, Coopers & Lybrand in Argentina and in Los Angeles, California.

**Silvia De Feo.** Mrs. De Feo obtained a degree in accounting from the University of Belgrano (*Universidad de Belgrano*). She is a manager at Abelovich, Polano & Asociados

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S.R.L. / Nexia International, an accounting firm in Argentina and former manager at Harteneck, Lopez & Cía./Coopers & Lybrand. She is also a member of the Supervisory Committees of Shopping Alto Palermo, Inversora Bolivar, Baldovinos S.A. and IRSA.

**Roberto Murmis.** Mr. Murmis holds a degree in accounting from the University of Buenos Aires (*Universidad de Buenos Aires*). Mr. Murmis is a partner at Abelovich, Polano & Asociados S.R.L / Nexia International. Mr. Murmis worked as an advisor to the Secretaría de Ingresos Públicos. Furthermore, he is a member of the Supervisory Committee of Shopping Alto Palermo, Futuros y Opciones S.A., Llao Llao Resorts S.A. and IRSA.

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

### **KEY EMPLOYEES**

There are no key employees.

## **B. COMPENSATION**

### **Compensation of directors**

Under Argentine law, if the compensation of the members of the board of directors is not established in the by-laws of the company, it should be determined by the shareholders' meeting. The maximum amount of total compensation to the members of the board of directors, including compensation for technical or administrative permanent activities, cannot exceed 25% of the earnings of the company. That amount should be limited to 5% when there is no distribution of dividends to shareholders, and will be increased proportionally to the distribution. When one or more directors perform special commissions or technical or administrative activities, and there are no earnings to distribute, or they are reduced, the shareholders' meeting may approve compensation in excess of the above-mentioned limits.

The compensation of our directors for each fiscal year is determined pursuant to Argentine law, and taking into consideration whether the directors performed technical or administrative activities and our fiscal year's results. Once the amount is determined, they are considered at the shareholders' meeting.

At our shareholders meeting held on October 29, 2010 the shareholders approved an aggregate remuneration of Ps.6,440,627 million for all of our directors for the fiscal year ended June 30, 2010.

### **Compensation of Supervisory Committee**

The shareholders meeting held on October 29, 2010, approved by majority vote to pay to the Supervisory Committee an amount of Ps. 10,000.

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### **Compensation of Senior Management**

Our senior management is paid 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 results.

The total and aggregate compensation of our senior management for the fiscal year ended June 30, 2010 was Ps.9.2 million.

During this period our contributions to compensation plan for our senior management amounted to Ps.1.5 million.

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

We have a defined contribution plan covering its managers in Argentina. The Plan was effective from January 1<sup>st</sup>, 2006. Employees may begin participation voluntarily on monthly enrollment dates. Participants may make pre-tax contributions to the Plan of up to 2.5% of their monthly salary (Base Contributions) and pre-tax contributions of up to 15% of their annual bonuses (Extraordinary Contributions). Under the Plan, we match employee contributions to the plan at a rate of 200% for Base Contributions and 300% for Extraordinary Contributions. Contribution expense was Ps.3.3 million, Ps. 2.9 million and Ps. 0.3 million for the years ended June 30, 2010, June 30, 2009 and June 30, 2008, respectively. Participant contributions are held in trust as required by law. Individual participants may direct the trustee to invest their accounts in authorized investment alternatives. Our contributions are also held in trust. Participants or their assignees, as the case may be, may have access to 100% of our contributions under the following circumstances:

- (i) ordinary retirement in accordance with applicable labor regulations;
- (ii) total or permanent incapacity or disability;
- (iii) death.

In case of resignation or termination without cause, the manager will get the amounts arising from our contributions only if he or she has participated in the Plan for at least 5 years.

## **C. BOARD PRACTICES**

### **Benefits upon Termination of Employment**

There are no contracts providing for benefits to directors upon termination of employment.

### **Audit Committee**

In accordance with the Regime of Transparency in Public Offerings provided by Decree No. 677/01, the regulations of the *Comisión Nacional de Valores* and Resolutions No. 400 and 402 of the *Comisión Nacional de Valores*, our board of directors established an audit committee which would focus on assisting the board in exercising its duty of care, compliance with disclosure requirements, the enforcement of accounting policies, management of our business risks, the management of our internal control systems, ethical

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conduct of our businesses, monitoring the sufficiency of our financial statements, our compliance with the laws, independence and capacity of independent auditors and performance of our internal audit duties both by our company and our external auditors.

On November 3, 2008, our board of directors officially appointed Jorge Oscar Fernández, Daniel Mellicovsky and Pedro Damaso Labaqui Palacio, all of them independent members, as members of the audit committee. Jorge Oscar Fernández is the financial expert in accordance with the relevant SEC rules. We have a fully independent audit committee as per the standard provided in Rule 10(A)-3(b) (1).

**Remuneration Committee**

There is no remuneration committee.

**D. EMPLOYEES**

As of June 30, 2010, we had 789 employees in our Agricultural Business, including the employees of Cresud, Agropecuaria Anta S.A. (formerly Agropecuaria Cervera S.A.) and Futuros y Opciones.Com, but not those of Agro-Uranga S.A. Approximately 30% are under collective labor agreements. We believe we have good relations with the union and our employees. We have never experienced a work stoppage.

IRSA's employees in our real estate operations are represented had 2,263 employees, several of them represented by various unions, as follows: approximately 36% are represented by the Commerce Labor Union (*Sindicato de Empleados de Comercio*, or SEC); approximately 7% are represented by the Horizontal Property Union (SUTERH). Shopping Centers and Consumer financing employees are also represented by the Commerce Union; approximately 67% of total workers are under commerce collective labor agreements. Hotel workers are represented by the *Unión de Trabajadores del Turismo, Hoteleros y Gastronómicos de la República Argentina* (UTHGRA).

The following table shows our employees for the fiscal year ended June 30, 2010, 2009 and 2008.

|                     | Agricultural Business <sup>(1)</sup> |           | Argentine Real Estate <sup>(2)</sup> | Real Estate Business |                       |       | Credit Card <sup>(4)</sup> | Total |
|---------------------|--------------------------------------|-----------|--------------------------------------|----------------------|-----------------------|-------|----------------------------|-------|
|                     | Permanent salaried                   | Temporary |                                      | Shopping Centers     | Hotels <sup>(3)</sup> |       |                            |       |
| As of June 30, 2008 | 441                                  | 26        | 243                                  | 1,043                | 764                   | 1,298 | 3,815                      |       |
| As of June 30, 2009 | 479                                  | 11        | 209                                  | 1,001                | 694                   | 689   | 3,083                      |       |
| As of June 30, 2010 | 770                                  | 19        | 88                                   | 774                  | 682                   | 719   | 3,052                      |       |

(1) Agricultural Business includes the employees of Cresud, Inversiones Ganaderas S.A., Agropecuaria Anta S.A. (formerly Agropecuaria Cervera S.A.) and Futuros y Opciones.Com, but not those of Agro-Uranga S.A.

(2) Argentine Real Estate includes IRSA, Libertador 498.

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

(4) Credit cards include Tarshop.

**Table of Contents****E. SHARE OWNERSHIP**

Share ownership of directors, members of the supervisory committee, and senior management as of November 30, 2010.

The following table sets forth the amount and percentage (expressed on a fully diluted basis) of our shares beneficially owned by our directors, Supervisory Committee and senior management as of November 30, 2010:

| <b>Name</b>                        | <b>Position</b>             | <b>Number of Shares</b> | <b>Percentage</b> | <b>Number of Warrants <sup>(2)</sup></b> |
|------------------------------------|-----------------------------|-------------------------|-------------------|--|
| <b>Directors</b>                   |                             |                         |                   |  |
| Eduardo S. Elsztain <sup>(1)</sup> | Chairman                    | 187,361,550             | 38.48%            | 84,406,889                               |
| Saúl Zang                          | First vice-chairman         | 1,560,811               | 0.33%             | 817,480                                  |
| Alejandro G. Elsztain              | Second vice-chairman /      |                         |                   |  |
|                                    | Chief Executive Officer     | 1,354,600               | 0.32%             | 1,314,289                                |
| Gabriel A. G. Reznik               | Director                    |                         |                   |  |
| Jorge Oscar Fernández              | Director                    | 2,970,000               | 0.53%             |  |
| Fernando A. Elsztain               | Director                    |                         |                   |  |
| David A. Perednik                  | Director /Chief             |                         |                   |  |
|                                    | Administrative Officer      | 22,016                  | 0.02%             | 29,727                                   |
| Pedro Damaso Labaqui Palacio       | Director                    |                         |                   |  |
| Daniel E. Mellicovsky              | Director                    |                         |                   |  |
| Alejandro Gustavo Casaretto        | Director/Regional manager   |                         |                   |  |
|                                    | of Agricultural real Estate | 62,438                  | 0.02%             | 23,790                                   |
| Salvador D. Bergel                 | Alternate director          |                         |                   |  |
| Gastón A. Lernoud                  | Alternate director          |                         |                   |  |
| Enrique Antonini                   | Alternate Director          |                         |                   |  |
| Eduardo Kalpakian                  | Alternate Director          |                         |                   |  |
| <b>Senior Management</b>           |                             |                         |                   |  |
| Gabriel Blasi                      | Chief Financial Officer     | 33,303                  | 0.02%             | 42,165                                   |
| Carlos Blousson                    | Chief Executive Officer of  |                         |                   |  |
|                                    | the International Operation |                         | 0.00%             | 1,817                                    |
| <b>Supervisory Committee</b>       |                             |                         |                   |  |
| José D. Abelovich                  | Member                      |                         |                   |  |
| Marcelo H. Fuxman                  | Member                      |                         |                   |  |
| Roberto Murmis                     | Member                      |                         |                   |  |
| Silvia C. De Feo                   | Alternate member            |                         |                   |  |
| Alicia Rigueira                    | Alternate member            |                         |                   |  |
| Sergio Kolaczyk                    | Alternate member            |                         |                   |  |
| <b>Executive Committee</b>         |                             |                         |                   |  |
| Saúl Zang                          | Member                      | 1,560,811               | 0.33%             | 817,480                                  |
| Eduardo S. Elsztain                | Member                      | 187,361,550             | 38.48%            | 84,406,889                               |
| Alejandro G. Elsztain              | Member                      | 1,354,600               | 0.32%             | 1,314,289                                |

- (1) Includes (i) 187,359,724 shares beneficially owned by Inversiones Financieras del Sur S.A., for which Mr. Eduardo S. Elsztain may be deemed beneficial owner, (ii) 873 common shares beneficially owned by Consultores Venture Capital Uruguay S.A. and (iv) 953 common shares owned directly by Eduardo S. Elsztain. In addition, Mr. Eduardo Elsztain may be deemed beneficial owner of 84,408,115 Cresud s warrants which entitles him to acquire 29,627,753 new common shares through the exercise of those warrants.



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- (2) Pursuant to a Prospectus (the "Prospectus"), dated March 11, 2008, contained in Cresud's Registration Statement on Form F-3 No. 333-146011, filed with the Securities and Exchange Commission on September 12, 2007, Cresud offered (the "Rights Offering") to its common shareholders rights to subscribe for 180,000,000 new common shares, together with the right to receive 180,000,000 warrants (the "New Warrants") to acquire additional common shares. Each common share entitled its holder to one right to subscribe for common shares. Each common share right entitled its holder to subscribe for 0.561141 new common shares, to subscribe at the same price for additional common shares remaining unsubscribed after the preemptive rights offering pursuant to its exercise of accretion rights, and to receive free of charge, for each new common share that it purchased pursuant to the Rights Offering, one New Warrant to purchase 0.33333333 additional common shares (this fraction was adjusted to 0.35100598 after an allotment of treasury shares stock to shareholders that took place on November 23, 2009). The Bank of New York, as Cresud's ADS rights agent, made available to holders of its ADSs (each of which represents 10 common shares), rights to subscribe for new ADSs, together with the right to receive New Warrants to acquire additional common shares. Each ADS entitled its holder to one ADS right. Each ADS right entitled its holder to subscribe for 0.561141 new ADSs, to subscribe at the same price for additional common shares in the form of ADSs remaining unsubscribed after the preemptive rights offering pursuant to its exercise of accretion rights, and to receive free of charge, for each new ADS that it purchased pursuant to this offering, 10 New Warrants, each of which entitles such holder to purchase 0.33333333 additional common shares (this fraction was adjusted to 0.35100598 after an allotment of treasury shares stock to shareholders that took place on November 23, 2009).

Prior to their expiration on May 22, 2015, the New Warrants are exercisable during the six-day period from and including the 17<sup>th</sup> through the 22<sup>nd</sup> day of each February, May, September and November (to the extent such dates are business days in New York City and in the City of Buenos Aires). Cresud accepts the exercise of New Warrants to purchase whole new common shares. The exercise price for new common shares to be purchased pursuant to the exercise of New Warrants is of US\$ 1.68 and are payable in U.S. dollars (this price was adjusted to US\$ 1.5954 after an allotment of treasury shares stock to shareholders that took place on November 23, 2009). ADS holders wishing to obtain additional ADSs upon exercise of their New Warrants must deposit the common shares acquired under the New Warrants with The Bank of New York, as Cresud's depository, to obtain ADSs in accordance with the terms of the deposit agreement.

**Item 7. Major shareholders and related party transactions****A. MAJOR SHAREHOLDERS****Information about Major Shareholders****Share Ownership**

The following table sets forth information regarding ownership of our capital stock by each person known to us to own beneficially at least 5% of our common shares, ANSES and all our directors and officers as a group. Percentages are expressed on a fully diluted basis.

| Shareholder                             | Share Ownership as of November 30, 2010 |                           |
|---|---|---------------------------|
|   | Number of Shares                        | Percentage <sup>(5)</sup> |
| IFISA <sup>(1)(2)</sup>                 | 187,359,724                             | 38.48%                    |
| D.E. Shaw & Co L.P. <sup>(3)</sup>      | 43,495,210                              | 8.41%                     |
| Directors and officers <sup>(4)</sup>   | 6,001,168                               | 2.19%                     |
| National Social Security Agency (ANSES) | 17,604,650                              | 3.12%                     |
| Total                                   | 254,461,752                             | 52.2%                     |

- (1) Mr. Eduardo S. Elsztain is the president of (i) IFIS Limited (IFIS), a company incorporated under the laws of Bermuda and registered in Argentina under article 123 of the Argentine Corporations Law No. 19,550, located at Mintflower Place 4th floor, 8 Par-La-Ville Road, Hamilton HM 08, Bermuda, and (ii) IFISA, a company incorporated under the laws of Uruguay and registered in Argentina under article 123 of the Argentine Corporations Law No. 19,550, located at Road 8, km 17,500, Zonamérica Building 3, store 004, Montevideo, Uruguay, which is 100% owned by IFIS. Mr. Elsztain is the beneficial owner of 29.41% of IFIS capital stock, which owns 100% of IFISA.
- (2) As a result, Mr. Elsztain may be deemed beneficial owner of 38.48% of our total shares, which includes (i) 187,359,724 shares beneficially owned by Inversiones Financieras del Sur S.A., for which Mr. Eduardo S. Elsztain may be deemed beneficial owner, (ii) 873 common shares beneficially owned by Consultores Venture Capital Uruguay S.A. and (iv) 953 common shares owned directly by Eduardo S. Elsztain. In addition, Mr. Eduardo Elsztain may be deemed beneficial owner of 84,408,115 Cresud's warrants which entitles him to acquire 29,627,753 new common shares through the exercise of those warrants.

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(3) According to the 13-F Form filed with the SEC as of September 30, 2010.

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

(5) On a fully diluted basis.

As of June 30, 2006, 2007, 2008, 2009 and 2010, IFISA owned 21.2%, 32.8%, 32.5%, 34.7% and 37.5% respectively, of our total shares. The increase in the ownership from 2006 to 2007 was due to the conversion of Cresud's convertible notes and Warrants that IFISA owned. IFISA has the same voting rights as our other shareholders.

**Change in Capital Stock Ownership**

|   | As of November 30,<br>2010<br>% | As of June 30,<br>2010<br>% | As of June 30,<br>2009<br>% | As of June 30,<br>2008<br>% | As of June 30,<br>2007<br>% |
|---|---------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| IFISA <sup>(1)(2)</sup>                 | 38.48%                          | 37.5%                       | 34.7%                       | 32.5%                       | 32.8%                       |
| D.E. Shaw & Co L.P. <sup>(3)</sup>      | 8.41%                           | 9.4%                        | 8.1%                        | 7.2%                        |                             |
| Directors and officers <sup>(4)</sup>   | 2.19%                           | 1.4%                        | 1.2%                        | 1.0%                        | 1.0%                        |
| National Social Security Agency (ANSES) | 3.12%                           | 3.5%                        | 2.9%                        | 3.2%                        | 3.7%                        |

- (1) Mr. Eduardo S. Elsztain is the president of (i) IFIS Limited (IFIS), a company incorporated under the laws of Bermuda and registered in Argentina under article 123 of the Argentine Corporations Law No. 19,550, located at Mintflower Place 4th floor, 8 Par-La-Ville Road, Hamilton HM 08, Bermuda, and (ii) IFISA, a company incorporated under the laws of Uruguay and registered in Argentina under article 123 of the Argentine Corporations Law No. 19,550, located at Road 8, km 17,500, Zonamérica Building 3, store 004, Montevideo, Uruguay, which is 100% owned by IFIS. Mr. Elsztain is the beneficial owner of 29.41% of IFIS capital stock, which owns 100% of IFISA.
- (2) As a result, Mr. Elsztain may be deemed beneficial owner of 38.48% of our total shares, which includes (i) 187,359,724 shares beneficially owned by Inversiones Financieras del Sur S.A., for which Mr. Eduardo S. Elsztain may be deemed beneficial owner, (ii) 873 common shares beneficially owned by Consultores Venture Capital Uruguay S.A. and (iv) 953 common shares owned directly by Eduardo S. Elsztain. In addition, Mr. Eduardo Elsztain may be deemed beneficial owner of 84,408,115 Cresud's warrants which entitles him to acquire 29,627,753 new common shares through the exercise of those warrants.
- (3) According to the 13-F Form filed with the SEC as of September 30, 2010.
- (4) Includes only direct ownership of our Directors and Senior Management.

**Difference in Voting Rights**

Our major shareholders do not have different voting rights.

**Arrangements for change in control**

There are no arrangements that may at a subsequent date in a change in control.

**Securities held in the host country**

As of November 30, 2010, our total issued and outstanding capital stock outstanding consisted of 501,560,929 common shares. As of November 30, 2010, there were approximately 46,416,993 Global Depository Shares (representing 464,169,930 of our common shares, or 92.55% of all of our outstanding shares held) in the United States by approximately 107 registered holders of global Depository Shares.

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As of November 30, 2010 our directors and senior officers controlled, directly or indirectly, approximately 40.67% of our common shares. As a result, these shareholders have, and will continue to have, significant influence on the election of our directors and the outcome of any action requiring shareholder approval.

### **B. RELATED PARTY TRANSACTIONS**

#### **Headquarters**

Since December 2001 until December 2003 we have leased our head quarters from Alto Palermo. We payed a monthly lease fee of Ps. 2,541. This leasing agreement was terminated in February 2004.

In March, 2004 we entered into a lease agreement with Alto Palermo, IRSA and Isaac Elsztain e Hijos S.C.A. for the lease of our executive offices located in Bolívar 108, City of Buenos Aires. This lease has a term of 120 months and rent of Ps.8,490 payable monthly. We, Alto Palermo and IRSA each pay one-third of such rent in an amount of Ps.2,830 each.

In December 2003, we moved our headquarters to the 23<sup>rd</sup> floor of the Intercontinental Plaza tower, located at Moreno 877, in the City of Buenos Aires. We lease our headquarters and five parking lot spaces from Inversora Bolívar, a subsidiary of IRSA, pursuant to a lease agreement with an initial term of 60 months and an extension option for 36 additional months. We pay monthly rent of US\$2,979.

In June 2009, we leased one third of the 24<sup>th</sup> floor of the Intercontinental Plaza Tower from Inversora Bolivar pursuant to a lease agreement related to such floor and to eight parking lot spaces. This agreement, effective from September 1<sup>st</sup>, 2008, until August 31<sup>st</sup>, 2011, and has duration of 36 months. We paid a monthly rent of US\$7,745. In November 2009, the 24<sup>th</sup> floor was transferred to IRSA as a result of the execution of the Final Merger and Spin off Agreement.

As of January 2008, we also lease one third of the 2<sup>nd</sup> floor of the Intercontinental Plaza Tower from Inversora Bolivar S.A. The agreement, effective as from January 2008, has an initial duration of 36 months. We pay a monthly rent of US\$6,583 for the agreement.

Eduardo S. Elsztain, our chairman is also the chairman of the board of directors of Alto Palermo. Saúl Zang, our first vice-president is also director of Inversora Bolívar and Alejandro Gustavo Elsztain, our second vice-chairman is the vice chairman of Inversora Bolívar. In addition, Fernando Adrián Elsztain who is the chairman of Inversora Bolívar is also our director.

#### **Lease Agreement**

We lease a farm located in the Province of Córdoba, from Isaac Elsztain e Hijos S.C.A., pursuant to a lease agreement executed in July, 2008. This lease agreement has a term of three years and an option to extend the lease for three additional years. The leased farm has an extension of 12,227 hectares.

The rent to be paid is the equivalent in Pesos of 1 Kg. of beef per hectare. The beef price will be set, taking into account the price per kilo of beef quoted on *La Nación* newspaper, the previous Saturday of the payment date.

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We pay a rent of Ps.0.05 million during the fiscal year ended June 30, 2010. Fernando Adrián Elsztain, our director is also president of Isaac Elsztain e Hijos S.C.A. In addition, Alejandro G. Elsztain who is alternate director of Isaac Elsztain e Hijos S.C.A. is also our second vice-chairman and CEO.

### **Consulting Agreement**

Pursuant to the terms of the Consulting Agreement with Consultores Asset Management effective as of November 7, 1994, Consultores Asset Management provides us advisory services on matters related to capital investments in all aspects of the agriculture business. One of our shareholders and the Chairman of our board of directors is the owner of 85% of the capital stock of Consultores Asset Management and our First Vice Chairman of the board of directors holds the remaining 15% of its capital stock.

Pursuant to the terms of the Consulting Agreement, Consultores Asset Management provides us with the following services:

advises with respect to the investment of our capital in all aspects of agricultural operations, including, among others, sales, marketing, distribution, financing, investments, technology and business proposals;

acts on our behalf in such transactions, negotiating the prices, conditions, and other terms of each operation; and

gives advice regarding securities investments with respect to such operations.

The Consulting Agreement expressly provides that Consultores Asset Management may not advise us with respect to transactions that are entirely related to real estate.

Under the Consulting Agreement, we pay Consultores Asset Management for its services, an annual fee equal to 10% of our annual after-tax net income. We also reimburse Consultores Asset Management the administrative expenses incurred by it in performing its duties under the Consulting Agreement and: (i) remuneration to the directors and certifying accountants; (ii) remuneration of legal consultants; (iii) remuneration of auditors; (iv) representation costs; and (v) all other costs incurred by it in performing its services.

Fees totaled Ps. 20.6 million, Ps.13.6 million and Ps.2.2 million for the years ended June 30, 2010, 2009 and 2008, respectively.

The Consulting Agreement is subject to termination by either party upon not less than 60 days prior written notice. If we terminate the Consulting Agreement without cause, we will be liable to Consultores Asset Management S.A for twice the average of the amounts of the management fee paid to Consultores Asset Management for the two fiscal years prior to such termination.

### **Donations to Fundación IRSA**

From time to time, we donate money to Fundación IRSA, a charitable, non-for-profit organization, the President of which is Eduardo Elzstain, a significant shareholder and our Chairman of the Board of Directors. During the fiscal years ended June 30, 2010 and 2009, we made donations to Fundación IRSA and Fundación Museo los Niños for a total amount of Ps. 5.6 million and Ps.1.7 million, respectively. The Company made no donations to Fundación IRSA during the fiscal year ended June 30, 2008.

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### **Agreement for the Exchange of Corporate Services between us, IRSA and Alto Palermo**

Considering that each of our Company, Alto Palermo and IRSA have operating areas which are somehow similar, the Board of Directors deemed it advisable to implement alternatives aimed at reducing certain fixed costs of its activities and to lessen their impact on operating results while seizing and optimizing the individual efficiencies of each of them in the different areas comprising the management of operations.

In this regard, on June 30, 2004, IRSA, Alto Palermo and Cresud (hereinafter and for the purpose of this section, the Parties ) entered into an Agreement for the Exchange of Corporate Service, which was amended on August 23, 2007, August 14, 2008, and November 27, 2009.

The Agreement for the exchange of Corporate Service among Alto Palermo, IRSA and us, currently provides for the exchange of services among the following areas: human resources, finance, institutional relationships, management and control, systems and technology, insurance, errands running service, contracts, technical, infrastructure and services, purchases, architecture and design and development and works department, internal audit, real estate, hotels and tourism and risks and processes.

The exchange of services consists in the provision of services for value in relation to any of the aforementioned areas by one or more of the parties to the agreement for the benefit of the other party or parties, which are invoiced and paid primarily by an offset against the services provided by any of the areas and, secondarily, in case of a difference between the value of the services rendered, in cash.

Under said agreement the companies have entrusted to an external consultant the review and evaluation, on a semiannual basis, of the criteria applied in the corporate service settlement process and of the distribution bases and supporting documentation used in such process, through the issuance of a semiannual report.

On March 12, 2010, an amendment to the agreement for the exchange of corporate services was entered into to simplify issues originating from the consolidation of financial statements as a result of the increase in our equity interest in IRSA. Alto Palermo's and IRSA's board of directors have deemed it convenient and advisable for this simplification to transfer the employment agreements of IRSA's and our corporate employees to us. Effective January 1, 2010, the labor costs of those employees were transferred to our payroll, and they render services to Alto Palermo and IRSA, which services will continue to be distributed in accordance with the terms of the agreement for the exchange of corporate services entered into with us and IRSA.

In the future and in order to continue with the policy of generating the most efficient distribution of corporate resources among the different areas, this agreement may be extended to other areas shared by the us with Alto Palermo and IRSA.

In spite of the above, the Company, IRSA and Alto Palermo continue to be absolutely independent as concerns the adoption of their business and strategic decisions. Costs and benefits are allocated on the basis of operating efficiency and fairness without pursuing economic benefits for the companies. The implementation of this project does not impair the identification of the economic transactions or services involved, nor does it affect the efficiency

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of the internal control systems or the internal and external auditors' tasks of each of the companies or the possibility of presenting the transactions related to the agreement. Mr. Alejandro Gustavo Elsztein is acting as General Coordinator while Mr. Cedric Bridger has been appointed as individual responsible person on behalf of IRSA, a member of the Auditing Committee.

The Agreement for the exchange of Corporate Service was filed with the SEC in a report on Form 6-K dated July 1, 2004 and amendments to this agreement were filed in reports on Form 6-K dated September 19, 2007, the Second Agreement for Shared Corporate Services was filed on Form 6-K dated August 19, 2008, the Third Agreement was filed on Form 6-K dated December 15, 2009 and the Addendum to Corporate Services Master Agreement, was filed on Form 6-K dated March 17, 2010.

See Exhibit 4.5 and Note 8 to our audited consolidated financial statements contained elsewhere in this Annual Report.

### **Legal Services**

During the years ended June 30, 2010, 2009 and 2008, the law firm Zang, Bergel & Viñes provided the Company legal services amounting Ps. 4.9 million, Ps.5.5 million and Ps.0.7 million, respectively. Certain directors of the Company are partners of the law firm.

### **Purchase of Cresud Shares and Notes by Inversiones Financieras del Sur S.A.**

#### ***Cresud shares and warrants***

On March 31, 2008, 67.4 million of Cresud common shares and 67.4 million of Cresud warrants were issued as a result of the rights offering of 180.0 million of Cresud common shares and 180 million of Cresud warrants.

During the fiscal year ended June 30, 2008, IFISA sold 6.04 million of Cresud common shares and bought 5.64 million of Cresud warrants. As of June 30, 2008, IFISA owned 162.8 million of Cresud common shares and 73.0 million of Cresud Warrants.

As of November 21, 2008, IFISA owned 163.2 million shares of Cresud representing 32.5% of the total outstanding shares. IFISA also holds 73.0 million of Cresud Warrants, which represents 41.1% of total outstanding Warrants.

As of February 28, 2009, after taking part in our Company's capital increase as a subscriber and after increasing its stake by acquiring floating shares, IFISA owned 163,550,700 Cresud's shares representing 34.4% of our Company's total outstanding shares, and it was also owner of 73,023,731 warrants.

Additionally, between March and June 2009, IFISA acquired in the market 554,768 shares of Cresud, increasing its holding to 34.8% of our Company, hence acquiring 7,131,855 warrants.

### **Incorporation of new companies**

In September 2008, as part of the expansion of South American agribusiness, Cresud along with Carlos Casado incorporated Cresca, each with a 50% interest respectively in Cresca's capital stock. Cresud will act as advisor for the new company pursuant to an

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advisory contract, for livestock farming and foresting of a significant rural property located in Paraguay. Cresud may eventually also act as advisor in connection with an area of up to 100,000 hectares that is also located in Paraguay, pursuant to an option exercised by us, granted by Carlos Casado.

In the context of its business plan for expansion of its agribusiness activities in South America, Cresud, through its subsidiaries Agrology, IGSA and Agropecuaria Anta S.A. (formerly Agropecuaria Cervera S.A.), has also incorporated companies with parcels of land in Bolivia and has acquired a company in Uruguay.

Accordingly, the following companies were incorporated: Agropecuaria Acres del Sud S.A., Aguaribay Agropecuaria S.A., Calden Agropecuaria S.A., Itin Agropecuaria S.A., Ñandubay Agropecuaria S.A., Ombú Agropecuaria S.A., Yatay Agropecuaria S.A and Yuchan Agropecuaria S.A. The shareholders of these companies are: Agrology, with a 95.12% interest; IGSA and Agropecuaria Anta S.A., with a 2.44% interest each in each of the companies. The companies with operations in Bolivia (except Agropecuaria Acres del Sud S.A.) acquired land for agricultural development. In this way, Cresud maintains a 100% participation in such companies, dedicated to agricultural development.

Additionally, during the month of October 2008, the company acquired, by means of its parent Agrology a 100% participation in a company named Helmir S.A., located in Uruguay, which has a broad corporate purpose.

### **Capital increase**

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

### **Consolidation with IRSA**

During the fiscal year ended June 30, 2010, we acquired directly or indirectly 15,093,309 additional shares of IRSA. Our equity interest in IRSA was 57.49% as of June 30, 2010, this percentage includes 39,855,739 shares owned by our subsidiary Agrology. We started consolidated the accounts and results of operations of IRSA as from October 1, 2008. Our consolidated financial information for periods prior to October 1, 2008 does not include the accounts of IRSA on a consolidated basis. Therefore, the income statement, balance sheet and cash flow data as of June 30, 2009 and for the year then ended is not comparable to prior periods.

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### **Purchase of IRSA's shares**

As of June 30, 2010, we and our subsidiaries have invested approximately Ps. 815.9 million to acquire our current 57.49% equity interest of IRSA. IRSA is one of Argentina's largest real estate companies.

Subsequent to the close of the fiscal year and until the date of this annual report, the Company has not purchased any shares issued by IRSA.

### **Purchase of shares of BrasilAgro**

In September 2005, along with other Brazilian partners, we incorporated BrasilAgro, a company dedicated to exploring opportunities in the Brazilian agricultural sector. In April 2006, BrasilAgro increased its capital through a global and local common stock offering, and on June 30, 2009 were holders of 19.14% of outstanding common shares of BrasilAgro. At June 30, 2009, our investment in BrasilAgro represented approximately 3.8% of our total consolidated assets.

During the year 2009, we acquired in the São Paulo Stock Exchange 1,925,600 shares of BrasilAgro, for a weighted average price of US\$4.4955 per share and a total price of US\$12.5 million.

On October 20, 2010, and on December 23, 2010 we and Tarpon executed two addenda to the share purchase agreement dated as of April 28, 2010, under which we either directly and/or indirectly acquired 9,581,750 shares of common stock of BrasilAgro, representing 16.40% of the outstanding stock. Consequently, on October 20, 2010 we paid R\$25.2 million and on December 23, 2010 we paid R\$50.8 million. The price remainder equivalent to R\$52.6 million will be paid on April 27, 2011, which is guaranteed by a security interest over 3,3864,086 shares and 37,325 first issue warrants.

Consequently, we are either directly or indirectly the owners of 20,883,916 shares or 35.75% of BrasilAgro's outstanding capital stock. It should be noted that acquiring shares does not imply any change in control of BrasilAgro; and that BrasilAgro's Shareholders' Agreement will remain effective with the amendments that may be required to reflect the sale of the shares owned by Tarpon and its affiliates. Likewise, due to the transaction, we own 168,902 BrasilAgro's first issuance warrants and 168,902 BrasilAgro's second issuance warrants.

The Company holds 168,902 warrants of 1st warrant issuance and 168,902 warrants of 2nd warrant issuance.

Also during the last quarter of calendar year 2010, we executed an agreement by which we assigned all equity and political rights related to 2,276,534 shares of BrasilAgro to a non-related third party for two years. The agreement also provides a promise to sell, under which the assignee may at any time request the sale of BM&FBOVESPA's shares or the transfer of shares on its behalf. In consideration for granting such rights, the Company received US\$0.8 million and additionally, in the event the assignee requested the sale or transfer of share, will pay US\$7.15 per share sold or transferred.

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

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### **Convertible Notes of Alto Palermo**

At a noteholders' meeting held on May 2, 2006, the holders of Alto Palermo's Series I convertible notes unanimously approved an extension of the maturity date thereof to July 19, 2014, which had initially been scheduled to mature in July 2006.

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

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

### **Purchase of Alto Palermo Series I Notes by IRSA.**

During the fiscal year ended on June 30, 2009, IRSA acquired US\$ 39.6 million nominal value Series I fixed-rate Alto Palermo notes due June 2017 issued under this Program. The average weighted price was US\$ 0.4628, totaling US\$ 18.3 million. In October 12, 2010 IRSA reported that it has sold in the secondary market, its Class I Notes of Alto Palermo S.A. (APSA), due 2017, for a nominal value of US\$ 39.6 million. As a result of such sale, the Company received a total income of US\$ 38.1.

### **Purchase of Alto Palermo Series II Notes by IRSA.**

During the fiscal year ended on June 30, 2009, IRSA acquired US\$ 15.1 million nominal value Series II fixed-rate Alto Palermo Notes due June 2012 (Argentine Peso-Linked Note) under this Program. The average weighted price was US\$ 0.5513, totaling US\$ 8.2 million.

### **Purchase of Alto Palermo Series I Notes by Cresud.**

During the fiscal year ended on June 30, 2009, Cresud acquired US\$ 5.0 million nominal value Series I fixed-rate Alto Palermo Notes due June 2017 under this Program. The average weighted price was US\$ 0.3800, totaling US\$ 1.9 million.

### **Purchase of IRSA Notes by Cresud.**

During the fiscal year ended on June 30, 2009, Cresud acquired US\$ 28.2 million in principal amount of IRSA's Fixed Rate Notes due 2017. The average weighted price was US\$ 0.3830, totaling US\$ 10.8 million. For more information please see *Recent Developments* and *Significant Changes*.

### **Purchase of an interest in Alto Palermo by IRSA.**

On October 15 2010, IRSA reported that on such date, it finally executed the acquisition of Parque Arauco S.A.'s direct and indirect stake in Alto Palermo. The execution occurred after the settlement of US\$126.0 million, of which US\$6.0 million were paid by IRSA at the time the option was granted.



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According to the option granted on January 13, 2010, the dividends corresponding to the fiscal year closed on June 30, 2010 were deducted from the acquisition price.

In this way, IRSA's successful relationship developed with Parque Arauco S.A., a strategic partner of excellence has reached a satisfactory conclusion, envisioning a future where we might join forces again to face new challenges.

Finally, as from October 15, 2010, IRSA held a 94.89% stake in Alto Palermo, thus increasing its leadership position in the Shopping Center Business, while consolidating its growth strategy, for the benefit of its Shareholders.

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

### **Sale of Class I Notes of IRSA**

By December 3, 2010, we sold in the secondary market, treasury held Class I Notes issued by IRSA, for a nominal value of US\$ 33,152,000 to an average price of 100.09%. As a result of such sale, we received a total income, in principal and accrued interest, of US\$ 34,097,674.

It is important to clarify that as the Notes were issued pursuant to the Regulation S of the U.S. Securities Act, the transaction was made in accordance with the requirements specified in the above regulation.

### **Security Loans**

IGSA assigned Agrology the securities loan agreement with IFISA executed on March 12, 2008, which granted 790,631 unencumbered Global Depository Shares (GDRs) represented by Global Depository Receipts representative of 10 book-entry shares of common stock, with a face value of Ps.1.0 per share, of IRSA.

This loan does not imply the transfer of any voting or economic rights related to the GDRs which will be held by Agrology. With regards to the voting rights, the parties agreed that we will grant a power of attorney to IFISA with the respective voting instructions. With regards to dividends, IFISA will transfer the funds to Agrology.

This loan will accrue interest at a monthly rate equivalent to 3-month LIBOR, plus 150 basis points. It will be effective for 30 days and may be renewed for up to a maximum of 360 days.

On August 6, 2008, Agrology executed another securities loan agreement with IFISA which granted 1,275,022 Global Depository Shares, represented by GDRs representative of 10 shares of common book-entry shares with a face value of Ps.1.0 per share of IRSA. This agreement was executed under the same conditions as the agreement dated March 12, 2008 mentioned above.

### **IRSA increased its investment in Banco Hipotecario**

In 1999, IRSA acquired 2.9% of Banco Hipotecario for Ps.30.2 million in connection with its privatization. Over the years, it has gradually increased its ownership interest in Banco Hipotecario. In fiscal year 2002, it increased our ownership interest to 5.7%. During 2003 and 2004, it increased its investment in Banco Hipotecario to 11.8% by acquiring

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additional shares, and by acquiring and exercising warrants, for an aggregate purchase price of Ps.33.4 million. In May 2004, it sold Class D shares representing 1.9% of Banco Hipotecario to IFISA, one of its controlling shareholders, for Ps.6.0 million. In 2009, IRSA acquired additional shares of Banco Hipotecario for an aggregate purchase price of US\$107.6 million, bringing its ownership interest to 21.34%. In fiscal year 2010, IRSA acquired additional shares of Banco Hipotecario for an aggregate purchase price of Ps.118.7 million, bringing its ownership interest in Banco Hipotecario to 28.03%.

### **Proposed sale of Tarshop to Banco Hipotecario**

On December 29, 2009, IRSA's subsidiary Alto Palermo entered into a stock purchase agreement with its affiliate Banco Hipotecario pursuant to which Alto Palermo agreed to sell voting shares representing 80% of Tarshop's capital stock to Banco Hipotecario for US\$26.8 million. Banco Hipotecario paid an initial installment of US\$5.4 million on December 29, 2009, and the balance of US\$21.4 million, adjusted in accordance with the terms of the agreement, is to be paid five business days after the date on which the Central Bank of Argentina notifies the parties of its approval of the transaction.

In accordance with the regulations of the *Comisión Nacional de Valores* and other applicable law, Alto Palermo's audit committee was required to render an opinion as to whether the terms and conditions of this transaction could reasonably be considered to be arm's length. Based on an independent valuation of the market value of Tarshop total share capital by PKF Villagarcia y Asociados, S.R.L., an independent financial advisory firm and a member of PKF International Limited, Alto Palermo's audit committee concluded that the value agreed between Alto Palermo and Banco Hipotecario is consistent with a value that could be agreed upon in the market between independent parties. On August 30, 2010, the Argentine Central Bank gave notice to Banco Hipotecario of the transaction's approval. As of the date of this annual report, closing of the transaction had been made, following the satisfaction of the obligations undertaken.

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

### **Dolphin Fund**

Since 1996, IRSA has invested in Dolphin Fund Plc, an open-ended investment fund which is related to our director Eduardo Elsztain. These investments are carried at market value as of year-end. Unrealized gains and losses relating to investment funds are included in financial results, net, in the consolidated statements of income. The amounts relating to its net (loss) gain on holding Dolphin Fund Plc. for fiscal years 2010, 2009 and 2008, respectively, were a Ps.3.2 million gain, a Ps.12.1 million loss and a Ps.38.6 million loss, respectively.

### **Loan agreements with members of the Senior Management of Banco Hipotecario**

As of June 30, 2010, several members of the senior management of Banco Hipotecario had loans from Banco Hipotecario for a total amount of approximately Ps.1.3 million with an average interest rate of 13%. IRSA believes that each of these loans was made by Banco Hipotecario in the ordinary course of its consumer credit business, is of a type generally made available by Banco Hipotecario to the public and was made on market terms.

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**C. INTERESTS OF EXPERTS AND COUNSEL**

This section is not applicable.

**Item 8. Financial information**

**A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

See Item 18 for our consolidated financial statements.

**Legal or arbitration proceedings**

We are not engaged in any material litigation or arbitration and no material litigation or claim is known to us to be pending or threatened against us, other than those described below.

***Cactus Argentina S.A.***

The Judge of the Petty Offenses Court of the City of Villa Mercedes issued decision No. 2980/08 related to the situation of Cactus in that city whereby it ordered the company to discontinue its activities and move its premises located in provincial highway 2B within a term of 36 months.

The Company should have not more than 18,500 head of cattle within such 36-month term.

An appeal against the said decision was filed before the Municipality but such appeal was dismissed on April 7, 2009 by Decree No. 0662/09, thus confirming the decision of the Petty Offenses Court. According to the procedures followed by the administrative courts of the City of Villa Mercedes, Cactus should discontinue its activities and move its premises by April 7, 2012.

Cactus has filed an appeal before the Supreme Court of Justice of the Province of San Luis challenging the legality of the decisions rendered by the Petty Offenses Court of the City of Villa Mercedes. Such appeal is currently pending and no decision has been rendered by such court so far.

***Inversiones Ganaderas***

Exagrind S.A. has filed a lawsuit against our subsidiary IGSA to recover damages and losses produced by a fire in Estancia San Rafael which is close to Tali Sumaj, Province of Catamarca. The fire took place on September 6, 2000. The estimated amount of the legal action is Ps.2.9 million at the date the claim was filed.

IGSA argued that Exagrind's claim was incorrectly processed and requested that the first instance judge order a new notice of processed, which request was granted by the judge. Exagrind successfully appealed such decision. IGSA filed subsequent appeals requesting to be given the remainder of the legal term to answer the lawsuit, since at the time of Exagrind's appeal the legal term, had not yet expired; such appeals were rejected by both first and second instance courts, ending with an appeal to the Supreme Court of the Province of Catamarca. To date, a decision from the appellate court is still pending.

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Additionally, in March 2007, under the request of Exagrind S.A., the court in charge of the case ordered a general inhibition of IGSA's assets. In June 2007, that measure was revoked and replaced by an attachment on the real estate.

Regarding the provisions set forth by the Court in its final decision No. 01/08 suspending the terms to answer demand, on April 1, 2008, IGSA contests the application which was provided on April 16, 2008, except to the presentation of lack of standing there is transfer to the plaintiff and for providing from 6 May 2008, is moving to answer your chance. To date the cause of this leaflet is to request the opening of the case to trial.

### ***Exportaciones Agroindustriales Argentinas***

On January 11, 2007 our affiliate Cactus and we (solely nominee Argentine legal purposes) acquired 100% of the capital stock of EAASA. On September 13, 2007, EAASA received an information request from the Argentine Central Bank relating to its obligation to repatriate foreign currency proceeds for an aggregate amount of US\$0.9 million from certain exports of agricultural products prior to our acquisition. Information requests often are a first step by the Argentine Central Bank in its initiation of administrative proceedings relating to possible breaches of foreign exchange regulations.

On October 8, 2007, EAASA requested an extension of the time to answer the Argentine Central Bank's information request in order to analyze the relevant accounts and operations. The Central Bank granted EAASA an extension of 30 business days from October 30, 2007 to answer the information request. EAASA answered the Argentine Central Bank's information request on time. Breach of exporters' obligations to repatriate export proceeds is subject to fines of up to ten times the amount involved and other penalties imposed pursuant to Argentine Criminal laws. We cannot assure you that the Argentine Central Bank will not initiate an administrative proceeding against EAASA, and that as a result of any such proceeding Argentine Central Bank will not impose fines and penalties that adversely affect the financial condition and results of operations of EAASA.

### ***Agropecuaria Anta S.A.***

On September 17, 2007, certain individuals filed an action to enforce constitutional rights known as amparo against the Ministry of Production and Employment of the Province of Salta and Agropecuaria Anta S.A. before the Second Chamber of the Indictment Court (*Cámara de Acusación Sala II*) of the Province of Salta. The plaintiffs seek an exceptional remedy to protect their constitutional rights, in the form of a declaration that Resolution No. 403 enacted by the Ministry is null and void. Resolution No. 403, dated September 23, 2004, authorized Agropecuaria Anta to convert certain forested plots of land into non-forest land for agricultural purposes. The plaintiffs argued that such Resolution was enacted through an irregular administrative proceeding and is therefore unconstitutional.

On November 15, 2007, Agropecuaria Anta S.A., as co-defendant, filed a response to the complaint, arguing against the remedy sought, primarily on the grounds that the plaintiffs failed to fulfill the procedural and legal prerequisites to filing the action. Agropecuaria Anta S.A. further argued that the summary proceeding, as an exceptional remedy, is only available to protect individuals' constitutional rights or to prevent an imminent threat to such rights and does not apply in this case, since Resolution No. 403 was enacted three years prior.

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On September 23, 2008, Agropecuaria Anta S.A. filed a pleading informing the court of the issuance of Decree No. 398/08, which approved the agreement between Agropecuaria Anta and the *Unidad de Renegociación y Análisis de Contratos de Servicios Públicos* (UNIREN), including (i) the approval of the investments made by Agropecuaria Anta; (ii) the recognition of the validity and effectiveness of the permits for our operations; (iii) the designation of the *Secretaría de Asuntos Agrarios* to coordinate with Agropecuaria Anta and find a solution to the claims of the landless cattle raisers (*pastajeros*). Also, Agropecuaria Anta requested in the pleading that the resolution of the court conform to the prosecutor's decision stating that the injunction was not an appropriate remedy. As of the date of this Annual Report, the Court's decision is still pending.

**IRSA's and Alto Palermo's legal or arbitration proceedings**

Set forth below is a description of certain material legal proceedings to which IRSA is a party. IRSA is not engaged in any other material litigation or arbitration and no other material litigation or claim is known to IRSA to be pending or threatened against it or its subsidiaries. Nevertheless, IRSA may be involved in other litigation from time to time in the ordinary course of business.

***Puerto Retiro***

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

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

The deadline for producing evidence in relation to these legal proceedings has expired. The parties have submitted their closing arguments and are awaiting a final judgment. However, the judge has delayed his decision until a final judgment in the criminal proceedings against the former Defense Minister and former directors of Indarsa has been delivered. IRSA cannot give you any assurance that IRSA will prevail in this proceeding, and if the plaintiff's claim is upheld by the courts, all of the assets of Puerto Retiro would likely

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be used to pay Indarsa's debts and IRSA's investment in Puerto Retiro, valued at Ps.54.38 million, as of June 30, 2009, would be lost. As of June 30, 2009, IRSA had not established any reserve with respect of this contingency.

***Llao Llao Holding***

Llao Llao Holding S.A. purchased Hotel Llao Llao in November 1997, from the Argentine National Parks Administration. Llao Llao Holding S.A., the predecessor of Llao Llao Resorts S.A., was sued in 1997 by the National Parks Administration to collect the unpaid balance of the purchase price in Argentine sovereign debt securities amounting to US\$2.9 million. The trial court ruled in favor of the plaintiff. The ruling was appealed, and the court of appeals confirmed the judgment ordering the payment of US\$2.9 million in Argentine sovereign debt securities available at the date of the ruling, plus compensatory and punitive interest and attorneys' fees. On March, 2004, Llao Llao Resorts S.A. paid an amount of Ps.9.2 million.

On June 30, 2004, the plaintiff filed a brief rejecting Llao Llao Resorts S. A. payment on the grounds that it was a partial payment and requesting the court to determine the term for the deposit of funds amounting to final payment of the total debt. The trial court specified the outstanding amount of plaintiff's ruling against Llao Llao Resorts S.A., as well as the unpaid fee of the plaintiff's attorneys. The plaintiff appealed this decision. The court of appeals ruled in favor of the plaintiff maintaining the unpaid amounts were payable in U.S. Dollars. Llao Llao Resorts S.A. filed an appeal, which was rejected. Llao Llao Resorts S.A. subsequently filed with the National Supreme Court an additional appeal in response to the refusal to allow the appeal.

The plaintiff requested the court of original jurisdiction to initiate an incidental proceeding for the execution of the judgment. Llao Llao Resorts S.A. contested this settlement and requested to the plaintiff to provide additional information in order to evaluate the amount of the settlement. Also Llao Llao Resorts S.A. requested that the execution be suspended until there is a final judgement in the appeal filed with the Supreme Court.

Llao Llao Resorts S.A.'s request was denied and on July 14, 2008, the court of appeals announced by means of a decree dated June 18, 2008, that it had confirmed the settlement approved by the court of original jurisdiction. On March 17, 2009, the National Supreme Court admitted the appeal against the decree and decided to suspend the enforcement of the judgment. On March 9, 2010, by means of an order dated February 28, 2010, the National Supreme Court announced the rejection of the extraordinary appeal.

In accordance with the information provided by the attorneys in respect of this lawsuit, the amount to be recorded by virtue of the Court sentence amounts to Ps.10.2 million as of June 30, 2010, which as of the date of this annual report such payment was fulfilled.

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

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

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

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

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

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

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

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

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

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

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

The first work stage should be completed at a maximum of 22 month from beginning construction. In the case of failing to comply with the conditions established in the agreement, the City Hall of Neuquén is entitled to terminate the agreement and may request the return of Shopping Neuquén s acquired to the City Hall of Neuquén, among other actions.

On November 8, 2010, Shopping Neuquén was served notice of a resolution issued by the High Court of Neuquén, by which certain pending fees to be borne by Shopping Neuquén were established. Such decision is not final and Shopping Neuquén is currently evaluating the procedural alternatives available.

### ***Other Litigation***

As of July 5, 2006, the *Administración Federal de Ingresos Públicos* or AFIP filed a preliminary injunction with the Federal Court for Administrative Proceedings against Alto Palermo for an aggregate amount of Ps.3,689,485.5, plus an added amount, provisionally estimated, of Ps.900,000 for legal fees and interest. The main dispute is about the income tax due for admission rights. In the first instance, AFIP pleaded for a general restraining order. On November 29, 2006, the Federal Court issued an order substituting such restraining order for an attachment on the parcel of land located in Caballito neighborhood, City of Buenos Aires, where Alto Palermo is planning to develop a shopping center.

After IRSA sold the Edificio Costeros, dique II, IRSA asked on November 20, 2009 if it was necessary to notify this operation.

After IRSA sold Reconquista 823/41 on April 27, 2009, IRSA asked the Antitrust Authority if it was necessary to notify this operation. On August 14, 2009, the Antitrust Authority informed us that it was not necessary to report this sale. The Antitrust Authority advised that IRSA was in fact required to notify it, and IRSA challenged this opinion in the local courts.

After IRSA's acquisition of Bouchard 557, IRSA asked the Argentine Antitrust Authority whether it was necessary to notify it of such acquisition. The Antitrust Authority advised us that IRSA were in fact required to notify it, and the competent court ratified such decision. Consequently, on April 22, 2008, the notice of the operation was filed with the Antitrust Authority. On June 10, 2009, the Antitrust Authority authorized the acquisition of Bouchard 557.

After IRSA sold the 29.85% interest in Bouchard 557, to Techint Compañía Técnica Internacional Sociedad Anónima Comercial e Industrial, IRSA asked the Antitrust Authority if it was necessary to notify this operation. On July 4, 2008, the Antitrust Authority informed us that it was not necessary to report this sale.



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IRSA filed a new request for the Antitrust Authority's opinion regarding IRSA's acquisition of Bank Boston Tower on August 30, 2007. The Antitrust Authority advised us that IRSA was in fact required to so notifying it and the competent court ratified such decision. On November 15, 2011, the transaction was filed with the Antitrust Authority.

On May 6, 2008, IRSA filed with the Antitrust Authority a request for its opinion as to the need to notify the Antitrust Authority the acquisition of Edificio República. The Antitrust Authority advised us that IRSA was in fact required to so notify it and the competent court ratified such decision. On November 3, 2010 the Antitrust Authority authorized the acquisition of *Edificio Republica*. On January 15, 2007 IRSA was notified of two claims filed against us before the Antitrust Authority, one by a private individual and the other one by the licensee of the shopping center, both opposing the acquisition from the province of Córdoba of a property known as Ex-Escuela Gobernador Vicente de Olmos. On February 1, 2007 IRSA responded the claims. On June 26, 2007, the Antitrust Authority notified us that it has initiated a summary proceeding to determine whether the completion of the transaction breaches the Antitrust Law. As of the date of this filing the result of this proceeding has not been determined.

On January 22, 2008, Alto Palermo requested the Antitrust Authority's clearance for the transfer of the Soleil Factory shopping center. As of the date of this filing, the Antitrust Authority has not reached a decision.

IRSA is involved in other litigation which derives from the ordinary course of IRSA's business. IRSA accrue liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, IRSA estimates of the outcomes of these matters and the lawyers' experience in contesting, litigating and settling similar matters. As the scope of the liabilities becomes better defined, there will be changes in the estimates of future costs, which could have a material effect on IRSA's future results of operations and financial condition or liquidity.

On December 3, 2009, Alto Palermo filed a request for the Antitrust Authority's opinion regarding Alto Palermo's acquisition of shares of Arcos del Gourmet S.A. The Antitrust Authority advised the parties that the transaction has to be notified. On December 16, 2011 the transaction was filed with the Antitrust Authority.

On September 21, 2010, after Alto Palermo sold 80% of its shares of Tarshop, Alto Palermo requested the Antitrust Authority's clearance for such transfer.

For more information see Item 4 Regulation and Government Supervision of our Real Estate Business and Item 3 Risk Factors- Risk related to IRSA's Business- IRSA's business is subject to extensive regulation and additional regulations may be imposed in the future.

## **Dividends and dividend policy**

Pursuant to Argentine law, the distribution and payment of dividends to shareholders is valid only if they result from realized and net earnings of the company pursuant to annual financial statements approved by the 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.

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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; and

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

On May 2, 2006, we entered into a US\$ 8 million loan agreement with Credit Suisse which imposed restrictions on our ability to pay dividends. Under this loan agreement, which matured on November 2, 2008, we were not permitted to pay dividends or make other restricted payments (including purchases or redemptions of our capital stock), in cash, obligations or other property, in an aggregate amount exceeding US\$ 5 million in any calendar year.

After the closing of the fiscal year ended June 30, 2008, on October 24, 2008, we repaid our total debt to Credit Suisse International ( CSI ). Cresud repaid the principal amount of US\$ 8.0 million and, simultaneously, Cresud received from CSI 1,834,860 GDRs of IRSA which were held as collateral for the transaction.

The following table sets forth the dividend payout ratio and the amount of dividends paid on each fully paid common share for the mentioned years. Amounts in Pesos are presented in historical, non-inflation adjusted Pesos as of the respective payment dates.

| <b>Year</b> | <b>Total<br/>Dividend<br/>(millions<br/>of Pesos)</b> | <b>Dividend<br/>per<br/>Common<br/>Share<sup>(1)</sup><br/>(Pesos)</b> |
|-------------|---|--|
| 1996        |   |  |
| 1997        |   |  |
| 1998        | 3.8   | 0.099  |
| 1999        | 11.0  | 0.092  |
| 2000        | 1.3   | 0.011  |
| 2001        | 8.0   | 0.030  |
| 2002        |   |  |
| 2003        | 1.5   | 0.012  |
| 2004        | 3.0   | 0.020  |
| 2005        | 10.0  | 0.059  |
| 2006        | 5.5   | 0.024  |
| 2007        | 8.3   | 0.026  |
| 2008        | 20.0  | 0.040  |
| 2009        | 60.0  | 0.121  |
| 2010        | 69.0  | 0.139  |

(1) Corresponds to per share payments. To calculate the dividend paid per ADS, the payment per share should be multiplied by ten. Amounts in Pesos are presented in historical Pesos as of the respective payment date.

Future dividends with respect to our common shares, if any, will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that our shareholders at a general shareholders' meeting may deem relevant. As a result, we cannot give you any assurance that we will pay any dividends at any time in the future.



**Table of Contents****B. SIGNIFICANT CHANGES**

**Capital increase in Cactus.** On December 23, 2010, to provide Cactus with funds in order to meet its working capital needs, we took part in a capital increase for US\$4.0 million. Therefore, we increased our interest in Cactus from 48% to 80%, the remaining 20% is held by our partner Tyson. As part of this transaction, we and Tyson decided to make certain amendments to the shareholders agreement and, in this context, Cresud granted to Tyson a put option in connection with its 20% interest in Cactus.

**Sale of IRSA's Notes.** On December 3, 2010, we sold treasury held Class I Notes issued by IRSA in the secondary market, for a nominal value of US\$ 33,152,000 at an average price of 100.09%. As a result of such sale, we received a total income of US\$ 34,097,674, in principal and accrued interest.

**Payment of dividend.** Our Ordinary and Extraordinary General Shareholders Meeting held on December 9, 2010 approved the distribution of a cash dividend for Ps.69.0 million.

**Exercise of Warrants.** Between November 17 and November 22, 2010, certain holders of warrants exercised their right to purchase additional shares within the framework of the capital increase implemented in March, 2008. Accordingly, we issued an aggregate amount of 421 ordinary shares while 1,200 warrants were cancelled. Therefore, as from the date the abovementioned warrants were exercised, our number of shares increased from 501,560,508 to 501,560,929 and at present there are 177,644,714 outstanding warrants.

**Acquisition of BrasilAgro's common shares.** On October 20, 2010 and on December 23, 2010, we and Tarpon Agro LLC and Tarpon Investimentos S.A. ( Tarpon ) executed two addenda to the share purchase agreement dated as of April 28, 2010, under which we either directly and/or indirectly acquired 9,581,750 shares of common stock of BrasilAgro, representing 16.40% of the outstanding stock. Consequently, on October 20, 2010 we paid R\$25.2 million and, on December 23, 2010 we paid R\$50.8 million. The price remainder equivalent to R\$ 52.2 million should be paid on April 27, 2011, which is guaranteed by a security interest over 3,864,086 shares and 37,325 first issue warrants.

Consequently, we are either directly or indirectly the owners of 20,883,916 shares or 35.75% of BrasilAgro's outstanding capital stock. It should be noted that acquiring shares does not imply any change in control of BrasilAgro; and that BrasilAgro's Shareholders Agreement will remain effective with the amendments that may be required to reflect the sale of the shares owned by Tarpon and its affiliates. Likewise, due to the transaction, we own 168,902 BrasilAgro's first issuance warrants and 168,902 BrasilAgro's second issuance warrants.

**Sale of La Juanita Farm.** On September 3, 2010, we sold La Juanita farm located in Trenque Lauquen, Province of Buenos Aires. The purchase price was US\$18.0 million, of which US\$ 4.5 million was collected on August 6, 2010, upon executing the agreement of purchase; US\$ 12.5 million was collected upon executing the title deed and the outstanding balance of US\$ 1.0 million, secured by a first degree mortgage, will be paid on January 10,

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2011. The transaction also included a loan for use agreement in our favor through January 10, 2011, on certain portions of the building, seeking to continue until such date with the productive activities carried out at the establishment.

**Issuance of Series III and IV non-convertible notes.** On July 16, 2010, we issued the Series III non-convertible notes ( Series III ) for an aggregate amount of Ps.35,6 million, maturing 21 months from its issuance date, at a Badlar Privada rate plus 400 basis points. On the same date we issued Series IV non-convertible notes ( Series IV ) for an aggregate amount of US\$17.8 million equivalent to Ps.70.2 million, with a maturity date 24 months from its issuance date, at an annual fixed rate of 7.75%.

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

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

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

On December 17, 2010, IRSA informed that it is currently negotiating the sale of the 8% interest in Rigby 183 held by RES.

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

**Payment of Cash Dividend.** On November 19, 2010, IRSA paid to its shareholders a cash dividend for the fiscal year ended June 30, 2010 of the sum of Ps.120.0 million equivalent to 20,796976237% of its outstanding capital.

**Sale of Alto Palermo's Notes.** On October 12, 2010, IRSA reported that sold in the secondary market, treasury held Class I Notes of Alto Palermo, due 2017, for a nominal value of US\$ 39,6 million. As a result of such sale, IRSA received a total income of US\$ 38,07 million.

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

***Exercise of purchase option for acquiring Parque Arauco S.A.'s direct and indirect interest in Alto Palermo.*** On October 15 2010, IRSA executed the option to acquire of Parque Arauco S.A.'s direct and indirect stake in Alto Palermo. The purchase price was US\$ 126 million, of which US\$ 6 million were paid by IRSA at the time the option was granted. According to the terms of the option granted on January 13, 2010, the dividends corresponding to the fiscal year closed on June 30, 2010 were deducted from the purchase price. As a consequence of this transaction IRSA increased its interest in Alto Palermo from 63.35% to 94.9% of Alto Palermo's capital stock.

***Investment in Hersha Hospitality Trust.*** On October 22, 2010, IRSA through Real Estate Investment Group L.P. ( REIG ), a company indirectly controlled and managed by IRSA, acquired 2,952,625 ordinary shares of Hersha at a price of US\$ 5.80 per share, totaling US\$ 17.1 million. Following this acquisition IRSA's interest in Hersha increased to 10.72% of Hersha's outstanding capital.

***Issue of Notes.*** On July 20, 2010, IRSA issued US\$ 150.0 million of its 11.5% non-convertibles notes due 2020 under its global note program for the issuance of notes in one or more series up to an aggregate principal amount of US\$ 400.0 million. The issue price was 97.8% of the nominal value of the notes.

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

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

***Acquisition of TGLT Shares:*** On November 4, 2010, Alto Palermo acquired the amount of 5,214,662 registered non-endorsable common shares, of TGLT S.A. ( TGLT ) for a total consideration of Ps.47.1 million.

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***Sale of Beruti Plot to TGLT:*** On October 13, 2010, Alto Palermo entered into a sale and purchase agreement with TGLT in order to transfer the property we own, located at 3351/3359 Beruti street between Bulnes street and Coronel Diaz avenue in the City of Buenos Aires. In the aforementioned property TGLT intends to build an apartment building with both residential and commercial parking spaces. The agreed price for this transaction was US\$17.8 million. As consideration for the transfer of the Property TGLT has agreed to transfer Alto Palermo: (i) a number of residential units to be determined, representing 17.33% of the total square meters of the residential units to be constructed in the building; (ii) a number of residential parking spaces to be determined representing 15.82% of the total square meters of residential parking spaces to be constructed in the building; (iii) all of the commercial parking spaces to be constructed in the building; and (iv) the amount of US\$ 10.7 million to be paid simultaneously with the signing of the deed of the property in favor of TGLT.

On October 29, 2010, TGLT completed the initial public offering of its shares on the *Bolsa de Comercio de Buenos Aires*, thus complying with the condition to which the operation was subject.

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

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

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

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

***Sale of notes of Alto Palermo.*** On October 12, 2010, IRSA reported that it has sold in the secondary market, its Class I Notes of Alto Palermo, due 2017, for a nominal value of US\$ 39.6 million. As a result of such sale, the Company received a total income of US\$ 38.1 million.

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

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

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

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

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

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

On December 13, 2006, Shopping Neuquén entered into an agreement with the Municipality of Neuquén and with the Province of Neuquén by which, the terms to carry out the commercial and residential venture were rescheduled and authorized Shopping Neuquén to transfer to third parties the title to the plots of land into which the property is divided,



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provided that it is not the plot of land on which the shopping center will be built. Such Agreement was subject to two conditions; both already complied with, (i) the ratification of the agreement by means of an ordinance of the legislative body of the Municipality of Neuquén, and (ii) the approval by the Municipality of Neuquén of the new project and the extension of the environmental impact study.

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

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

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

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

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

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

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

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

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

As consideration for the barter of parcel 2-H (totaling a surface area of 14,500 sqm for sale), Condominios de Alto S.A. will transfer 42 apartments, with a total constructed surface of 3,188 sqm (which represent 22% of the total building to be constructed in this parcel) and 47 parking spaces (which represent 22% of the total parking surface to be constructed in this property). The degree of completion of parcel 2-H is 45% and the works are expected to conclude during the first half of 2011. During fiscal year 2010 Alto Palermo sold the lots designated as 2-A AND 2-E.

**Item 9. The offer and listing.**

**A. OFFER AND LISTING DETAILS**

The following summary provides information concerning our share capital and briefly describes all material provisions of our by-laws and the Argentine Corporation Law 19,550.

**Stock Exchanges in which our securities are listed**

Our common shares are listed on the Buenos Aires Stock Exchange under the trading symbol CRES and NASDAQ under the trading symbol CRESY. As of June 30, 2010 our authorized capital stock consisted of 501,560,508 common shares, Ps.1.00 par value per share.

As of June 30, 2009, we had 560,777,097 common shares authorized and our outstanding capital stock consisted of 471,536,916 common shares. As of that date (1) we had no other shares of any class or series issued and outstanding and (2) there are no outstanding convertible notes to acquire our shares. Our common shares have one vote per share. All outstanding shares of the common shares are validly issued, fully paid and non assessable. As of June 30, 2009, there were approximately 1,900 holders of our common shares.

The amount of shares issued has increased due to the exercise of our outstanding warrants and the conversion of our outstanding convertible notes. During fiscal years 2005, 2006 and 2007; 12,001,760; 57,819,970; 88,971,671 new shares were issued. The term for the exercise of our outstanding warrants and the conversion of our outstanding convertible notes issued on November 21, 2002 expired on November 14, 2007. Throughout the conversion and exercise periods, holders of our warrants and convertible notes exercised an aggregate of 49,867,018 warrants and converted an aggregate of 49,910,874 convertible notes, respectively, increasing our capital stock to 320,774,772 issued and outstanding shares. There are no outstanding warrants or convertible notes to acquire our shares, related to this transaction.

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In March 2008 we concluded our capital increase of 180 million common shares. Thus, 180 million shares offered at the subscription price of US\$ 1.60 or Ps.5.0528 per share were fully subscribed, both locally and internationally, increasing our outstanding capital to 500,774,772 common shares.

In addition, each shareholder received, without additional cost, one warrant for each share subscribed, entitling the holder thereof to acquire 0.33333333 new shares at US\$ 1.68 each, i.e. 180 million warrants were granted entitling the holders thereof to purchase an aggregate of 60 million additional shares at the above mentioned price. The warrants expire on May 22, 2015 and are listed on the Buenos Aires Stock Exchange with the symbol `CREW2`, and they are also listed on NASDAQ with the symbol `CRESW`. Funds obtained from increasing capital, net of issuance expenses, amount to Ps.881.1 million, while the tax effect of issuance expenses amounted to Ps.9.9 million. Funds obtained were assigned to shares and options issued based on the current value estimated upon subscription.

On December 29, 2009, Cresud reported that due to the pro rata allotment of its shares among its shareholders, made on November 23, 2009, the terms and conditions of the outstanding warrants for common shares of Cresud, have been modified as follows:

Amount of shares to be issued per warrant:

Ratio previous to the allotment: 0.33333333;

Ratio after the allotment (current): 0.35100598.

Warrant exercise price per new share to be issued:

Price previous to the allotment: US\$ 1.6800;

Current price after the allotment: US\$1.5954.

The other terms and conditions of the warrants remain the same.

As of June 30, 2010, 2,354,086 warrants had been exercised, which resulted in, 785,763 shares of common stock being issued. As of June 30, 2010, there were 177,645,914 warrants outstanding.

**Price history of our stock on the Buenos Aires Stock Exchange and NASDAQ**

Our common shares are traded in Argentina on the Buenos Aires Stock Exchange, under the trading symbol `CRES`. Since March 1997, our ADSs, each presenting 10 common shares, have been listed on the NASDAQ under the trading symbol `CRESY`. The Bank of New York is the depository with respect to the ADSs.

The table below shows the high and low daily closing prices of our common shares in Pesos and the quarterly trading volume of our common shares on the Buenos Aires Stock Exchange for the first quarter of 2003 through December 2010. The table also shows the high and low daily closing prices of our ADSs in U.S. dollars and the quarterly trading volume of our ADSs on the NASDAQ for the first quarter of 2005 through December 2010. Each ADS represents ten common shares.

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|   | Buenos Aires Stock Exchange |                       |      | NASDAQ     |              |       |
|---|-----------------------------|-----------------------|------|------------|--------------|-------|
|   | Share Volume                | Price Per Share (Ps.) |      | ADS Volume | US\$ per ADS |       |
| High                                      |                             | Low                   | High |            | Low          |       |
| <b>Fiscal Year 2005</b>                   |                             |                       |      |            |              |       |
| 1st Quarter                               | 1,827,036                   | 3.62                  | 2.94 | 2,433,951  | 12.22        | 9.81  |
| 2nd Quarter                               | 1,452,712                   | 4.37                  | 3.41 | 4,400,896  | 14.99        | 11.23 |
| 3rd Quarter                               | 1,355,908                   | 4.91                  | 3.79 | 10,671,890 | 16.87        | 12.93 |
| 4th Quarter                               | 4,597,793                   | 4.03                  | 2.88 | 7,392,284  | 13.74        | 9.78  |
| Annual                                    | 9,233,449                   | 4.91                  | 2.88 | 24,899,021 | 16.87        | 9.78  |
| <b>Fiscal Year 2006</b>                   |                             |                       |      |            |              |       |
| 1st Quarter                               | 3,968,113                   | 4.03                  | 3.19 | 5,448,497  | 13.97        | 11.10 |
| 2nd Quarter                               | 4,915,037                   | 3.93                  | 3.10 | 5,316,532  | 13.71        | 10.12 |
| 3rd Quarter                               | 4,582,691                   | 4.38                  | 3.22 | 8,431,362  | 14.44        | 10.42 |
| 4th Quarter                               | 4,003,720                   | 5.73                  | 3.73 | 17,830,919 | 19.45        | 12.10 |
| Annual                                    | 17,469,361                  | 5.73                  | 3.10 | 37,027,310 | 19.45        | 10.12 |
| <b>Fiscal Year 2007</b>                   |                             |                       |      |            |              |       |
| 1st Quarter                               | 1,812,774                   | 4.68                  | 3.90 | 5,288,618  | 15.43        | 12.42 |
| 2nd Quarter                               | 1,793,537                   | 5.30                  | 4.35 | 9,816,001  | 17.53        | 14.23 |
| 3rd Quarter                               | 3,439,865                   | 6.73                  | 5.06 | 9,712,198  | 22.08        | 16.58 |
| 4th Quarter                               | 13,792,055                  | 7.37                  | 6.12 | 7,522,056  | 24.28        | 19.81 |
| Annual                                    | 20,838,231                  | 7.37                  | 3.90 | 32,338,873 | 24.28        | 12.42 |
| <b>Fiscal Year 2008</b>                   |                             |                       |      |            |              |       |
| 1st Quarter                               | 3,129,519                   | 6.87                  | 5.43 | 8,713,926  | 21.71        | 16.25 |
| 2nd Quarter                               | 4,255,009                   | 7.45                  | 5.43 | 8,618,274  | 23.76        | 17.14 |
| 3rd Quarter                               | 11,565,947                  | 5.84                  | 4.53 | 12,236,895 | 18.84        | 13.99 |
| 4th Quarter                               | 8,008,908                   | 5.43                  | 4.71 | 11,790,596 | 16.98        | 14.48 |
| Annual                                    | 26,959,383                  | 7.45                  | 4.53 | 41,359,691 | 23.76        | 13.99 |
| <b>Fiscal Year 2009</b>                   |                             |                       |      |            |              |       |
| 1st Quarter                               | 3,832,884                   | 4.66                  | 3.25 | 9,269,938  | 14.8         | 10.50 |
| 2nd Quarter                               | 4,532,498                   | 3.41                  | 1.73 | 16,198,697 | 10.69        | 4.67  |
| 3rd Quarter                               | 1,378,325                   | 3.25                  | 2.40 | 8,122,339  | 9.11         | 6.38  |
| 4th Quarter                               | 3,117,046                   | 4.30                  | 2.68 | 8,690,362  | 11.03        | 7.16  |
| Annual                                    | 12,890,753                  | 4.66                  | 1.73 | 42,281,336 | 14.80        | 4.67  |
| <b>Fiscal Year 2010</b>                   |                             |                       |      |            |              |       |
| 1st Quarter                               | 2,369,556                   | 5.12                  | 3.41 | 6,259,694  | 13.49        | 8.82  |
| 2nd Quarter                               | 1,481,509                   | 5.54                  | 4.65 | 5,371,047  | 14.80        | 12.02 |
| 3rd Quarter                               | 3,059,016                   | 6.00                  | 4.42 | 6,839,050  | 15.89        | 11.17 |
| 4th Quarter                               | 1,621,468                   | 5.64                  | 4.44 | 3,741,122  | 14.50        | 11.28 |
| Annual                                    | 8,531,549                   | 6.00                  | 3.41 | 22,210,913 | 15.89        | 8.82  |
| June 2010                                 | 430,605                     | 5.11                  | 4.70 | 1,337,565  | 12.83        | 11.55 |
| July 2010                                 | 715,302                     | 5.25                  | 4.85 | 1,097,238  | 13.41        | 12.19 |
| August 2010                               | 984,221                     | 5.64                  | 5.23 | 1,419,989  | 14.20        | 13.21 |
| September 2010                            | 1,151,623                   | 6.55                  | 5.65 | 2,214,680  | 16.58        | 14.16 |
| October 2010                              | 1,149,092                   | 7.70                  | 6.56 | 3,350,705  | 19.74        | 16.47 |
| November 2010                             | 584,417                     | 5.85                  | 4.91 | 2,148,159  | 14.45        | 13.04 |
| December 2010 (through December 15, 2010) | 411,901                     | 7.67                  | 7.52 | 1,460,701  | 19.00        | 18.65 |

Source: Bloomberg

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**B. PLAN OF DISTRIBUTION**

This item is not applicable.

**C. MARKETS**

**Argentine Securities Markets**

***Comisión Nacional de Valores***

The *Comisión Nacional de Valores* is a separate governmental entity with jurisdiction covering the territory of Argentina. Its main purpose is to ensure transparency of Argentina's securities markets, to watch over the market price formation process and to protect investors. The *Comisión Nacional de Valores* supervises corporations authorized to issue securities to the public, the secondary markets where these securities are traded, and all persons and corporations involved in any capacity in the public offering and trading of these securities. The Argentine markets are governed generally by Law No. 17,811, as amended, which created the *Comisión Nacional de Valores* and regulates stock exchanges, stockbrokers, market operations and the public offerings of securities. There is a relatively low level of regulation of the market for Argentine securities and of investors' activities in such market, and enforcement of existing regulatory provisions has been extremely limited. Furthermore, there may be less publicly available information about Argentine companies than is regularly published by or about companies in the United States and certain other countries. However, the Argentine government and the *Comisión Nacional de Valores*, taking into consideration the deeper global awareness of the importance of having adequate corporate governance practices and a legal framework to enforce principles such as full information, and transparency, have issued decree No. 677/2001. This decree has the objective of determining the rights of the financial consumer, increasing market transparency and an adequate legal framework to increase the investor's protection within the capital market. Most of its reforms are in line with world trends pertaining to corporate governance practices that have already been adopted by many emerging markets.

In order to offer securities to the public in Argentina, an issuer must meet certain requirements of the *Comisión Nacional de Valores* regarding assets, operating history, management and other matters, and only securities for which an application for a public offering has been approved by the *Comisión Nacional de Valores* may be listed on the Buenos Aires Stock Exchange. This approval does not imply any kind of certification or assurance related to the merits or the quality of the securities, or the issuer's solvency. Issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements, as well as various other periodic reports, with the *Comisión Nacional de Valores* and the Buenos Aires Stock Exchange.

**Securities Exchanges in Argentina**

There are 11 securities exchanges in Argentina. The principal exchange for the Argentine securities market is the Buenos Aires Stock Exchange, which handles approximately 99% of all equity trading in the country.

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### ***Buenos Aires Stock Exchange***

The Buenos Aires Stock Exchange is a complex, non-profit, and self-regulated organization. The various markets require different self-organizations of brokers within the Buenos Aires Stock Exchange, which is one of its particular characteristics. The most important and traditional of such markets is Mercado de Valores S.A. ( Merval ).

The securities that may be listed on the Buenos Aires Stock Exchange are: Stocks, Corporate Bonds, Convertible Corporate Bonds, Close-ended Investment Funds, Financial Trust, Indexes, Derivatives and Public Bonds. The Buenos Aires Stock Exchange is legally qualified for admission, suspension, and delisting of securities according to its own rules approved by the *Comisión Nacional de Valores*. Furthermore, the Buenos Aires Stock Exchange works very closely with the *Comisión Nacional de Valores* in surveillance activities. Also under a special agreement, registration and listing applications are directly filed with the Buenos Aires Stock Exchange for simultaneous processing.

### ***Merval***

The Merval is a corporation whose 134 shareholder members are the only individuals and entities authorized to trade, either as principal or as agent, in the securities listed on the Buenos Aires Stock Exchange. Trading on the Buenos Aires Stock Exchange is conducted by continuous open outcry, or the traditional auction system, from 11:00 a.m. to 5:00 p.m. each business trading day of the year. Trading on the Buenos Aires Stock Exchange is also conducted through a *Sistema Integrado de Negociación Asistida por Computación* ( SINAC ). SINAC is a computer trading system that permits trading in debt securities and equity securities. SINAC is accessed by brokers directly from workstations located at their offices. Currently, all transactions relating to listed notes and listed government securities can be effected through SINAC.

### ***Over the Counter Market***

The Electronic Open Market (*Mercado Abierto Electrónico* or MAE ) is an exchange organized under the laws of Argentina, which operates as a self-regulatory organization under the supervision of the *Comisión Nacional de Valores*.

The MAE works as an electronic platform to process Over the Counter Transactions. It is an electronic exchange where both government securities and corporate bonds are traded through spot and forward contracts.

The MAE has 90 brokers/dealers members, which include national banks, provincial banks, municipal banks, private national banks, foreign banks, cooperative banks, financial institutions, foreign exchange entities and pure brokers/dealers (exclusively engaged in brokerage activities). Both Argentine or foreign capital banks and financial institutions may be the MAE s brokers/dealers.

Securities to be traded must be registered with the pertinent supervising authorities and may be traded in the Mercado Abierto Electrónico, in other exchanges or in both of them concurrently.

**Table of Contents****Securities Central Depository**

*Caja de Valores S.A.* is a corporation organized under the laws of Argentina, totally private, which acts as central depository of public bonds and private securities. It was established in 1974 by Act 20,643, and it is supervised by the *Comisión Nacional de Valores*.

Those authorized to make deposits of securities with the *Caja de Valores* are stockbrokers, banking financial institutions, and mutual funds.

The majority shareholders of the *Caja de Valores S.A.* are the Buenos Aires Stock Exchange and the Merval (49.98% each).

**Information regarding the Buenos Aires Stock Exchange**

|   | As of June 30, |          |
|---|----------------|----------|
|   | 2009           | 2010     |
| Market capitalization (Ps.billion)        | 1,751.13       | 1,607.88 |
| Average daily trading volume (Ps.million) | 39.97          | 45.59    |
| Number of listed companies                | 110            | 105      |

Although companies may list all of their capital stock on the Buenos Aires Stock Exchange, in many cases a controlling block is retained by the principal shareholders resulting in only a relatively small percentage of many companies' stock being available for active trading by the public on the Buenos Aires Stock Exchange.

As of June 30, 2010, approximately 105 companies had equity securities listed on the Buenos Aires Stock Exchange. As of June 30, 2010, approximately 7,50% of the total market capitalization of the Buenos Aires Stock Exchange was represented by the securities of the ten largest national companies.

The Argentine securities markets are substantially more volatile than the securities markets in the United States and certain other developed countries. The Merval experienced a 13% increase in 1995, a 25% increase in 1996, a 6% increase in 1997, a 37% decrease in 1998, a 28% increase in 1999, a 24% decrease in 2000, a 29% decrease in 2001, a 77% increase in 2002, a 104% increase in 2003, a 28% increase in 2004, a 13% increase in 2005, a 34% increase in 2006, a 2.93% increase in 2007, a 0.59% increase in 2008, 102,98 % increase in 2009 and a 8,36 % decrease for the six month period ended June 30, 2010. In order to control price volatility, the Merval operates a system pursuant to which the negotiation of a particular stock or debt security is suspended for a 15 minute period when the price of the security registers a variation on its price between 10% and 15% and between 15% and 20%. Any additional 5% variation on the price of the security after that results in additional 10 minute successive suspension periods.

**Nasdaq Stock Market**

Our ADSs are listed and traded in the Nasdaq Stock Market under the trading symbol CRESY .

**D. SELLING SHAREHOLDERS**

This section is not applicable.

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**E. DILUTION**

This section is not applicable.

**F. EXPENSES OF THE ISSUE**

This section is not applicable.

**Item 10. Additional information**

**A. SHARE CAPITAL**

This section is not applicable.

**B. MEMORANDUM AND ARTICLES OF ASSOCIATION**

**Our Corporate Purpose**

Our legal name is Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria. We were incorporated under the laws of Argentina on December 31, 1936 as a sociedad anónima (Stock Corporation) and were registered with *Public Registry of Commerce* on February 19, 1937 under number 26, on page 2, book 45 of National by-laws Volume. Pursuant to our by-laws, our term of duration expires on July 6, 2082.

Pursuant to article 4 of our by-laws our purpose is to perform the following activities:

Commercial activities with respect to cattle and products pertaining to farming and animal husbandry;

Real estate activities with respect to urban and rural properties;

Financial activities, except for those regulated by Law No. 21,526 of financial entities;

Farming and animal husbandry activities, for properties owned by us or by third parties; and

Agency and advice activities for which there is not required a specific qualifying title.

**Limited Liability**

Shareholders' liability for losses is limited to their shareholdings in the Company. Notwithstanding the foregoing, under the Argentine Corporation Law No. 19,550, shareholders who voted in favor of a resolution that is subsequently declared void by a court as contrary to Argentine law or a company's by-laws (or regulation, if any) may be held jointly and severally liable for damages to such company, other shareholders or third parties resulting from such resolution. In addition, a shareholder who votes on a business transaction in which the shareholder's interest conflicts with that of the Company may be liable for damages under the Argentine companies' law, but only if the transaction would not have been validly approved without such shareholder's vote.



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### **Capitalization**

We may increase our share capital upon authorization by our shareholders at an ordinary shareholders' meeting. Capital increases must be registered with the public registry of commerce referred to as the *Registro Publico de Comercio*, and published in the Boletín Oficial. Capital reductions may be voluntary or mandatory and must be approved by the shareholders at an extraordinary shareholders' meeting (*asamblea extraordinaria*). Reductions in capital are mandatory when losses have depleted reserves and exceed 50% of capital. At November 30, 2008 our share capital consisted of 501,536,281 common shares.

Our bylaws provide that preferred stock may be issued when authorized by the shareholders at an extraordinary shareholders' meeting (*asamblea extraordinaria*) and in accordance with applicable regulations. Such preferred stock may have a fixed cumulative dividend, with or without additional participation in our profits, resolved by the shareholders' meetings. Our company currently has no outstanding preferred stock.

### **Preemptive Rights and Increases of Share Capital**

Pursuant to our by-laws and Argentine Corporation Law No. 19,550, in the event of an increase in our share capital, each of our existing holders of our common shares has a preemptive right to subscribe for new common shares in proportion to such holder's share ownership pursuant to our by-laws and the Argentine Corporation Law No. 19,550. For any shares of a class not preempted by any holder of that class, the remaining holders of the class will be entitled to accretion rights based on the number of shares they purchased when they exercised their own preemptive rights. Rights and accretion rights must be exercised simultaneously within 30 days following the time in which notices to the shareholders of a capital increase and of the rights to subscribe thereto are published for three days in the Boletín Oficial and a widely circulated newspaper in Argentina. Pursuant to the Argentine Companies Law, such 30-day period may be reduced to 10 days by a decision of our shareholders adopted at an extraordinary shareholders' meeting (*asamblea extraordinaria*).

Additionally, the Argentine Companies Law permits shareholders at an extraordinary shareholders' meeting (*asamblea extraordinaria*) to suspend or limit the preemptive rights relating to the issuance of new shares in specific and exceptional cases in which the interest of our company requires such action and, additionally, under the following specific conditions:

the issuance is expressly included in the list of matters to be addressed at the shareholders' meeting; and

the shares to be issued are to be paid in-kind or in exchange for payment under pre-existing obligations.

Furthermore, Article 12 of the Negotiable Obligations Law permits shareholders at an extraordinary shareholders' meeting (*asamblea extraordinaria*) to suspend preemptive subscription rights for the subscription of convertible bonds under the above-mentioned conditions. Preemptive rights may also be eliminated, so long as a resolution providing so has been approved by at least 50% of the outstanding capital stock with a right to decide such matters and so long as the opposition to such resolution does not surpass 5% of the share capital.

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### **Shareholders Meetings and Voting Rights**

Our bylaws provide that shareholders meetings may be called by our board of directors or by our Supervisory Committee or at the request of the holders of shares representing no less than 5% of the common shares. Any meetings called at the request of shareholders must be held within 30 days after the request is made. Any shareholder may appoint any person as its duly authorized representative at a shareholders meeting, by granting a proxy. Co-owners of shares must have single representation.

In general, the following matters can be considered only at an extraordinary shareholders meeting (*asamblea extraordinaria*):

matters that may not be approved at an ordinary shareholders meeting;

the amendment of our bylaws;

reductions in our share capital;

redemption, reimbursement and amortization of our shares;

mergers, and other corporate changes, including dissolution and winding-up;

limitations or suspensions to preemptive rights to the subscription of the new shares; and

issuance of debentures, convertible negotiable obligations and bonds that not qualify as notes (*obligaciones negociables*).

In accordance with our by-laws, ordinary and special shareholders meetings (*asamblea extraordinaria*) are subject to a first and second quorum call, the second to occur upon the failure of the first. The first and second notice of ordinary shareholders meetings may be made simultaneously. In the event that both are made on the same day, the second must occur at least one hour after the first. If simultaneous notice was not given, the second notice must be given within 30 days after the failure to reach quorum at the first. Such notices must be given in compliance with applicable regulations.

A quorum for an ordinary shareholders meeting on the first call requires the presence of a number of shareholders holding a majority of the shares entitled to vote and, on the second call, the quorum consists of the number of shareholders present, whatever that number. Decisions at ordinary shareholders meetings must be approved by a majority of the votes validly exercised by the shareholders.

A quorum for an special shareholders meeting (*asamblea extraordinaria*) on the first call requires the presence of persons holding 60% of the shares entitled to vote and, on the second call, the quorum consists of the number of shareholders present, whatever that number. Decisions at special shareholders meeting (*asamblea extraordinaria*) generally must be approved by a majority of the votes validly exercised.

However, pursuant to the Argentine Companies Law, all shareholders meetings, whether convened on a first or second quorum call, require the affirmative vote of the majority of shares with right to vote in order to approve the following decisions:

advanced winding-up of the company;

transfer of the domicile of the company outside of Argentina;

fundamental change to the purpose of the company;

total or partial mandatory repayment by the shareholders of the paid-in capital; and

a merger or a spin-off, when our company will not be the surviving company.

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Holders of common shares are entitled to one vote per share. Owners of common shares represented by ADRs exercise their voting rights through the ADR Depositary, who acts upon instructions received from such shareholders and, in the absence of instructions, votes in the same manner as our majority of the shareholders present in the shareholders' meeting.

The holders of preferred stock are not entitled to voting rights. However, in the event that no dividends are paid to such holders for their preferred stock, the holders of preferred stock are entitled to voting rights. Holders of preferred stock are also entitled to vote on certain special matters, such as a transformation of the corporate type, early dissolution, change to a foreign domicile, fundamental change in the corporate purposes, total or partial replacement of capital losses, mergers in which our company is not the surviving entity, and spin-offs. The same exemption will apply in the event the preferred stock is traded on any stock exchange and such trading is suspended or canceled.

## **Dividends and Liquidation Rights**

The Argentine Companies Law establishes that the distribution and payment of dividends to shareholders is valid only if they result from realized and net earnings of the company pursuant to an annual balance sheet approved by the shareholders. Our board of directors submits our financial statements for the previous financial year, together with the reports of our Supervisory Committee, to the Annual Ordinary Shareholders' Meeting. This meeting must be held by October 30 of each year to approve the financial statements and decide on the allocation of our net income for the year under review. The distribution, amount and payment of dividends, if any, must be approved by the affirmative vote of the majority of the present votes with right to vote at the meeting.

The shareholders' meeting may authorize payment of dividends on a quarterly basis provided no applicable regulations are violated. In that case, all and each of the members of the board of directors and the supervisory committee will be jointly and severally unlimitedly liable for the refund of those dividends if, as of the end of the respective fiscal year, the realized and net earnings of the Company are not sufficient to allow the payment of dividends.

When we declare and pay dividends on the common shares, the holders of our ADRs, each representing the right to receive ten ordinary shares, outstanding on the corresponding registration date, are entitled to receive the dividends due on the common shares underlying the ADRs, subject to the terms of the Deposit Agreement dated March 18, 1997 executed by and between us, The Bank of New York, as depositary and the eventual holders of ADRs. The cash dividends are to be paid in Pesos and, except under certain circumstances, are to be

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converted by the Depositary into U.S. dollars at the exchange rate prevailing at the conversion date and are to be paid to the holders of the ADRs net of any applicable fee on the dividend distribution, costs and conversion expenses, taxes and public charges. Since January 2002 and due to the devaluation of the Peso, the exchange rate for the dividends will occur at a floating market rate.

Our dividend policy is proposed from time to time by our board of directors and is subject to shareholders' approval at an ordinary shareholders meeting. Declarations of dividends are based upon our results of operations, financial condition, cash requirements and future prospects, as well as restrictions under debt obligations and other factors deemed relevant by our board of directors and our shareholders.

Dividends may be lawfully paid only out of our retained earnings determined by reference to the financial statements prepared in accordance with Argentine GAAP. In accordance with the Argentine Companies Law, net income is allocated in the following order: (i) 5% is retained in a legal reserve until the amount of such reserve equals 20% of the Company's outstanding capital; (ii) dividends on preferred stock or common shares or other amounts may be retained as a voluntary reserve, contingency reserve or new account, or (iii) for any other purpose as determined by the Company's shareholders at an ordinary shareholders' meeting.

Our legal reserve is not available for distribution. Under the applicable regulations of the *Comisión Nacional de Valores*, dividends are distributed pro rata in accordance with the number of shares held by each holder within 30 days of being declared by the shareholders for cash dividends and within 90 days of approval in the case of dividends distributed as shares. The right to receive payment of dividends expires three years after the date on which they were made available to shareholders. The shareholders' meeting may authorize payment of dividends on a quarterly basis provided no applicable regulations are violated. In such case, all and each of the members of the board of directors and the supervisory committee will be jointly and severally liable for the refund of those dividends if, at the end of the respective fiscal year, the realized and net earnings of the Company are not sufficient to allow for the payment of dividends.

In the event of liquidation, dissolution or winding-up of our company, our assets are

to be applied to satisfy its liabilities; and

to be proportionally distributed among holders of preferred stock in accordance with the terms of the preferred stock. If any surplus remains, our shareholders are entitled to receive and share proportionally in all net assets available for distribution to our shareholders, subject to the order of preference established by our bylaws.

### **Approval of Financial Statements**

Our fiscal year ends on June 30 of each year, after which we prepare an annual report which is presented to our board of directors and Supervisory Committee. The board of directors submits our financial statements for the previous financial year, together with the reports of our Supervisory Committee, to the annual ordinary shareholders' meeting, which must be held within 120 days of the close of our fiscal year, in order to approve our financial statements and determine our allocation of net income for such year. At least 20 days before the ordinary shareholders meeting, our annual report must be available for inspection at our principal office.

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### **Right of Dissenting Shareholders to Exercise Their Appraisal Right**

Whenever certain actions are approved at an extraordinary shareholders meeting (*asamblea extraordinaria*) (such as the approval of a merger, a spin-off (except when the shares of the acquired company are publicly traded), a fundamental change of corporate purpose, a transformation from one type of corporation to another, a transfer of the domicile of our company outside of Argentina or, as a result of the action approved, the shares cease to be publicly traded) any shareholder dissenting from the adoption of any such resolution may withdraw from our company and receive the book value per share determined on the basis of our latest financial statements, whether completed or to be completed, provided that the shareholder exercises its appraisal rights within ten days following the shareholders meeting at which the resolution was adopted.

In addition, to have appraisal rights, a shareholder must have voted against such resolution or act within 15 days following the shareholders meeting if the shareholder was absent and can prove that he was a shareholder of record on the day of the shareholders meeting. Appraisal rights are extinguished with respect to a given resolution if such resolution is subsequently overturned at another shareholders meeting held within 75 days of the previous meeting at which the original resolution was adopted. Payment on the appraisal rights must be made within one year of the date of the shareholders meeting at which the resolution was adopted, except where the resolution involved a decision that our stock ceases to be publicly traded, in which case the payment period is reduced to 60 days from the date of the resolution.

### **Ownership Restrictions**

The *Comisión Nacional de Valores* regulations require that transactions that cause a person's holdings of capital stock of a registered Argentine company, to hold 5% or more of the voting power, should be immediately notified to the *Comisión Nacional de Valores*. Thereafter, every change in the holdings that represents a multiple of 5% of the voting power should also be notified.

Directors, senior managers, executive officers, members of the supervisory committee, and controlling shareholders of an Argentine company whose securities are publicly listed, should notify the *Comisión Nacional de Valores* on a monthly basis, of their beneficial ownership of shares, debt securities, and call and put options related to securities of such companies and their controlling, controlled or affiliated companies.

Holders of more than 50% of the common shares of a company or who otherwise have voting control of a company, as well as directors, officers and members of the supervisory committee, must provide the *Comisión Nacional de Valores* with annual reports setting forth their holdings in the capital stock of such companies and monthly reports of any change in their holdings.

### **Tender Offers**

Tender offers under Argentine law may be voluntary or mandatory. In either case, the offer must be made addressed to all shareholders. In the case of a mandatory tender offer, the offer must also be made to the holders of subscription rights, stock options or convertible debt securities that directly or indirectly may grant a subscription, acquisition or conversion right on voting shares.

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Decree No. 677/2001 establishes that a person or entity wishing to acquire a significant holding ( *participaciones significativas* ) shall be required to launch a mandatory tender offer.

A mandatory tender offer will not be required in those cases in which the purpose of the acquisition of the significant holding is not to acquire the control of a company.

The *Comisión Nacional de Valores* defines a significant holding as holdings that represent an equal or a higher percentage than 35% and 51% of the voting shares as the case may be.

When a person or an entity intends to acquire more than 35% of the shares of a company, a mandatory tender offer to purchase 50% of the corporate voting capital is required by law.

If a person or an entity owns between 35% and 51% of the shares of a company, and wishes to increase its holdings by at least 6% within a 12 month period, a mandatory tender offer to acquire shares representing at least 10% of the voting capital will be legally required.

When a person or an entity wishes to acquire more than 51% of the shares of a company, a mandatory tender offer to acquire 100% of the voting capital will be legally required.

Finally, when a shareholder controls 95% or more of the outstanding shares of a company, (i) any minority shareholder may, at any time, demand that the controlling party make an offer to purchase all of the remaining shares of the minority shareholders and (ii) the controlling party can issue a unilateral statement of intention to acquire all of the remaining shares owned by the other stockholders.

Pursuant to the Argentine Companies Law we may redeem our outstanding common shares only under the following circumstances:

to cancel such shares and only after a decision to reduce our capital stock (with shareholder approval at an extraordinary shareholders meeting (asamblea extraordinaria));

to avoid significant damage to our company under exceptional circumstances, and then only using retained earnings or free reserves that have been fully paid, which action must be ratified at the following ordinary shareholders meeting; or

in the case of the acquisition by a third-party of our common shares.

The Public Offering of Securities Law provides for other circumstances under which our company, as a corporation whose shares are publicly listed, can repurchase our shares. The following are necessary conditions for the acquisition of our shares:

the shares to be acquired shall be fully paid,

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there shall be a board of directors' resolution containing a report of our supervisory committee or audit committee. Our board of directors' resolution must provide the purpose of the acquisition, the maximum amount to be invested, the maximum number of shares or the maximum percentage of capital that may be acquired and the maximum price to be paid for our shares. Our board of directors must give complete and detailed information to both shareholders and investors,

the purchase shall be carried out with net profits or with free or optional reserves, and we must prove to the Comisión Nacional de Valores that we have the necessary liquidity and that the acquisition will not affect our solvency,

under no circumstances may the shares acquired by our company, including those that may have been acquired before and held by us as treasury stock, be more than 10% of our capital stock or such lower percentage established by the Comisión Nacional de Valores after taking into account the trading volume of our shares.

Any shares acquired by us that exceed 10% of our capital stock must be disposed of within 90 days from the date of acquisition originating the excess without prejudice of the liability corresponding to our board of directors.

Transactions relating to the acquisition of our own shares may be carried out through open market transactions or through a public offering:

in the case of acquisitions in the open market, the amount of shares purchased daily cannot exceed 25% of the mean daily traded volume of our shares during the previous 90 days.

in either case, the Comisión Nacional de Valores can require that the acquisition be carried out through a public offering if the shares to be purchased represent a significant percentage in relation to the mean traded volume.

General Resolution No. 368/2001 of the *Comisión Nacional de Valores* as amended, provides general requirements that any company must comply with in the case of the acquisition of its shares under the Corporations Law or under the Public Offering of Securities Law. The acquisition of its shares by a company must be:

approved by a resolution of the board of directors with a report of its supervisory committee,

notice must be given to the Comisión Nacional de Valores and the Buenos Aires Stock Exchange, and notice must be published in the Boletín of the Buenos Aires Stock Exchange or in a widely circulated newspaper in Argentina,

be carried out with net profits or free reserves from the last financial statements and approved by the board of directors,



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the board of directors has to prove to the Comisión Nacional de Valores, that the company has the necessary liquidity and that the acquisition does not affect its solvency,

all shares acquired by the company, including those that may have been acquired before and held by it as treasury stock, may not exceed 10% of its capital stock.

The General Resolution No. 535/08 of the *Comisión Nacional de Valores* establishes that the acquisition limit of up to 10% of the company's own shares will be suspended up to December 31, 2008.

There are no legal limitations to ownership of our securities or to the exercise of voting rights pursuant to the ownership of our securities, by non-resident or foreign shareholders.

### **Registrations and Transfers**

Our common shares are held in registered, book-entry form. The registry for our shares is maintained by *Caja de Valores S.A.* at its executive offices located at 25 de mayo 362, (C1002ABH) Buenos Aires, Argentina. Only those persons whose names appear on such share registry are recognized as owners of our common shares. Transfers, encumbrances and liens on our shares must be registered in our share registry and are only enforceable against us and third parties from the moment registration takes place.

### **Amendment to the by-laws.**

On the shareholders' meeting held on October 10, 2007, our shareholders decided to amend the following sections of the by-laws: (i) Section Thirteen in order to adapt the performance bonds granted by directors to current rules and regulations, and (ii) Section Sixteen in order to incorporate the possibility of holding remote board meetings pursuant to the provisions of section 65 of Decree 677/01.

## **C. MATERIAL CONTRACTS**

We do not have any material contract entered into outside the ordinary course of business other than some of the operations previously described under the Related Party Transactions, the Recent Developments and Our Indebtedness sections.

## **D. EXCHANGE CONTROLS**

### **Currency Exchange Regulation**

All foreign currency exchange transactions must be carried out in the free exchange market, in which the Argentine Central Bank participates by purchasing and selling foreign currency.

### ***Import and Export of Capital***

#### ***Import of Capital***

Currently, there are no laws, executive orders or regulations nor any exchange controls in force in Argentina which limits the import of capital.

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Pursuant to the Argentine Foreign Investment Law No. 21,382, and Decree No. 1,853/93, enacted in 1993, the purchase by foreign investors (any natural or legal person domiciled out of Argentina or an Argentine company of foreign capital ) of capital participation in a company existing in Argentina (according to the Foreign Investment Act) shall constitute a foreign investment.

At present there are no restrictions on foreign investments in industries other than public broadcasting media, and no prior authorization is required to make foreign investments.

Therefore, no prior authorization is required in order to purchase our securities.

See Item 3: Key Information Exchange Rates

*Export of Capital, including the availability of cash or cash equivalents*

From 1989 to December 3, 2001, there were no exchange controls restricting the peso-U.S. Dollar translation or the remittance of U.S. Dollars abroad. In compliance with the economic measures set forth by the Government by means of Decree No. 1570/01 dated December 3, 2001 and subsequent amendments thereto, aimed at protecting the integrity of the Argentine financial system, money could not be transferred abroad, unless expressly authorized by the Argentine Central Bank.

For purposes of accessing the funds deposited with financial institutions, clients were allowed to make electronic transfers between accounts of the same institution or others and in favor of the same holder or other persons; pay expenses by means of debit cards, checks, automatic debits and credit cards. Additionally, the Decree declared that new foreign currency deposits can only be received as time deposits, and no demand accounts denominated in foreign currency may be opened. Such restrictions were later relaxed and deposits of foreign currency in savings accounts ( cajas de ahorro ) by residents were allowed. Law No. 25,561 declared a public emergency in social, economic, administrative, financial and foreign exchange market matters, delegating to the Argentine executive branch until December 10, 2003, the powers to reorganize the financial, banking and foreign exchange system, reactivate the performance of the economy and improve the employment level and distribution of income, focusing on a program for the development of regional economies, creating the conditions for a sustainable economic growth, consistent with the public debt restructuring, and restructuring outstanding obligations affected by the new foreign exchange system. Such period was extended until December 31, 2006 by Law No. 26,077. Among other provisions, this law put an end to the convertibility system that had been in effect since April 1991, whereby pesos were convertible to U.S. Dollars at a rate of Ps.1.0 per U.S Dollar.

As a consequence of the enactment of Decree 260/02, as of February 8, 2002, a single and free exchange market was implemented, through which all foreign currency exchange transactions are made. Exchange transactions are freely entered into by parties, but subject to the regulations and requirements set forth by the Central Bank. The Central Bank issued Communication A 3471, as amended, establishing restrictions or special requirements for exchange transactions. Lack of compliance with requirements and conditions shall result in the application of sanctions established by the Criminal Law Exchange Regime.

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Such regulation has been modified several times and, therefore, only the most important provisions currently in force are mentioned below:

Argentine individuals and companies are authorized to buy up to US\$ 2,000,000 per month;

the sale of foreign currency to non-residents, with the exception of international organizations, in an aggregate monthly amount exceeding US\$ 5,000 shall also be previously authorized by the Central Bank, except when it is evidenced that the amounts used to purchase foreign currency (i) come from the payment of a resident to the non-resident which orders the transfer; and (ii) the payment is performed in relation to import, services, revenues or other commercial transfers for which the resident should have accessed to the exchange market in accordance to the exchange rules that regulated payments abroad to commercial account;

foreign currency exchange or arbitrage transactions with financial institutions located abroad must be previously authorized by the Central Bank, except where such financial institutions are located in countries which are members of the Basel Committee and have an international credit rating not lower than A granted by international rating agencies registered with the Central Bank, or where such transactions are entered into with branches of Argentine official banks located abroad;

future operations in regulated markets, options or forwards transactions and any other type of derivatives entered into and cancelled in Argentina and settled in local currency are not subject to any restriction, provided, however, that: (i) such operations do not contemplate any payment or transfer obligation of a resident to a foreign country; (ii) any inflow of foreign currency into the local exchange market for the purposes of such an operation by a non resident who is party to such a transaction is subject to a non-transferable deposit denominated in U.S. Dollars for an amount equal to 30% of the relevant transaction for a period of 365 days in accordance to such further conditions as indicated bellow (the Non- Transferable Deposit ); and (iii) transfer of foreign currency abroad by a non resident derived from such transactions involving an aggregate monthly amount exceeding US\$ 5,000 shall also be previously authorized by the Central Bank.

Communication A 4285 dated January 17, 2005, relaxed restrictions on foreign currency transactions by abrogating the requirement of prior approval of the Central Bank for the execution of certain future and forward operations and for the access to the foreign exchange market for their cancellation. These operations include: (i) transactions executed by the financial system for the acquisition of certain time deposits having variable retribution; (ii) agreements for the coverage of foreign currencies and interest rates, (iii) agreements executed by exporters or importers for the coverage of commodity prices, as long as they are related to Argentine foreign trade transactions; and (iv) the execution of external transactions in the form of Repos provided that they are executed for a term of at least 180 days. With the exception of inflows related to the external transactions in the form of Repos mentioned in (iv), any other inflow of foreign currency devoted to future or forward operations mentioned in (i) to (iii) is exempted from the obligation to constitute the Non- Transferable Deposit.

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financial institutions must obtain prior authorization of the Central Bank in order to purchase any kind of asset, where the payment for such a transaction is made against delivery of foreign currency or any other kind of foreign denominated asset that is part of the General Exchange Position (Posición General de Cambios) (the GEP ) of these financial institutions;

new imports of goods may be fully paid in advance, without consideration of the kind of good, as well as debts for imports with any maturity date;

access to the free and sole exchange market is allowed for payment of expired capital services originated in financial debts, except for financial entities subject to advance refinancing and rediscounts granted by the Central Bank and restructuring of its foreign debt (Decree No. 739/03 and Communication A 3940);

non-residents may have access to the exchange market for purposes of transferring funds in foreign currency collected in Argentina, originated from the amortization installments from national public bonds issued in foreign currency, to accounts in foreign banks;

there are no restrictions to make payments abroad for services rendered by non-residents on any basis (freight, insurance, royalties, technical advise, fees, etc.);

transfers abroad for the payment of indebtedness of private entities (comprising both financial and non-financial institutions) and government owned entities; provided that they fulfill certain regulatory requirements among others such as (i) a sworn statement affirming the fulfillment of Communication A 3602 informative requirements; (ii) the possession of documents which evidence the genuineness of the operation being cancelled, i.e., the entry into the country of the finance proceed and/or its use to cancel the financial or commercial debt, etc.; (iii) the amounts to be transferred have been adjusted, as the case may be, in accordance to Decree 214/02 as amended; and (iv) the fact that the inflows have remained in the county for the legal minimum term (180 days until May 26, 2005 or 365 for funds entered into after that date) has been verified;

effective as of January 8, 2003, Argentine companies may freely transfer corporate profits and dividends corresponding to audited financial statements of local companies without prior Central Bank approval and transfers of funds abroad in order to pay reinsurance premiums will be subject only to the issuance of a statement from the regulatory authority on insurance matters Superintendencia de Seguros de la Nación ( Superintendent of Insurance Board ), with respect to the reason and amount to be transferred;

there is an obligation to enter the funds received as payment for the export of goods and services into the exchange market and to convert them into local currency within a time limit established by the Ministry of Economy and Production;

foreign currency obtained from the collection of exports corresponding to bills of lading shall be sold at the reference exchange rate when the foreign currency so obtained was not clear at the exchange market within the applicable legal terms, in accordance with applicable regulation.

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before September 2005, inflows of foreign currency which would be applied to export advances and prefinancing were allowed into the local exchange market avoiding the non-transferable deposit requirement established by Decree No. 616/05, issued on June 10, 2005 by providing a sworn statement stating that foreign funds would be used for a specific purchase transaction entered into with the buyer. Subsequently, the BCRA by means of the Communication A 4415 substituted the sworn statement requirement with the exhibition of the shipping contract involved in said transaction. Later, on November 22, 2005 BCRA's Communication A 4443 relaxed this requirement exempting exporters from providing such documentary evidence if they proved that the inflow of funds would not exceed more than 25% of the amount they received during the last year for similar transactions.

The Government, through the Central Bank, holds control over capital inflows and outflows, enacting the applicable rules in this regard. Decree No. 616/05, issued on June 10, 2005, established that inflows and outflows of foreign currency into the local exchange market, and indebtedness transactions incurred by local residents that may result in a foreign currency-denominated payment to non-residents, need to be registered with the Central Bank. Furthermore, as from May 26, 2005, the following situations will be subject to certain requirements and conditions:

(a) inflows of funds derived from foreign borrowing by the private financial and non financial sector, and (b) inflows of foreign currency by non-residents for the purpose of (i) holding a position in local currency, (ii) purchasing financial debt or assets and (iii) investing in government bonds in the secondary market. In these situations, the following requirements must be met: (i) inflows must remain in Argentina for 365 days to be computed as from the day they were negotiated in the local exchange market; (ii) the funds involved in the transactions covered by this decree must be deposited in a local bank account; (iii) a non-transferable deposit denominated in U.S. Dollars for an amount equal to 30% of the relevant transaction has to be made with the resulting proceeds. This deposit will only be reimbursed after the expiration of a 365 term, cannot bear interest (nor yield any other type of profit) and may not be used as collateral in any credit transaction. Such requirements do not apply to: (a) foreign direct investment, (b) primary placement of publicly traded debt or equity securities listed in one or more exchange markets, and (c) foreign trade and export finance debt related transactions.

Subsequently, Resolution No. 365/2005 from the Ministry of Economy and Production established that non-resident capital inflows destined for the primary subscription of Argentine Central Bank notes and income derived from the sale by residents of foreign assets for an amount greater than US\$ 2 million per month, will also be subject to the aforementioned requirements.

Moreover, said resolution provided certain exemptions to the requirement of making the non-transferable deposit requirement such as: (i) inflows derived from borrowings extended by multilateral and bilateral financial institutions and official credit agencies, and (ii) inflows derived from financial borrowings extended by foreign creditors, so long as they are devoted to investments in non-financial assets and the borrowed amounts are repaid at least 24 months after they were granted.

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In that sense, non-financial assets include:

- (i) investments recorded in the category PP&E of the financial statements (Notice 42303);
- (ii) intangible assets related to mine cost and/or research, prospection and exploration expenses (Notice 42884);
- (iii) acquisition of rights to use that had been recorded for accounting purposes in the category intangible assets of the company's financial statements (Notice 44670); and
- (iv) investments in assets that are comparable to intellectual property rights, which are commercialized through the assignment of rights to use and should be recorded for accounting purposes in the category intangible assets of the company's financial statements (Notice 46394).

This exemption automatically expires when the reported use is modified. In that case, the deposit established in item 6 of Communication A 4359 must be made within 10 business days of such event.

Communications A 4554 and A 4711, both dated September 24, 2007, established certain requirements and terms to file the documentation evidencing the correct classification of the transaction under the above mentioned exemption.

By contrast, according to Communication C 43075 dated September 26, 2005, inflows of foreign currency caused by a non-resident and devoted to the cancellation of payment obligations under a purchase agreement (including installment payments thereof) concerning a real estate property under construction may be registered as foreign direct investments provided that certain conditions are met.

Finally, Resolution No. 637/2005 from the Ministry of Economy and Production dated November 16, 2005 established that any inflow of foreign currency to the local exchange market devoted to the primary subscription of notes, bonds or participation certificates issued by the trustee of a trust, regardless of the channels in which they are traded (public or private offerings, or listings in self-regulated markets) is subject to the non-transferable deposit requirement established by Decree 616/05 if such requirement would be deemed applicable to the acquisition of the underlying assets of the trust.

*Reporting requirements on Direct Investments*

On March 4, 2005 the Argentine Central Bank issued Communication A 4305 that regulates the reporting system of direct investments and real estate investments carried out by non-residents in Argentina and by Argentine residents abroad, which had been implemented through Communication A 4237 dated November 10, 2004.

*Direct investments in Argentina of non-Argentine residents*

Non-Argentine residents are compelled to comply with the reporting regime if the value of their investments in Argentina reaches or surpasses the equivalent of US\$ 500,000 measured in terms of the net worth of the company in which they participate or fiscal value of the real estate owned. If the investments do not reach such amount, the compliance with such regime is optional.

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According to Communication A 4237, companies in which non-Argentine residents participate in and administrators of real estate pertaining to non-Argentine residents are those obliged to comply with the reporting regime.

### *Direct investments made abroad by Argentine residents*

Argentine investors are compelled to comply with the reporting regime if the value of their investments abroad reaches or surpasses the equivalent of US\$ 1,000,000 measured in terms of net worth of the company in which they participate or the fiscal value of the real estate they own.

If the value of those investments abroad does not exceed the equivalent of US\$ 5,000,000, the declaration could be carried out annually instead of semiannually. If the investments do not reach the equivalent of US\$ 1,000,000, the compliance with such regime is optional.

The first declarations will correspond to the semester ended on December 31, 2004, and will have to be filed within 90 calendar days as of such date.

### *Conclusions:*

While the foreign exchange market system in Argentina has become increasingly flexible under recent regulations, Decree No. 616/05 severely deters short term inflows of foreign currency which are presumed to be of a speculative nature. Such determination on the part of the government is associated also to another short term economic policy goal and combined measures aimed at pegging or reasonably adjusting the United States Dollar value around Ps.3.10 per U.S. Dollar. We cannot assess whether these policies will be maintained in the longer run and how changes made therein may affect the economy and our business perspectives. Furthermore, we cannot predict how changes in the evolution of the world economy and commodity prices which constitutes an important part of Argentina's exports may influence exchange rates and control policies. Moreover, failure of the government to comply with financial commitments with the IMF or failure to reach an agreement with said institution may have an impact on the foreign exchange system. No assurance can be made as to the extent to which all such factors may lead to future restrictions that might further tighten foreign exchange controls or otherwise change the current foreign exchange system.

### *Money Laundering*

Argentine Law No. 25,246, as amended, classifies money laundering as a crime, defining it which is defined as the exchange, transfer, management, sale or any other use of money or other assets obtained through a crime, by a person who did not take part in such original crime, with the potential result that such original assets (or new assets resulting from such original assets) have the appearance of having been obtained through legitimate means, provided that the aggregate value of the assets involved exceeded in the aggregate (through one or more related transactions) \$50,000.

The money laundering legal framework in Argentina also assigns information and control duties to certain private sector entities, such as banks, agents, stock exchanges, insurance companies, according to the regulations of the Financial Information Unit, and for

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financial entities, the Central Bank. These regulations apply to many Argentine companies, including us. These obligations consist mainly of maintaining internal policies and procedures aimed at money laundering prevention and financing of terrorism, especially through the application of the policy know your client .

On May 8, 2005, the *CNV* enacted Resolution No. 554 which establishes that broker-dealers and other intermediaries that are subject to its supervision can only take part in securities transactions if they are ordered or executed by parties that are registered or domiciled in jurisdictions that are not included in the list of tax heavens included in Decree No 1344/98. Furthermore, the Resolution provides that securities transactions made by parties registered or domiciled in jurisdictions that are not included in such list, but that act as intermediaries of securities markets under the supervision of an agency similar to the *CNV*, are allowed only if such agency has signed a memorandum of mutual understanding with the *CNV*. Regarding the listed companies under the supervision of the *CNV*, the Resolution No. 554 states that they shall identified any entity or individual (whether or not a shareholder at that time), that makes a capital contribution or a significant loan, and accomplished with the same obligations established in the previous paragraph for the brokers-dealers and other intermediaries.

In connection with Resolution No. 554, the Central Bank issued *Comunicación A 4940*, as amended, which rules that non-residents of Argentina must obtain the prior approval of the Central Bank in order to purchase foreign currency in the exchange market to repatriate investments when the beneficiary of such repatriation is an individual or an entity registered or domiciled in a jurisdiction listed as a tax heaven in Decree No 1344/98.

**E. TAXATION**

**United States Taxation**

The following summary describes the material United States federal income tax consequences of the ownership of our common shares and ADSs as of the date hereof. The discussion set forth below is applicable to U.S. Holders (as defined below). Except where noted, this discussion deals only with U.S. Holders that hold our common shares or ADSs as capital assets. This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

a bank;

a dealer in securities or currencies;

a financial institution;

a regulated investment company;

a real estate investment trust;

an insurance company;

a tax exempt organization;



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a person holding our common shares or ADSs as part of a hedging, integrated or conversion transaction, constructive sale or straddle;

a trader in securities that has elected the mark-to-market method of accounting for your securities;

a person liable for alternative minimum tax;

a person who owns or is deemed to own 10% or more of the voting stock of our company;

a partnership or other pass-through entity for United States federal income tax purposes; or

a person whose functional currency is not the U.S. Dollar.

Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the Code), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depositary (the Depositary) to us and assumes that the deposit agreement governing the ADSs, and all other related agreements, will be performed in accordance with their terms.

**IF YOU ARE CONSIDERING THE PURCHASE, OWNERSHIP OR DISPOSITION OF COMMON SHARES OR ADSS YOU SHOULD CONSULT YOUR OWN TAX ADVISOR CONCERNING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO YOU AS WELL AS ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY OTHER TAXING JURISDICTION.**

As used herein, the term, U.S. Holder means a beneficial owner of common shares, or ADSs that is for United States federal income tax purposes:

an individual citizen or resident of the United States;

a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership holds our common shares or ADSs, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common shares or ADSs, you should consult your tax advisors.

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***ADSs***

In general, for United States federal income tax purposes, U.S. Holders of ADSs will be treated as the owners of the underlying common shares that are represented by the ADSs. Accordingly, deposits or withdrawals of our common shares by U.S. Holders for ADSs will not be subject to United States federal income tax.

***Distributions on Common Shares or ADSs***

Subject to the discussion under *Passive Foreign Investment Company Rules* below, the gross amount of distributions on our common shares or ADSs, (including amounts withheld to reflect Argentine withholding taxes, if any) will be taxable as dividends to the extent paid out of our current and accumulated earnings and profits (as determined under United States federal income tax principles). Such income (including withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of common shares, or by the Depositary, in the case of ADSs. Such dividends will not be eligible for the dividends-received deduction allowed to corporations under the Code.

With respect to non-corporate United States investors, certain dividends received before January 1, 2013 from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. United States Treasury Department guidance indicates that our ADSs (which are listed on NASDAQ), but not our common shares, are readily tradable on an established securities market in the United States. Thus, we do not believe that dividends that we pay on our common shares that are not backed by ADSs currently meet the conditions required for these reduced tax rates. There can be no assurance that our ADSs will be considered readily tradable on an established securities market in later years. Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as investment income pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met.

The amount of any dividend paid in Pesos will equal the U.S. Dollar value of the Pesos received calculated by reference to the exchange rate in effect on the date the dividend is actually or constructively received by you in the case of common shares, or by the Depositary, in the case of ADSs, regardless of whether the Pesos are converted into U.S. Dollars. If the Pesos received are not converted into U.S. Dollars on the day of receipt, you will have a basis in the Pesos equal to their U.S. Dollar value on the date of receipt. Any gain or loss you realize on a subsequent conversion or other disposition of the Pesos will be treated as United States source ordinary income or loss.

Subject to certain significant conditions and limitations, Argentine tax withheld from dividends, if any, may be treated as foreign income tax eligible for credit or deduction against your United States federal income tax liability. For purposes of the foreign tax credit, dividends paid on the common shares or ADSs will be treated as income from sources

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outside the United States and will generally constitute passive category income. Further, in certain circumstances, if you, have held ADSs or common shares for less than a specified minimum period during which you are not protected from risk of loss, or are obligated to make payments related to the dividends, you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on ADSs or common shares. The rules governing the foreign tax credit are complex. Investors are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

To the extent that the amount of any distribution (including amounts withheld to reflect Argentine withholding taxes, if any) exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the ADSs or common shares, and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange. However, we do not expect to keep earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

***Taxation of Capital Gains***

Subject to the discussion under *Passive Foreign Investment Company Rules* below, upon the sale, exchange or other disposition of common shares or ADSs, you generally will recognize capital gain or loss equal to the difference between the U.S. Dollar value of the amount realized upon the sale, exchange or other disposition and the adjusted tax basis of the common shares or ADSs, determined in U.S. Dollars. The capital gain or loss will be long-term capital gain or loss if at the time of sale, exchange or other disposition you have held the common shares or ADSs for more than one year. Capital gains of individuals derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss you recognize will generally be treated as United States source gain or loss. Consequently, you may not be able to use the foreign tax credit arising from any Argentine tax imposed on the disposition of an ADS or share unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

***Passive Foreign Investment Company Rules***

Based on the current composition of our income and the valuation of our assets, including goodwill, we do not believe we were a PFIC for United States federal income tax purposes for the taxable year ending June 30, 2010. The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition or if our projections are not accurate. The volatility and instability of Argentina's economic and financial system may substantially affect the composition of our income and assets. In addition, this determination is based on the interpretation of certain U.S. Treasury regulations relating to rental income, which regulations are potentially subject to differing interpretation.

In general, we will be a PFIC for any taxable year in which, either (i) at least 75% of the gross income of our company for the taxable year is passive income or (ii) at least 50% of the value (determined on the basis of a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income generally includes dividends, interest, royalties, rents (other than rents and royalties

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derived in the active conduct of a trade or business and not derived from a related person), annuities and gains from assets that produce passive income. If we own at least 25% by value of the stock of another corporation, we will be treated for purposes of the PFIC tests as owning a proportionate share of the assets of the other corporation, and as receiving directly a proportionate share of the other corporation's income.

If we are a PFIC for any taxable year during which you hold common shares or ADSs in our company, unless you make the mark-to-market election discussed below, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our common shares or ADSs, you will be subject to special tax rules with respect to any excess distribution received and any gain realized from a sale or other disposition, including a pledge, of such common shares or ADSs. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the equity interests will be treated as excess distributions. Under these special tax rules (i) the excess distribution or gain will be allocated ratably over your holding period for the equity interests, (ii) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and (iii) the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

If we are a PFIC for any taxable year during which you hold our common shares or ADSs and any of our non-United States subsidiaries is also a PFIC, a U.S. Holder would be treated as owning a proportionate amount (by value) of the common shares of the lower tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

In addition, non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us before January 1, 2013, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method provided that such stock is regularly traded on a qualified exchange. Under current law, the mark-to-market election is only available for stock traded on certain designated United States exchanges and foreign exchanges which meet certain trading, listing, financial disclosure and other requirements to be treated as a qualified exchange under applicable United States Treasury regulations. Consequently, the mark-to-market election may be available to you with respect to the ADSs because the ADSs are listed on NASDAQ, which constitutes a qualified exchange under the regulations, although there can be no assurance that the ADSs will be regularly traded. You should note that only the ADSs and not the common shares are listed on the NASDAQ. The common shares are listed on the Buenos Aires Stock Exchange. Consequently, the Buenos Aires Stock Exchange would also need to meet the trading, listing, financial disclosure and other requirements of the United States Treasury regulations. The ADSs or common shares would need to be regularly traded on such exchanges in order for the ADSs or common shares to be potentially eligible for the mark-to-market election.

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If we are a PFIC in any taxable year in which you hold our common shares or ADSs, but you do not make a mark-to-market election until a subsequent taxable year, you will be subject to special rules in the taxable year of the election. You should consult your own tax advisors regarding the application of the mark-to-market election in your particular situation.

If you make an effective mark-to-market election, you will include in income each year that we are a PFIC as ordinary income, rather than capital gain, the excess, if any, of the fair market value of your common shares or ADSs at the end of each such taxable year over your adjusted tax basis in the common shares or ADSs and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of such common shares or ADSs over their fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. Your basis in the common shares or ADSs will be adjusted to reflect any such income or loss amounts. Any gain or loss on the sale of the common shares or ADSs will be ordinary income or loss, except that such loss will be ordinary loss only to the extent of the previously included net mark-to-market gain.

If you make a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the common shares or ADSs are no longer regularly traded on a qualified securities exchange or the Internal Revenue Service consents to the revocation of the election. Under proposed Treasury regulations, mark-to-market inclusions and deductions will be suspended during taxable years in which we are not a PFIC, but would resume if we subsequently become a PFIC. You are urged to consult your own tax advisor about the availability of making such a mark-to-market election.

Alternatively, a United States Holder of common shares or ADSs in a PFIC can sometimes avoid the rules described above by electing to treat the company as a qualified electing fund under Section 1295 of the Code. This option is not available to you because we do not intend to comply with the requirements necessary to permit you to make this election.

A United States Holder who owns common shares or ADSs during any year that we are a PFIC must file IRS Form 8621.

You should consult your own tax advisors concerning the United States federal income tax consequences of holding the common shares or ADSs if we are considered a PFIC in any taxable year.

### ***Argentine Personal Assets Taxes***

Amounts paid on account of the Argentine Personal Assets Taxes, if any, will not be eligible as a credit against your United States federal income tax liability, but may be deductible subject to applicable limitations in the Code.

### ***Information Reporting and Backup Withholding***

In general, information reporting requirements will apply to distributions on common shares or ADSs and to the proceeds of sale of a common share or ADS paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. Backup withholding may apply to such payments if you fail to provide a correct taxpayer identification number or certification or other exempt status or fail to report in full dividend and interest income.

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Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided you furnish the required information to the Internal Revenue Service.

### **Argentine Taxation**

The following discussion is a summary of certain Argentine tax considerations associated with an investment in, ownership or disposition of, the common share rights, the ADS rights, the common shares, or the ADSs by (i) an individual holder that is resident in Argentina, (ii) an individual holder that is neither domiciled nor resident in Argentina, (iii) a legal entity organized under the laws of Argentina, (iv) a permanent establishment in Argentina of a foreign entity and (v) a legal entity that is not organized under the laws of Argentina that does not have a permanent establishment in Argentina and is not otherwise doing business in Argentina on a regular basis. The discussion is for general information only and is based on current Argentine tax laws. Moreover, while this summary is considered to be a correct interpretation of existing laws in force as of the date of this filing, no assurance can be given that the courts or administrative authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws or interpretations will not occur.

**PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES ARISING UNDER ANY TAXING JURISDICTION.**

#### ***Taxation of Dividends***

Dividends, either in cash, common shares, or kind approved by our shareholders are currently exempt from Argentine withholding or other taxes.

Notwithstanding the foregoing, according to Argentine law, income tax will be applied to the amount of dividends distributed in excess of a company's net taxable income determined in accordance with general income tax regulations for the fiscal years preceding the date of the distribution of such dividends. The legislation requires that companies withhold 35% of the amount of distributed dividends in excess of the net taxable income of such distribution, as determined in accordance with the income tax law. The withholding would not be applied to the payment of future dividends derived out of retained earnings obtained in the fiscal years ended prior to December 30, 1998. Dividends distributed by an Argentine company are not subject to this tax to the extent that those dividends arise from dividend income or other distributions received by such company from other Argentine companies.

#### ***Taxation of Capital Gains***

Due to certain amendments made to the Argentine Income Tax Law, it is not entirely clear whether certain amendments concerning payment of income tax on capital gains arising from the sale, exchange, or other disposition of common shares are in effect or not. Although Opinion No. 351 of the National Treasury General Attorney Office clarified the legal status of certain matters affecting the tax treatment of capital gains certain issues still remain unclear.

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### ***Resident individuals***

*Under what we believe to be a reasonable interpretation of existing applicable tax laws and regulations: (i) income derived from the sale, exchange or other disposition of common share rights, ADS rights, common shares, or ADSs by resident individuals who do not sell or dispose of Argentine common shares on a regular basis would not be subject to Argentine income tax, and (ii) although there still exists uncertainty regarding this issue, income derived from the sale, exchange or other disposition of common share rights, ADS rights, common shares, or ADSs by resident individuals who sell or disposes of Argentine common shares on a regular basis should be exempt from Argentine Income Tax.*

### ***Foreign beneficiaries***

Capital gains obtained by non residents or foreign entities from the sale, exchange or other disposition of common share rights, ADS rights, common shares or ADSs are exempt from income tax. Pursuant to a reasonable interpretation of existing applicable laws and regulations, and although the matter is not completely free from doubt, such treatment should also apply to those foreign beneficiaries that qualify as offshore entities for Argentine tax law purposes. For this purpose, an offshore entity is any foreign legal entity which pursuant to its by-laws or to the applicable regulatory framework: (i) its principal activity is to invest outside the jurisdiction of its incorporation and/or (ii) cannot perform in such jurisdiction certain transactions.

### ***Local entities***

Capital gains obtained by Argentine entities (generally entities organized or incorporated under Argentine law, certain traders and intermediaries, local branches of non Argentine entities, sole proprietorships and individuals carrying on certain commercial activities in Argentina) derived from the sale, exchange or other disposition of common share rights, ADS rights, common shares or ADSs are subject to income tax at the rate of 35%. Losses arising from the sale of common share rights, ADS rights, common shares, or ADSs can be applied only to offset such capital gains arising from sales of common share rights, ADS rights, common shares or ADSs.

**WE RECOMMEND PROSPECTIVE INVESTORS TO CONSULT THEIR OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES CONCERNING THE SALE OR OTHER DISPOSITIONS OF THE COMMON SHARES OR ADSs.**

### ***Value Added Tax***

The sale, exchange, disposition, or transfer of common share rights, ADS rights, common shares, or ADSs is not subject to Value Added Tax.

### ***Personal Assets Tax***

Law No. 25,585 issued on April 24, 2002 and published in the Official Gazette on May 15, 2002 (and applicable to personal assets held as of December 31, 2002) introduces amendments to Law No. 23,966 and imposes the personal assets tax on common shares and ADSs held by individuals and undivided estates domiciled or located in Argentina or abroad and legal entities not domiciled in Argentina, separately from other assets.

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This amendment imposes the obligation to pay the personal assets tax on the Argentine private issuer of the common shares and ADSs, and authorizes it to seek recovery of the amount so paid, without limitation, by way of withholding or by foreclosing on the assets that gave rise to such payment. The tax is levied on the proportional equity value of the common shares as reflected in the most recent balance sheet closed as of December 31 of the taxable year, at the rate of 0.5% without any non-taxable minimum being applicable.

Our shareholders approved the absorption of personal asset tax by the Company for the years 2002 to 2010. There can be no assurance that in the future this tax will be absorbed by the Company.

### ***Tax on Minimum Notional Income (Impuesto a la Ganancia Mínima Presunta, IGMP )***

Companies domiciled in Argentina, partnerships, foundations, sole proprietorships, trusts, certain mutual funds organized in Argentina, and permanent business establishments owned by foreign persons, among other taxpayers, shall apply a 1% rate to the total value of assets held by such persons, above an aggregate nominal amount of Ps.200,000. Nevertheless, common shares and ADSs issued by entities subject to such tax are exempt from paying the IGMP.

### ***Gross Income Tax***

The gross income tax is a local tax; therefore, the rules of the relevant provincial jurisdiction should be considered, which may levy this tax on the purchase and sale, exchange or other disposition of common share rights, ADS rights, common shares, or ADSs, and/or the collection of dividends at an average rate of 3%, unless an exemption is applicable. In the particular case of the City of Buenos Aires, any transaction involving common shares and/or the collection of dividends and revaluations is exempt from this tax.

There is no gross profit tax withholding system applicable to the payments made to foreign beneficiaries.

### ***Stamp Tax***

The stamp tax is a local tax that is generally levied on the instrumentation of onerous acts executed within a certain provincial jurisdiction or outside a certain provincial jurisdiction but with effects in such jurisdiction; therefore, the rules of the relevant provincial jurisdiction should be considered for the issuance of instruments which implement onerous transactions (including issuance, subscription, placement and transfer) involving the common share rights, ADS rights, common shares or ADSs, executed in those jurisdictions, or with effects in those jurisdictions.

Notwithstanding, for the City of Buenos Aires, any instrument related to the transfer of shares which public offering is authorized by Comision Nacional de Valores is exempt from this tax.



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***Tax on Credits and Debits in Bank Accounts***

This tax is levied upon debits and credits in bank accounts and upon other transactions which, due to their special nature and characteristics, are similar or could be used in substitution for a checking account, such as payments on behalf of or in the name of third parties, procedures for the collection of securities or documents, drafts and transfers of funds made by any means, when these transactions are performed by local banks.

The tax law and its regulations provide several exemptions to this tax. For example, it does not apply to entities recognized as exempt from income tax, to debits and credits relating to salaries, to retirement and pension emoluments credited directly by banking means and withdrawals made in connection with such credits and to credits in checking accounts originating from bank loans.

The general rate of the tax is 0.6%. An increased rate of 1.2% applies in cases in which there has been a substitution for the use of a checking account.

Pursuant to Argentine Regulatory Decree 380/2001, as amended, 34% of the tax paid on credits levied at the 0.6% rate and 17% of the tax paid on transactions levied at the 1.2% rate can be used, to its exhaustion, as a credit against income tax, tax on minimum notional income and/or the special contribution on cooperative capital.

***Court and Other Taxes***

In the event that it becomes necessary to institute legal actions in relation to the common shares or ADSs in Argentina, a court tax (currently at a rate of 3.0%) will be imposed on the amount of any claim brought before the Argentine courts sitting in the City of Buenos Aires.

Argentina imposes neither an estate nor gift tax on a decedent, donor, legatee or donee. Notwithstanding the foregoing, Law No. 14.044 of Buenos Aires Province, issued on September 23, 2009 and published in the Official Gazette on October 16, 2009, imposes an estate and gift tax on a legatee or donee domiciled in Buenos Aires Province or over rights and goods located in this jurisdiction. This tax will be applicable since January 1, 2010 and has not been regulated by any fiscal authority yet.

No Argentine tax is imposed on the deposit or withdrawal of common shares in exchange for ADSs. Other than the taxes discussed above, no other Argentine taxes are applicable to an investment in common shares or ADSs. At present, there is no national tax specifically applicable to the transfer of securities.

***Tax Treaties***

Argentina has entered into tax treaties with several countries. There is currently no tax treaty or convention in effect between Argentina and the United States.

**F. DIVIDENDS AND PAYING AGENTS**

This section is not applicable

**G. STATEMENT BY EXPERTS**

This section is not applicable.

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**H. DOCUMENTS ON DISPLAY**

We file annual, quarterly and other information with the SEC. You may read and copy any document that we file at the public reference rooms of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. Our Internet address is <http://www.cresud.com.ar>. It should be noted that nothing on our website should be considered part of this annual report on Form 20-F. You may request a copy of these filings at no cost, by writing or calling the office at +54 (11)-4814-7800.

**I. SUBSIDIARY INFORMATION**

This section is not applicable.

**Item 11. Quantitative and qualitative disclosures about market risk**

In the normal course of business, we are exposed to commodity price, interest rate and exchange rate risks, primarily related to our integrated crop production activities and changes in exchanges and interest rates. We manage our exposure to these risks through the use of various financial instruments, none of which are entered into for trading purposes. We have established policies and procedures governing the use of financial instruments, specifically as it relates to the type and volume of them. The use of financial derivative instruments is oriented to our core business and is supervised by internal control policies.

The following discusses our exposure to these risks. This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors including those set forth in the risk factors section of this Annual Report. Uncertainties that are either non financial or unable to be quantified, such as political, economic, tax, other regulatory, or credit risks, are not included in the following assessment of our market risks.

***Interest Rate Risk***

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we maintain our portfolio of cash equivalents and short-term investments in a variety of securities, including both government and corporate obligations and money market funds.

Investments in both fixed rate and floating rate instruments carry varying degrees of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates. In general, longer dated securities are subject to greater interest rate risk than shorter dated securities. While floating rate securities are generally subject to less interest rate risk than fixed rate securities, floating rate securities may produce less income than expected if interest rates decrease. Due in part to these factors, our investment income may fall short of expectations or we may suffer losses in principal if securities that have declined in market value due to changes in interest rates are sold. To date, we have not utilized derivative financial instruments to hedge interest rate risk; however, there can be no assurance as to the employment of hedging strategies in the future.

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As of June 30, 2010 we had current investments of Ps.279 million. In view of the nature of our total portfolio, an immediate 100 BPs parallel shift change in the interest rate curve would not have a significant impact on the value of our investment portfolio.

***Foreign Exchange Risk***

Foreign currency exchange rate fluctuations could impact our cash flow in Pesos, since some of our products and inputs are payable in U.S. dollars. Although most of our liabilities are denominated in Pesos, a small percentage is in U.S. dollars, and fluctuations in the foreign currency exchange rate may affect us.

Foreign currency exchange restrictions imposed by the Argentine government in the future could prevent or restrict our access to U.S. dollars, thus affecting our ability to service our U.S. dollar-denominated liabilities. Also, fluctuations in the exchange rate between the Peso and the U.S. dollar may adversely affect the U.S. dollar equivalent of the Peso price of our common shares on the Buenos Aires Stock Exchange, and as a result would likely affect the market price of our ADSs in the United States.

We use derivative instruments from time to time to minimize our financing costs. However, we cannot assure you that we will be able to manage these risks in the future through a variety of strategies, including the use of hedging transactions. We do not use derivative instruments for speculative purposes.

As of June 30, 2010 we had a long position in FX non delivery Forwards of US\$14.1 million with an average price of 4.1129 Ps. per US\$ and an average tenor of 90 days and a short position in FX non delivery Forwards of US\$7.03 million with an average price of 4.0173 Ps. per US\$ and an average tenor of 11 days.

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|  | As of June 30, 2010   |        |        |        |        |            | Average<br>Interest<br>Rate |
|--|---|--------|--------|--------|--------|------------|-----------------------------|
|  | Expected contractual maturity date<br>(U.S.\$ Equivalent in millions) (4) |        |        |        |        |            |                             |
|  | FY2010  | FY2011 | FY2012 | FY2013 | FY2014 | Thereafter | Total (2)                   |
| Floating Rate Debt (US\$)                  |   |        |        |        |        |            |                             |
| Principal Payment and accrued interest (3) | 9.0   |        |        |        |        |            | 9.0                         |
| Principal Payment and accrued interest     | 31.8  |        |        |        |        |            | 31.8                        |
| Floating Rate Debt (Pesos) (1)             |   |        |        |        |        |            |                             |
| Principal Payment and accrued interest     | 75.0  |        |        |        |        |            | 75.0                        |

(1) Pesos-denominated loans were converted to Dollars at an exchange rate of Ps.3.931 per U.S. Dollar.

(2) Includes accrued interest.

(3) Corresponds to the Notes due 11/10/2009

(4) Seller financing not included

***Sensitivity to Exchange Rates and Interest Rates***

We estimate, based on the composition of our balance sheet as of June 30, 2010, that every variation in the exchange rate of Ps.0.10 against the U.S. dollars, plus or minus, would result in a variation of approximately Ps.4.08 million of our consolidated financial indebtedness.

We estimate, based on the composition of our balance sheet as of June 30, 2010, that every variation in the interest rate of 100 basis points, plus or minus, to our current floating-rate consolidated debt denominated in Pesos would result in a variation of approximately Ps. 2.95 million of interest expense on an annual basis, assuming no change in the principal amount of this indebtedness, on the other hand, every variation in the interest rate of 100 basis points, plus or minus, to our current floating-rate consolidated debt denominated in Dollars would result in a variation of approximately US\$ 0.41 million of interest expense on an annual basis, assuming no change in the principal amount of this indebtedness

This sensitivity analysis provides only a limited, point-in-time view of the market risk sensitivity of certain of our financial instruments. The actual impact of our market foreign exchange rate and/or interest rate changes on our financial instruments may differ significantly from the impact shown in the sensitivity analysis.

**Table of Contents****Commodity Price Risk and Derivative Financial Instruments**

We use derivative instruments to hedge risks arising out of our core agribusiness operations. We use a variety of commodity-based derivative instruments to manage our exposure to price volatility stemming from its integrated crop production activities. These instruments consist mainly of crop forwards, future contracts and put and call option contracts. Contract positions are designed to ensure that we will receive a defined minimum price for certain quantities of our production. The counterparties to the forwards generally are major financial institutions. In entering into these contracts, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts.

We usually cover up to 40% of our crop production in order to finance our operating costs. The hedge consists of taking positions on purchased puts or sold futures and calls that assure a fixed exit price. In the past, we have never kept a short position greater than our crop inventories. From time to time we may keep an additional long position in derivatives to improve the use of land and capital allocation (i.e., the use of land for rent). It is not our current intention to be exposed in a long derivative position in excess of 50% of our real production.

Derivative financial instruments involve, to a varying degree, elements of market and credit risk not recognized in our financial statements. The market risk associated with these instruments resulting from price movements is expected to offset the market risk of the underlying transactions, assets and liabilities, being hedged. The counterparties to the agreements relating to our forwards contracts generally are large institutions with credit ratings equal to or higher than ours. We continually monitor the credit rating of such counterparties and seek to limit our financial exposure to any one financial institution. While the contract or notional amounts of derivative financial instruments provide one measure of the volume of these transactions, they do not represent the amount of our exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of counterparties to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed our obligations to the counterparties.

**Futures and Options**

At June 30, 2010, we had outstanding futures, forwards and options as follows:

| Cereal / Currency | Tons          | Deposit/Cost<br>(Ps.) | Premium paid or<br>(collected) | Option Market<br>Value as of<br>06/30/10<br>(Ps.) | Market Value (loss) for<br>valuation at year-end at<br>fair value |
|-------------------|---------------|-----------------------|--------------------------------|---|---|
| <b>Futures</b>    |               |                       |                                |   |   |
| Purchase          |               |                       |                                |   |   |
| US\$              |               |                       |                                |   | (a) (178)   |
| Sell              |               |                       |                                |   |   |
| Corn              | 4,600         | 125                   |                                |   | (97)  |
| Soybean           | 30,000        | 1,167                 |                                |   | (121)   |
| US\$              |               |                       |                                |   | (b) 511   |
| <b>Options</b>    |               |                       |                                |   |   |
| Purchase          |               |                       |                                |   |   |
| Call              |               |                       |                                |   |   |
| Soybean           | 22,200        | 1,248                 | (678)                          | (555)   | 123   |
| Corn              | 2,000         | 71                    | (39)                           | (40)  | (1)   |
| <b>Total</b>      | <b>58,800</b> | <b>2,611</b>          | <b>(717)</b>                   | <b>(595)</b>                                      | <b>237</b>  |

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- a) Corresponds to a future of purchase of US\$ 2.7 million in Standard Bank with mature date on July 30, 2010. Losses generated as of June 30, 2010 are included in Financial Results, net of the Statement of Income.
- b) Corresponds to a future sell of US\$ 9.8 million composed: (i) US\$ 2.7 million in Standard Bank with mature date on July 30, 2010(ii) US\$ 7.1 million in Banco Santander Rio with mature date on December 15, 2010. Gain generated as of June 30, 2010 is included in Financial Results, net of the Statement of Income.

The deposits/costs on open futures and options as of June 30, 2010, were Ps.2.6 million, and futures generated an unrealized profit of Ps.0.1 million. The premiums paid for open options as of June 30, 2010, were Ps.0.7 million; the market value of such options was of Ps.0.6 million. The options resulted in an unrealized profit of Ps.0.1 million. The total unrealized profit on open futures and options was Ps.0.2 million as of June 30, 2010.

The fair value of our futures and options contracts is determined by calculating the market value of futures contracts, the market value of options acquired and sold and the margin deposits of these contracts. We use valuation models only for internal analysis. Therefore, figures set forth in our tables reflect real market prices used for pricing portfolio.

We combine our options operations with our futures operations, only as a means of reducing the exposure towards the decrease of the prices of our products, as being a producer means that the price is uncertain until the time our products are harvested and sold.

In its capacity as broker under secured agreements, Futuros y Opciones.Com S.A. assumes before the purchaser the obligation to perform the contract in the event the seller fails to deliver the goods. Such performance is implemented by returning any undelivered amounts agreed under the transaction as well as any price differences that may arise between the price for which the contract was closed and the price of the goods as of the date of its termination.

As of June 30, 2010, the balance of brokerage transactions carried out under secured agreements that were pending delivery within the agreed contractual terms, amounted to Ps.9,498.

As of June 30, 2010, there are no unfulfilled contracts in which futures and Opciones.Com SA has been claimed in its capacity as guarantor.

**Quantitative and qualitative disclosures about our subsidiary IRSA s market risk**

In the normal course of business, IRSA is exposed to interest rate and exchange rate risks, primarily related to changes in exchanges and interest rates. IRSA manages its exposure to these risks through the use of various financial instruments, none of which are entered into for trading purposes. IRSA has established policies and procedures governing the use of such financial instruments. The use of financial derivative instruments is oriented to our core business and is supervised by internal control policies.

The following discusses IRSA s exposure to these risks. This discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results could vary materially as a result of a number of factors including those set forth in the risk factors section of these Form 20-F. Uncertainties that are either nonfinancial or no quantifiable, such as political, economic, tax, other regulatory, or credit risks, are not included in the following assessment of our market risks.

**Table of Contents****Interest Rate Risk**

The primary objective of IRSA's investment activities is to preserve capital while maximizing yields without significantly increasing risk. To achieve this objective, IRSA maintains its portfolio of cash equivalents and short-term investments in a variety of securities, including both government and corporate obligations and money market funds.

Investments in both fixed rate and floating rate instruments carry varying degrees of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates. In general, longer dated securities are subject to greater interest rate risk than shorter dated securities. While floating rate securities are generally subject to less interest rate risk than fixed rate securities, floating rate securities may produce less income than expected if interest rates decrease. Due in part to these factors, our investment income may fall short of expectations or we may suffer losses in principal if securities that have declined in market value due to changes in interest rates are sold. To date, we have not utilized derivative financial instruments to hedge interest rate risk; however, there can be no assurance as to the employment of hedging strategies in the future.

As of June 30, 2010 IRSA had current investments of Ps.259.2 million. In view of the nature of its total portfolio, an immediate 100 BPs parallel shift change in the interest rate curve would not have a significant impact on the value of our investment portfolio.

IRSA is also exposed to changes in interest rates primarily as a result of our borrowing activities, which include short-term borrowings, and other floating-rate long-term debt used to maintain liquidity and fund our business operations.

**Foreign Exchange Risk**

Foreign currency exchange rate fluctuations could impact IRSA's cash flow in Pesos, since some of its products and inputs are payable in U.S. Dollars.

Foreign currency exchange restrictions imposed by the Argentine government in the future could prevent or restrict our access to U.S. Dollars, thus affecting our ability to service our U.S. Dollar-denominated liabilities. Also, fluctuations in the exchange rate between the Peso and the U.S. Dollar may adversely affect the U.S. Dollar equivalent of the Peso price of our common shares on the Buenos Aires Stock Exchange, and as a result would likely affect the market price of our GDSs in the United States.

**IRSA's Indebtedness**

|  | As of June 30, 2010                    |        |        |        |        |            | Total  | Fair Value (6) | Average Interest Rate |
|--|--|--------|--------|--------|--------|------------|--------|----------------|-----------------------|
|  | Expected contractual maturity date (5) |        |        |        |        |            |        |                |                       |
|  | FY2011                                 | FY2012 | FY2013 | FY2014 | FY2015 | Thereafter |        |                |                       |
|  | (U.S.\$ Equivalent in millions)        |        |        |        |        |            |        |                |                       |
| Fixed rate debt (US\$):                    |  |        |        |        |        |            |        |                |                       |
| Principal payment and accrued interest (1) | 5.19                                   |        |        |        |        | 150.01     | 155.20 | 145.46         | 8.5%                  |
| Principal payment and accrued interest (2) | 12.16                                  | 6.72   | 6.72   |        |        |            | 25.59  | 25.59          | 11.6%                 |
| Floating rate debt (Pesos)(3):             |  |        |        |        |        |            |        |                |                       |
| Principal payment (4)                      | 89.49                                  |        |        |        |        |            | 89.49  | 89.49          | 11.30%                |

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- (1) Corresponds to the notes due 2017.
- (2) Dollar-denominated bank loan.
- (3) Pesos-denominated loans were converted to Dollars at an exchange rate of Ps.3.931 per U.S. Dollar.
- (4) Corresponds to short term bank loans.
- (5) Seller financing not included.
- (6) Includes accrued interest.

**APSA s Indebtedness**

**As of June 30, 2010**  
**Expected contractual maturity date (10)**

| Significant liabilities                       | FY2011                              | FY2012 | FY2013 | FY2014 | FY2015 | Thereafter | Total | Fair Value (9) | Average Interest Rate |
|---|-------------------------------------|--------|--------|--------|--------|------------|-------|----------------|-----------------------|
|   | (U.S.\$ Equivalent in millions) (8) |        |        |        |        |            |       |                |                       |
| <b>Fixed rate debt (US\$) :</b>               |                                     |        |        |        |        |            |       |                |                       |
| Principal payment and accrued interest(2)     | 2.1                                 |        |        | 47.2   |        |            | 49.3  | 321.0          | 10%                   |
| Principal payment and accrued interest(3) (8) | 1.3                                 |        |        |        |        | 120.0      | 121.3 | 110.5          | 7.88%                 |
| Principal payment and accrued interest (4)    | 6.6                                 |        |        |        |        |            | 6.6   | 6.6            | 6.75%                 |
| Principal payment (5)                         | 0.03                                |        |        |        |        |            | 0.03  | 0.03           |                       |
| <b>Fixed rate debt (Ps.)(1):</b>              |                                     |        |        |        |        |            |       |                |                       |
| Principal payment and accrued interest(6)(8)  | 11.4                                | 11.2   |        |        |        |            | 22.6  | 20.3           | 11%                   |
| <b>Variable rate debt (Ps.)(1):</b>           |                                     |        |        |        |        |            |       |                |                       |
| Principal payment and accrued interest(7)     | 14.4                                |        |        |        |        |            | 14.4  | 14.4           | 12.90%                |
| Principal payment (5)                         | 12.4                                |        |        |        |        |            | 12.4  | 12.4           |                       |

- (1) Pesos-denominated loans were converted to Dollars at an exchange rate of Ps.3.931 per U.S. Dollar.
- (2) Corresponds to convertible notes.
- (3) Corresponds to the series I notes due 2017. Debt issuance cost not included.
- (4) Corresponds to the series IV notes due 2011.
- (5) Corresponds to short term bank loans.
- (6) Corresponds to the series II notes due 2012.
- (7) Corresponds to the series III notes due 2011.
- (8) Repurchased notes have not been deducted.
- (9) Includes accrued interest.
- (10) Seller financing not included.

**Sensitivity to Exchange Rates and Interest rates**

As of the date of Annual Report, IRSA has floating rate debt and an upward shift of 100 bps in the general interest rate level would imply an increase of Ps.3.52 million in IRSA s interest expense. In addition, an upward shift of 100 Bps in the general interest rate level would imply an increase of Ps.0.57 million in Alto Palermo s interest expense from short term floating debt and an increase of Ps.0.49 million in Alto Palermo s interest expense from its floating rate notes.

On the other hand, as of the date of this annual report IRSA s outstanding indebtedness represented by its notes due 2017 accrues interest at a fixed rate of 8.5% per year. As of June 30, 2010, the fair market value in Pesos equivalent of these notes was Ps.571.8 million (includes accrued interest). As a measure of sensitivity, an upward shift of 100 bps in the general interest rate level would imply a decrease of 4.4% in its fair market value. In addition, Alto Palermo s Series I fair market value tends to drop 4.7% and Series II 0.7% per 100 Bps of increase in interest rate levels.



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Besides, a change of 1% in Ps. / US\$ exchange rate would imply a Ps.5.9 million change in the Peso equivalent of our debt face value and would increase IRSA's interest expenses in Ps.0.5 million annually. In addition, a change of 1% in Ps. / US\$ exchange rate would imply a Ps.4.7 million change in the Peso equivalent of Alto Palermo's debt face value and would increase its interest expense in Ps.0.4 million annually.

IRSA is also exposed to changes in interest rates as a result of Tarshop's retained interests in securitized credit receivables, whose fair value depends, among other factors, on the TDFs interest rate. Under securitization programs, TDFs pay the variable interest rate published by the Argentine Central Bank, known as "BADLAR", plus a fixed rate spread. This spread level is set according to the general market conditions at the time of issuance.

Both TDFs A and B have different cap floor settings in order to mitigate interest rate exposure. Regarding to the fair value calculation, revolving series have less interest rate risk than non revolving series.

This sensitivity analysis provides only a limited, point-in-time view of the market risk sensitivity of certain of our financial instruments. The actual impact of our market foreign exchange rate and/or interest rate changes on our financial instruments may differ significantly from the impact shown in the sensitivity analysis.

**Item 12. Description of securities other than equity securities**

**A. Debt Securities**

This item is not applicable

**B. Warrants and Rights**

This item is not applicable

**C. Other Securities**

This item is not applicable

**D. American Depositary Shares**

The Bank of New York Mellon, as depositary for the ADSs (the "Depositary") collects its fees for delivery directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal. The Depositary also collects taxes and governmental charges from the holders of ADSs. The Depositary collects these fees and charges by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees (after attempting by reasonable means to notify the holder prior to such sale).

The Depositary has agreed to reimburse or pay on behalf of the Company, certain reasonable expenses related to our ADS program and incurred by us in connection with the program (such as NASDAQ listing fees, legal and accounting fees incurred with preparation of Form 20-F and ongoing SEC compliance and listing requirements, distribution of proxy materials, investor relations expenses, etc). The Depositary has covered all such expenses incurred by us during 2010 for an amount of US\$340,750.

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The amounts the Depository reimbursed or paid are not perforce related to the fees collected by the depository from ADS holders.

The following charges shall be incurred by any party depositing or withdrawing shares or by any party surrendering receipts or to whom receipts are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the receipts or deposited securities or distribution, whichever applicable: (1) taxes and other governmental charges, (2) such registration fees as from time to time be in effect for the registration of transfers of shares generally on the share register of the Company and applicable to transfers of shares to the name of the Depository or its nominee or the custodian or its nominee on the making of deposits or withdrawals, (3) such cable, telex and fax transmission expense, (4) such expenses as are incurred by the Depository in the conversion of foreign currency, (5) a fee of not in excess of US\$5.00, per 100 ADS (or portion) for the execution and delivery of receipts under certain sections of the depository agreement, (6) a fee not in excess of US\$0.20 per ADS (or portion) for any cash distribution.

## **PART II**

### **Item 13. Defaults, dividend arrearages and delinquencies**

This section is not applicable.

### **Item 14. Material modifications to the rights of security holders and use of proceeds**

A. This section is not applicable.

B. This section is not applicable.

C. This section is not applicable.

D. This section is not applicable.

E. This section is not applicable.

### **Item 15. Controls and procedures**

#### **A. DISCLOSURE, CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file or submit under the Securities and Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer, Chief Financial Officer and Chief Administrative Officer, as appropriate, to allow timely decisions regarding required disclosure. In connection with the preparation of this Annual Report on Form 20-F, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Chief Administrative Officer of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2010. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of fiscal year 2010.

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**B. MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING.**

The management of CRESUD S.A.C.I.F y A. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles.

Management assessed the effectiveness of the our internal control over financial reporting as of June 30, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on this assessment and the criteria set forth in Internal Control - Integrated Framework, management concluded that, as of the end of fiscal year 2010, our internal control over the financial reporting was effective.

**C. ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING  
FIRM.**

The Company's independent registered public accounting firm, Price Waterhouse & Co. S.R.L., Buenos Aires, Argentina -member firm of PricewaterhouseCoopers-, has issued an attestation report on the effectiveness of the our internal control over financial reporting, as stated in their report included herein. See Report of Independent Registered Public Accounting Firm .

**D. CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING.**

During the period covered by this report, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 16.**

**A. AUDIT COMMITTEE FINANCIAL EXPERT**

In our annual ordinary shareholders' meeting held on October 31, 2003, the audit committee was unanimously approved. Pursuant to this plan, the board of directors had to appoint the members of the audit committee who hold expertise in corporate administration, finance and accounting.

Our board of directors established an audit committee which would assist the Board in exercising its duty of care on disclosure requirements, the enforcement of accounting policies, management of our business risks, the management of our internal control systems, ethical conduct of the company's businesses, monitoring the sufficiency of our financial statements, the company's compliance with laws, independence and capacity of independent auditors and performance of our internal audit duties both by our company and our external auditors.

On November 3, 2008, our board of directors officially appointed Jorge Oscar Fernández, Daniel Mellicovsky, and Pedro Damaso Labaqui Palacio, all of them independent members, as members of the audit committee. Jorge Oscar Fernández is the financial expert in accordance with the relevant SEC rules. We have a fully independent audit committee as per the standard provided in Rule 10(A)-3(b)(1).

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**B. CODE OF ETHICS**

We have adopted a code of ethics that applies to our directors, officers and employees. On July 25, 2005, our Code of Ethics was amended by our board of directors. The reformed Code was filed in a Form 6K filing on August 1, 2005 and is available on our web site <http://www.cresud.com.ar>.

If we make any substantive amendment to the code of ethics or if we grant any waivers, including any implicit waiver, from a provision of the code of ethics, we will disclose the nature of such amendment or waiver in a Form 6-K or in our next Forms 20-F to be filed with the SEC.

**C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

**Audit Fees**

During fiscal years ended June 30, 2010 and 2009, we were billed a total amount of Ps. 6.03 million and Ps. 6.69 million respectively, for professional services rendered by our principal accountants for the audit of our financial statements and other services normally provided in connection with regulatory filings or engagements.

**Audit-Related Fees**

During fiscal year ended June 30, 2010 and 2009 we were billed a total amount of Ps. 0.03 million and Ps. 1.26 million respectively for professional services rendered by our principal accountants for other services related to the audit of our financial statements and other services normally provided in connection with regulatory filings or engagements.

**Tax Fees**

During the fiscal year ended June 30, 2010, we were not billed for other fees for professional services rendered by our principal accountants for tax compliance, tax advice and tax planning. And during the fiscal year ended June 30, 2009 we were billed a total amount of Ps.0.17 million for professional services rendered by our principal accountants for tax compliance, tax advice and tax planning.

**All Other Fees**

During fiscal year ended June 30, 2010 and 2009, we were billed a total amount of Ps. 0.34 million and Ps. 0.01 million, respectively, for other fees for professional services rendered by our principal accountants including fees mainly related to special assignments and courses.

**Audit Committee Pre-Approval Policies and Procedures**

Our audit committee approves, in advance, the engagement of auditors and their fees for audit and non-audit services pursuant to paragraph (c)(7)(i)(c) of Rule 2-01 of Regulation S-X.

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Our Audit Committee pre-approves all services, fees and services provided by the external auditors to ensure auditors' independence. One of the main tasks of the Audit Committee is to give its opinion in relation to the appointment of the external auditors, proposed by the Board of Directors to the General Shareholders Meeting. In order to accomplish such task, the Audit Committee shall:

Require any additional and complementary documentation related to this analysis;

Verify the independence of the external auditors;

Analyze different kinds of services that the external auditor would provide to the company. This description must also include an estimate of the fees payable for such services, specifically in order to maintain the principle of independence;

Inform the fees billed by the external auditor, separating the services related to the Audit Committee and other special services that could be not included as fees related to the Audit Committee;

Take notice of any strategy proposed by the external auditors and review it in accordance with the reality of other business and the risks involved;

Analyze and supervise the working plan of the external auditors considering the business reality and the estimated risks;

Propose adjustments (if necessary) to such working plan;

Hold meetings with the external auditors in order to: (a) analyze the difficulties, results and conclusions of the proposed working plan; (b) analyze eventual possible conflicts of interests, related party transactions, compliance with the legal framework and information transparency;

Evaluate the performance of external auditors and their opinion regarding the Financial Statements.

### **D. EXEMPTION FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

This section is not applicable.

### **E. PURCHASERS OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED**

#### **PURCHASERS**

##### **Issuer Purchases of Equity Securities**

On August 26, 2008, our Board of Directors decided to establish the terms of the share repurchase plan under the provisions of Section 68 of Law 17,811 (added by Decree number 677/2001) and the Rules of the *Comisión Nacional de Valores*, in order to help reduce the decline and fluctuations of quotation prices and strengthen its shares in the market. There have been signs of distortion in the price of shares when considering the Company's financial strength based on the quality of its assets, including the lands of great productive value and appreciation potential, and the productive business developed by Cresud in Argentina and other Latin American countries.



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During fiscal year 2009, purchases of own shares amounted to 30,000,000 common shares, for which the Company paid US\$ 21.0 million and Ps.1.7 million, thus fulfilling the terms and conditions of the share repurchase plan. As a result, by end of Fiscal Year 2009 the Company's investment in own shares amounted to 5.98% of total capital stock.

| Period            | Total Number of Shares Purchased | Average Price Paid per Share (Ps.) | Total Number of Shares Purchased as Part of the Publicly Announced Plan | Maximum Number of Shares that may be yet in Purchased under the plan |
|-------------------|----------------------------------|------------------------------------|---|--|
| 08/29/08 08/31/08 | 31,000                           | 3.38                               | 31,000  | 9,969,000  |
| 09/01/08 09/30/08 | 2,122,886                        | 3.36                               | 2,153,886   | 7,846,114  |
| 10/01/08 10/31/08 | 9,650,493                        | 2.03                               | 11,804,379  | 18,195,621   |
| 11/01/08 11/30/08 | 5,756,140                        | 2.02                               | 17,560,519  | 12,439,481   |
| 12/01/08 12/31/08 | 4,382,783                        | 2.63                               | 21,943,302  | 8,056,698  |
| 01/01/09 01/31/09 | 2,047,461                        | 2.94                               | 23,990,763  | 6,009,237  |
| 02/01/09 02/28/09 | 2,173,860                        | 2.70                               | 26,164,623  | 3,835,377  |
| 03/01/09 03/31/09 | 563,692                          | 2.61                               | 26,728,315  | 3,271,685  |
| 04/01/09 04/30/09 | 428,052                          | 2.91                               | 27,156,367  | 2,843,633  |
| 05/01/09 05/31/09 | 2,843,633                        | 3.45                               | 30,000,000  |  |
| <b>Total</b>      | <b>30,000,000</b>                |                                    |   |  |

On November 13, 2009, our Board of Directors, in accordance with the resolutions of the Shareholders Meeting dated October 29, 2009, decided to initiate the process of distribution among the shareholders, on a pro rata basis, of 25,000,000 of our own ordinary shares, acquired by us during the fiscal period 2008-2009. The allotment of shares was calculated over the outstanding capital stock up to October 29, 2009 of Ps-471,538,610 (0.05301792784 shares per ADR). The treasury shares were duly distributed and allotted. As a result of the calculation of the allotment, the fractions were settled in cash. 754 shares were not distributed, which are held as treasury shares.

As a result, as of June 30, 2010 our investment in own shares amounted to 1.0% of our total capital stock.

**F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

This section is not applicable.

**G. CORPORATE GOVERNANCE.****Compliance with NASDAQ listing standards on corporate governance**

Cresud corporate governance practices are governed by the applicable Argentine law; particularly, the Argentine Corporation Law No. 19,550, Decree No. 677/2001 and the Standards of the *Comisión Nacional de Valores*, as well as by its corporate by-laws.

Cresud has securities that are registered with the Securities and Exchange Commission and are listed on the NASDAQ, and is therefore subject to corporate governance requirements applicable to NASDAQ-listed non-US companies (a NASDAQ-listed company).

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Pursuant to NASDAQ Rule 5615(a)(3), NASDAQ -listed non-US companies that are categorized as Foreign Private Issuers and may follow home country corporate governance practice in lieu of the requirements of Rule 5615(a)(3), provided that the foreign private issuer complies with certain mandatory sections of Rule 5615(a)(3), discloses each requirement of Rule 5615(a)(3) that it does not follow and describes the home country practice followed in lieu of such requirement.



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The requirements of Rule 5615( a)( 3) and the Argentine corporate governance practice that we follow in lieu thereof are described below:

**NASDAQ Standards for US companies**

**Rule 5250(d) - Distribution of Annual and**

**Interim Reports.**

**CRESUD S CORPORATE PRACTICES**

In lieu of the requirements of Rule **5250(d)**, we follow Argentine law, which requires that companies issue publicly a Spanish language annual report, including annual audited consolidated financial statements prepared in accordance with generally accepted accounting principles in Argentina, by filing such annual report with the *Comisión Nacional de Valores* and the Buenos Aires Stock Exchange, within 70 calendar days following the close of our fiscal year. Interim reports must be filed with the *Comisión Nacional de Valores* and the Buenos Aires Stock Exchange within 42 calendar days following the close of each fiscal quarter. The Buenos Aires Stock Exchange publishes the annual reports and interim reports in the Buenos Aires Stock Market Bulletin and makes the bulletin available for inspection at its offices. In addition, we provide our shareholders annual and interim financial reports upon request. English language translations of our annual reports and interim reports are filed with the SEC on Form 20-F and Form 6K, respectively. We also send the English language translation of our annual report and quarterly press releases related to the interim financial and operating results to the *Comisión Nacional de Valores* which posts them on its website. Furthermore, under the terms of the Deposit Agreement, dated as of March 18, 1997, among us, The Bank of New York, as depositary, and owners of ADSs issued thereunder, we are required to furnish The Bank of New York with, among other things, English language translations of our annual reports. Annual reports are available for inspection by ADR holders at the offices of The Bank of New York located at, 101 Barclay Street, 22<sup>nd</sup> Floor, New York, New York. Finally, Argentine law requires that 20 calendar days before the date of a shareholders meeting, the board of directors must provide to our shareholders, at our executive office or through electronic means, all information relevant to the shareholders meeting, including copies of any documents to be considered by the shareholders (which includes the annual report).

**Rule 5605(b)(1) - Majority of Independent**

**Directors.**

In lieu of the requirements of Rule 5605(b)(1), we follow Argentine law which does not require that a majority of the board of directors be comprised of independent directors. Argentine law instead

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**NASDAQ Standards for US companies**

**CRESUD S CORPORATE PRACTICES**

requires that public companies in Argentina must have a sufficient number of independent directors to be able to form an audit committee of at least three members, the majority of which must be independent pursuant to the criteria established by the *Comisión Nacional de Valores*.

**Rule 5605(b)(2) - Executive Sessions of the Board of Directors.**

In lieu of the requirements of Rule 5605(b)(2), we follow Argentine law which does not require independent directors to hold regularly scheduled meetings at which only such independent directors are present (i.e., executive sessions). Our board of directors as a whole is responsible for monitoring our affairs. In addition, under Argentine law, the board of directors may approve the delegation of specific responsibilities to designated directors or non-director managers. Also, it is mandatory for public companies to form a supervisory committee (composed of *syndics*) which is responsible for monitoring our legal compliance under Argentine law and compliance with our by-laws. Finally, our audit committee has regularly scheduled meetings and, as such, such meetings will serve a substantially similar purpose as executive sessions.

**Rule 5605(d)(B) - Compensation of Officers.**

In lieu of the requirements of Rule 5605(d)(B), we follow Argentine law which does not require companies to form a compensation committee comprised solely of independent directors. For the determination of the compensation of the chief executive officer and all other executive officers no decision of a majority of independent directors or a compensation committee comprised solely of independent directors is required under Argentine law. Under Argentine law, the board of directors is the corporate body responsible for determining the compensation of the chief executive officer and all other executive officers, so long as they are not directors. In addition, under Argentine law, the audit committee shall give its opinion about the reasonableness of management's proposals on fees and option plans for our directors or managers.

**Rule 5605(e) - Nomination of Directors.**

In lieu of the requirements of Rule 5605(e), we follow Argentine law which requires that directors be nominated directly by the shareholders at the shareholders' meeting and that they be selected and recommended by the shareholders themselves. Under Argentine law, it is the responsibility of the ordinary shareholders' meeting to appoint and remove directors and to set their compensation.

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**NASDAQ Standards for US companies**

**Rule 5605(c)(1) - Audit Committee Charter.**

**CRESUD S CORPORATE PRACTICES**

In lieu of the requirements of Rule 5605(c)(1), we follow Argentine law which requires that audit committees have a charter but does not require that companies certify as to the adoption of the charter nor does it require an annual review and assessment thereof. Argentine law instead requires that companies prepare a proposed plan or course of action with respect to those matters which are the responsibility of our audit committee. Such plan or course of action could, at the discretion of our audit committee, include a review and assessment of the audit committee charter. We believe that we are in compliance with the requirements for audit committee charters provided for in the Sarbanes Oxley Act.

**Rule 5605(c)(2) - Audit Committee Composition.**

Argentine law does not require that companies have an audit committee comprised solely of independent directors and it is equally not customary business practice in Argentina to have such a committee. Argentine law instead requires that companies establish an audit committee with at least three members comprised of a majority of independent directors as defined by Argentine law. Nonetheless, although not required by Argentine law, hawse have a three member audit committee comprised of entirely independent directors in accordance with Rule 10(A)-3(b)(1) of the General rules and regulations promulgated under the Securities Exchange Act of 1934, as independence is defined in Rule 10(A)-3(b)(1). Further, Argentine law does not require companies to identify or designate a financial expert. As such, Although all the members of the audit committee have large corporate experience, as of the date of this annual report, the Board of Directors have not named designated a financial expert in accordance with the relevant SEC rules on the audit committee. Although it is noted that all members of the audit committee have had significant corporate experience. In addition, hawse have a supervisory committee ( comisión fiscalizadora ) composed of three syndics which are in charge of monitoring the legality, under Argentine law, of the actions of our board of directors and the conformity of such actions with our by-laws.

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**NASDAQ Standards for US companies**

**Rule 5620(c) - Quorum.**

**CRESUD S CORPORATE PRACTICES**

In lieu of the requirements of Rule 4350(f), we follow Argentine law and our bylaws, which distinguish between ordinary meetings and extraordinary meetings and require, in connection with ordinary meetings, that a quorum consist of a majority of stocks entitled to vote. If no quorum is present at the first meeting, a second meeting may be called, in which the shareholders present, regardless of their number, constitute a quorum. Resolutions may be adopted by an absolute majority of the votes present. Argentine law, and our bylaws, requires in connection with extraordinary meetings, that a quorum consist of 60% of the stock entitled to vote. However, if such quorum is not present at the first meeting, our bylaws provide that a second meeting may be called and may be held with the number of shareholders present. In both ordinary and extraordinary meetings, decisions are adopted by an absolute majority of votes present at the meeting, except for certain fundamental matters (such as mergers and spin-offs (when we are not the surviving entity and the surviving entity is not listed on any stock exchange), anticipated liquidation, change in its domicile outside of Argentina, total or partial recapitalization of its statutory capital following a loss, any transformation in our corporate legal form or a substantial change in our corporate purpose, or the issue of bonds) which require an approval by vote of the majority of all the stock entitled to vote (all stock being entitled to only one vote).

**Rule 5620(b) - Solicitation of Proxies.**

In lieu of the requirements of Rule 5620(b), we follow Argentine law which requires that notices of shareholders meetings be published, for five consecutive days, in the Official Gazette and in a widely published newspaper in Argentina no earlier than 45 calendar days prior to the meeting and at least 20 calendar days prior to such meeting. In order to attend a meeting and be listed on the meeting registry, shareholders are required to submit evidence of their book-entry share account held at Caja de Valores up to three business days prior to the scheduled meeting date. If entitled to attend the meeting, a shareholder may be represented by proxy (properly executed and delivered with a certified signature) granted to any other person, with the exception of a director, syndic, member of the Comisión fiscalizadora,

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**NASDAQ Standards for US companies**

**CRESUD S CORPORATE PRACTICES**

manager or employee of the issuer, which are prohibited by Argentine law from acting as proxies. In addition, our ADS holders receive, prior to the shareholders' meeting, a notice listing the matters on the agenda, a copy of the annual report and a voting card.

**Rule 5630(s) - Conflicts of Interest**

In lieu of the requirements of Rule 5630(a), we follow Argentine law which requires that related party transactions be approved by the audit committee when the transaction exceeds one percent (1%) of the corporation's net worth, measured pursuant to the last audited balance sheet, so long as the relevant transaction exceeds the equivalent of three hundred thousand Argentine Pesos (Ps. 300,000). Directors can contract with the corporation only on an arm's length basis. If the contract is not in accordance with prevailing market terms, such transaction must be pre-approved by the board of directors (excluding the interested director). In addition, under Argentine law, a shareholder is required to abstain from voting on a business transaction in which its interests may be in conflict with the interests of the company. In the event such shareholder votes on such business transaction and such business transaction would not have been approved without such shareholder's vote, such shareholder may be liable to the company for damages and the resolution may be declared void.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

We have responded to Item 18 in lieu of responding to this Item.

**ITEM 18. FINANCIAL STATEMENTS**

Reference is made to pages F-1 through F-344.

Index to Financial Statements (see page F-1).

**Table of Contents****ITEM 19. EXHIBITS**

| <b>Exhibit No.</b> | <b>Description of Exhibit</b>  |
|--------------------|--|
| 1.1*               | By-laws ( <i>Estatutos</i> ) of the registrant, which serve as the registrant's articles of incorporation and by-laws, and an English translation thereof.     |
| 1.2****            | English translation of the amendment to the bylaws.  |
| 4.1*               | Consulting Agreement among Cresud S.A.C.I.F. y A. and Dolphin Fund Management S.A. dated October 25, 1994.   |
| 4.2**              | Agreement for the exchange of Corporate Service between the Company, IRSA and Alto Palermo, dated June 30, 2004.   |
| 4.3****            | English translation of the Amendment to the Agreement for the exchange of Corporate Service between the Company, IRSA and Alto Palermo, dated August 23, 2007. |
| 4.4*****           | English translation of the Third Agreement for the Implementation of the Amendment to the Corporate Services Master Agreement, dated November 27, 2009.        |
| 4.5                | Amendment to the Agreement for the exchange of Corporate Service between the Company, IRSA and Alto Palermo, dated March 12, 2010.                             |
| 8.1                | List of Subsidiaries.  |
| 11.1***            | Code of Ethics of the Company.   |
| 12.1               | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Chief Executive Officer.   |
| 12.2               | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Chief Financial Officer.   |
| 13.1               | Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Chief Executive Officer.                    |
| 13.2               | Certification pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Chief Financial Officer.                    |

\* Incorporated herein by reference to the exhibit to the registrant's registration statement on Form F-1 (File No. 333-06548) filed with the SEC on March 3, 1997.

\*\* Incorporated herein by reference to the report statement on Form 6-K (File No. 333-06548) filed with the SEC on July 1, 2004.

\*\*\* Incorporated herein by reference to the registrant's report on Form 6-K (File No. 333-06548) filed with the SEC on August 1, 2005.

\*\*\*\* Incorporated herein by reference to the annual report on Form 20-F (File No. 333-06548) filed with the SEC on December 27, 2007.

\*\*\*\*\* Incorporated herein reference to the annual report on Form 20-F (File No. 333-06548) filed with the SEC on December 30, 2010.

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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Form 20-F on its behalf.

**CRESUD SOCIEDAD ANÓNIMA  
COMERCIAL INMOBILIARIA  
FINANCIERA Y AGROPECUARIA**

*/s/ ALEJANDRO G. ELSZTAIN*  
**Alejandro G. Elsztain**  
**Chief Executive Officer**

Date: December 30, 2010

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of

Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria and its subsidiaries at June 30, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2010 in conformity with accounting principles generally accepted in Argentina. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Accounting principles generally accepted in Argentina vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 30 to the consolidated financial statements.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PRICE WATERHOUSE & Co. S.R.L.

By /s/ Norberto Fabián Montero (Partner)  
**Norberto Fabián Montero**

Buenos Aires, Argentina  
December 30, 2010

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Consolidated Balance Sheets**

**as of June 30, 2010 and 2009**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

|   | 2010          | 2009          |
|---|---------------|---------------|
| <b>ASSETS</b>   |               |               |
| <b>Current Assets</b>   |               |               |
| Cash and banks (Notes 4.a) and 31.f))                         | Ps. 80,919    | Ps. 82,459    |
| Investments (Notes 4.b), 7, and 31.f))                        | 278,968       | 345,541       |
| Trade accounts receivable, net (Notes 4.c), 7 and 31.f))      | 441,065       | 303,095       |
| Other receivables (Notes 4.d), 7 and 31.f))                   | 251,908       | 287,363       |
| Inventories (Note 4.e))                                       | 400,521       | 139,197       |
|   | 1,453,381     | 1,157,655     |
| <b>Non-Current Assets</b>                                     |               |               |
| Trade accounts receivables, net (Notes 4.c) and 7)            | 42,123        | 9,230         |
| Other receivables (Notes 4.d), 7 and 31.f))                   | 248,315       | 242,592       |
| Inventories (Note 4.e))                                       | 204,218       | 251,529       |
| Investments (Notes 4.b), 7 and 31.f))                         | 1,900,070     | 1,358,605     |
| Property and equipment, net (Note 31.a))                      | 3,290,221     | 3,309,998     |
| Intangible assets, net (Note 31.b))                           | 88,585        | 55,187        |
|   | 5,773,532     | 5,227,141     |
| Negative goodwill, net (Note 4.f))                            | (389,025)     | (408,740)     |
|   | 5,384,507     | 4,818,401     |
| Total assets  | Ps. 6,837,888 | Ps. 5,976,056 |
| <b>LIABILITIES</b>  |               |               |
| <b>Current Liabilities</b>                                    |               |               |
| Trade accounts payable (Notes 4.g), 7 and 31.f))              | Ps. 403,743   | Ps. 339,894   |
| Mortgages payable, net (Notes 4.h) and 7)                     |               | 1,930         |
| Short-term debt (Notes 4.i), 7 and 31.f))                     | 1,059,736     | 536,888       |
| Salaries and social security payable (Notes 4.j) and 7)       | 61,484        | 41,754        |
| Taxes payable (Notes 4.k) and 7)                              | 108,558       | 155,952       |
| Advances from customers (Note 4.l))                           | 216,464       | 97,386        |
| Other liabilities (Notes 4.m) and 7)                          | 75,842        | 136,057       |
| Provisions for lawsuits and contingencies (Notes 7 and 31.c)) | 2,890         | 4,051         |
|   | 1,928,717     | 1,313,912     |
| <b>Non-Current Liabilities</b>                                |               |               |
| Trade accounts payable (Notes 4.g), 7 and 31.f))              | 23,368        | 89,193        |
| Advances from customers (Notes 4.l) and 7)                    | 90,393        | 150,357       |

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|  |                  |                  |
|--|------------------|------------------|
| Long-term debt (Notes 4.i), 7 and 31.f))                     | 853,166          | 866,700          |
| Taxes payable (Notes 4.k) and 7)                             | 273,963          | 224,529          |
| Other liabilities (Notes 4.m) and 7)                         | 65,372           | 76,676           |
| Provision for lawsuits and contingencies (Notes 7 and 31.c)) | 9,708            | 5,823            |
|  | 1,315,970        | 1,413,278        |
| <b>Total liabilities</b>                                     | <b>3,244,687</b> | <b>2,727,190</b> |
| Minority interest  | 1,625,008        | 1,435,982        |
| <b>SHAREHOLDERS EQUITY</b>                                   | <b>1,968,193</b> | <b>1,812,884</b> |
| Total liabilities and shareholders equity                    | Ps. 6,837,888    | Ps. 5,976,056    |

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

**Table of Contents****Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Consolidated Statements of Income****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

|  | <b>2010</b>      | <b>2009</b>     | <b>2008</b>     |
|--|------------------|-----------------|-----------------|
| Agricultural production income (Note 10)   | Ps. 217,721      | Ps. 172,512     | Ps. 159,821     |
| Cost of agricultural production (Notes 10 and 31.e))   | (201,957)        | (210,443)       | (115,750)       |
| <b>Subtotal - Gross Income (loss) from agricultural production</b>   | <b>15,764</b>    | <b>(37,931)</b> | <b>44,071</b>   |
| Sales crops, beef cattle, milk, feed lot and others (Note 10)  | Ps. 308,837      | Ps. 237,424     | Ps. 162,581     |
| Sales of farmland (Note 10)  | 18,557           | 1,959           | 23,020          |
| Cost of sales crops, beef cattle, milk, feed lot and others (Notes 10 and 31.d))                               | (284,828)        | (204,732)       | (140,996)       |
| Cost of farmland sales (Note 10 and 31.d))   | (4,825)          | (94)            | (3,006)         |
| <b>Subtotal - Gross income from sales Agricultural business</b>  | <b>37,741</b>    | <b>34,557</b>   | <b>41,599</b>   |
| Sales and development of properties (Note 10)  | Ps. 225,567      | Ps. 278,107     | Ps.             |
| Income from lease and service of offices, shopping centers, hotels, consumer financing and others (Note 10)    | 1,111,673        | 737,173         |                 |
| Cost of sales and development of properties (Note 10 and 31.d))  | (99,893)         | (170,529)       |                 |
| Cost of lease and service offices, shopping centers, hotels, consumer financing and others (Note 10 and 31.d)) | (402,631)        | (265,394)       |                 |
| <b>Subtotal - Gross income from sales Real Estate business</b>   | <b>834,716</b>   | <b>579,357</b>  |                 |
| Gross profit (loss) Agricultural business  | 53,505           | (3,374)         | 85,670          |
| Gross profit Real Estate business  | 834,716          | 579,357         |                 |
| <b>Total - Gross profit</b>  | <b>888,221</b>   | <b>575,983</b>  | <b>85,670</b>   |
| Selling expenses (Note 31.g))  | (219,454)        | (212,482)       | (14,497)        |
| Administrative expenses (Note 31.g))   | (239,678)        | (134,664)       | (26,104)        |
| Gain from recognition of inventories at net realizable value   | 33,831           | 9,237           | 886             |
| Unrealized gain (loss) on inventories (Note 4.n))  | 86,580           | (408)           | (2,343)         |
| Net loss from retained interest in securitized receivables of Tarjeta Shopping                                 | 37,470           | (22,263)        |                 |
| <b>Operating income</b>  | <b>586,970</b>   | <b>215,403</b>  | <b>43,612</b>   |
| Amortization of negative goodwill  | 43,721           | 32,344          |                 |
| Financial results generated by assets  | 39,396           | 173,531         | (30,186)        |
| Financial results generated by liabilities   | (240,738)        | (128,875)       | (22,082)        |
| <b>Total financial results, net (Note 4.p))</b>  | <b>(201,342)</b> | <b>44,656</b>   | <b>(52,268)</b> |
| Gain on equity investees   | 127,105          | 49,194          | 38,417          |

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|   |                    |                    |                   |
|---|--------------------|--------------------|-------------------|
| Other income and expenses, net (Note 4.o)             | (19,651)           | (16,448)           | (4,092)           |
| Management fee  | (20,601)           | (13,641)           | (2,171)           |
| <b>Income before income tax and minority interest</b> | <b>516,202</b>     | <b>311,508</b>     | <b>23,498</b>     |
| Income tax and minimum presumed income tax            | (145,952)          | (92,682)           | (284)             |
| Minority interest                                     | (184,844)          | (94,210)           | (266)             |
| <b>Net income for the year</b>                        | <b>Ps. 185,406</b> | <b>Ps. 124,616</b> | <b>Ps. 22,948</b> |
| <b>Earnings per share (Notes 3.ac) and 12):</b>       |                    |                    |                   |
| Basic net income per common share                     | Ps. 0.38           | Ps. 0.26           | Ps. 0.06          |
| Diluted net income per common share                   | 0.34               | 0.23               | 0.06              |

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

**Table of Contents****Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Consolidated Statements of Changes in Shareholders' Equity**

for the years ended June 30, 2010, 2009 and 2008

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

| Items   | Common<br>stock<br>(Note 5) | Shareholders<br>Treasury<br>stock | contributions<br>Inflation<br>adjustment<br>of common<br>stock and<br>treasury<br>stock | Paid-in-<br>capital | Total       | Retained earnings |                                    |                      | Translation<br>differences | Total       |
|---|-----------------------------|-----------------------------------|---|---------------------|-------------|-------------------|------------------------------------|----------------------|----------------------------|-------------|
|   |                             |                                   |   |                     |             | Legal<br>reserve  | Reserve for<br>new<br>developments | Retained<br>earnings |                            |             |
| <b>Balances as<br/>of June 30,<br/>2007</b>   | Ps. 309,577                 | Ps.                               | Ps. 166,218   | Ps. 164,923         | Ps. 640,718 | Ps. 13,177        | Ps. 120,100                        | Ps. 49,362           | Ps. 1,599                  | Ps. 824,956 |
| Conversion of<br>notes into<br>common stock   | 5,343                       |                                   |   | 3,176               | 8,519       |                   |                                    |                      |                            | 8,519       |
| Exercise of<br>old-warrants   | 5,855                       |                                   |   | 5,306               | 11,161      |                   |                                    |                      |                            | 11,161      |
| Exercise of<br>warrants   | 757                         |                                   |   | 3,229               | 3,986       |                   |                                    |                      |                            | 3,986       |
| Issuance of<br>common stock<br>and warrants   | 180,000                     |                                   |   | 711,052             | 891,052     |                   |                                    |                      |                            | 891,052     |
| Appropriation<br>of retained<br>earnings<br>resolved by<br>Shareholders<br>Meeting held<br>on<br>October 10,<br>2007      |                             |                                   |   |                     |             |                   |                                    |                      |                            |             |
| - Legal<br>reserve  |                             |                                   |   |                     |             | 2,468             |                                    | (2,468)              |                            |             |
| - Cash<br>dividends (Ps.<br>0.03 per<br>share)  |                             |                                   |   |                     |             |                   |                                    | (8,250)              |                            | (8,250)     |
| - Reserve for<br>new<br>developments  |                             |                                   |   |                     |             |                   | 38,644                             | (38,644)             |                            |             |
| Changes of<br>interests in<br>equity<br>investees and<br>subsidiaries<br>resulting from<br>capital nature<br>transactions |                             |                                   |   | (8,498)             | (8,498)     |                   |                                    |                      |                            | (8,498)     |

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(Note 5)

|                         |  |  |  |  |  |  |  |        |        |        |
|-------------------------|--|--|--|--|--|--|--|--------|--------|--------|
| Translation differences |  |  |  |  |  |  |  |        | 16,464 | 16,464 |
| Net income for the year |  |  |  |  |  |  |  | 22,948 |        | 22,948 |

|                                     |             |     |             |             |               |            |             |            |            |               |
|-------------------------------------|-------------|-----|-------------|-------------|---------------|------------|-------------|------------|------------|---------------|
| <b>Balances as of June 30, 2008</b> | Ps. 501,532 | Ps. | Ps. 166,218 | Ps. 879,188 | Ps. 1,546,938 | Ps. 15,645 | Ps. 158,744 | Ps. 22,948 | Ps. 18,063 | Ps. 1,762,338 |
|-------------------------------------|-------------|-----|-------------|-------------|---------------|------------|-------------|------------|------------|---------------|

|  |          |        |    |  |    |       |          |          |        |          |
|--|----------|--------|----|--|----|-------|----------|----------|--------|----------|
| Exercise of warrants   | 7        |        | 30 |  | 37 |       |          |          |        | 37       |
| Transfer to retained earnings  |          |        |    |  |    |       | (73,201) | 73,201   |        |          |
| Purchase of treasury stock   | (30,000) | 30,000 |    |  |    |       |          | (73,201) |        | (73,201) |
| Appropriation of retained earnings resolved by Shareholders Meeting held on October 31, 2008 |          |        |    |  |    |       |          |          |        |          |
| - Legal reserve  |          |        |    |  |    | 1,147 |          | (1,147)  |        |          |
| - Cash dividends (Ps. 0.04 per share)  |          |        |    |  |    |       |          | (20,000) |        | (20,000) |
| - Treasury stock dividends   |          |        |    |  |    |       |          | 476      |        | 476      |
| Translation differences  |          |        |    |  |    |       |          |          | 18,618 | 18,618   |
| Net income for the year  |          |        |    |  |    |       |          | 124,616  |        | 124,616  |

|                                     |             |            |             |             |               |            |            |             |            |               |
|-------------------------------------|-------------|------------|-------------|-------------|---------------|------------|------------|-------------|------------|---------------|
| <b>Balances as of June 30, 2009</b> | Ps. 471,539 | Ps. 30,000 | Ps. 166,218 | Ps. 879,218 | Ps. 1,546,975 | Ps. 16,792 | Ps. 85,543 | Ps. 126,893 | Ps. 36,681 | Ps. 1,812,884 |
|-------------------------------------|-------------|------------|-------------|-------------|---------------|------------|------------|-------------|------------|---------------|

|  |    |  |     |  |     |       |  |          |  |          |
|--|----|--|-----|--|-----|-------|--|----------|--|----------|
| Exercise of warrants   | 22 |  | 113 |  | 135 |       |  |          |  | 135      |
| Appropriation of retained earnings resolved by Shareholders Meeting held on October 29, 2009 |    |  |     |  |     |       |  |          |  |          |
| - Legal reserve  |    |  |     |  |     | 6,231 |  | (6,231)  |  |          |
| - Cash dividends (Ps. 0.12 per share)  |    |  |     |  |     |       |  | (60,000) |  | (60,000) |



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|                                 |        |          |  |  |  |        |          |         |         |  |
|---------------------------------|--------|----------|--|--|--|--------|----------|---------|---------|--|
| - Attribution of treasury stock | 24,999 | (24,999) |  |  |  |        |          |         |         |  |
| - Reserve for new developments  |        |          |  |  |  | 58,385 | (58,385) |         |         |  |
| Translation differences         |        |          |  |  |  |        |          | 29,768  | 29,768  |  |
| Net income for the year         |        |          |  |  |  |        |          | 185,406 | 185,406 |  |

|                                     |             |           |             |             |               |            |             |             |            |               |
|-------------------------------------|-------------|-----------|-------------|-------------|---------------|------------|-------------|-------------|------------|---------------|
| <b>Balances as of June 30, 2010</b> | Ps. 496,560 | Ps. 5,001 | Ps. 166,218 | Ps. 879,331 | Ps. 1,547,110 | Ps. 23,023 | Ps. 143,928 | Ps. 187,683 | Ps. 66,449 | Ps. 1,968,193 |
|-------------------------------------|-------------|-----------|-------------|-------------|---------------|------------|-------------|-------------|------------|---------------|

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

**Table of Contents****Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Consolidated Statements of Cash Flows****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

|  | 2010           | 2009           | 2008            |
|--|----------------|----------------|-----------------|
| <b>Cash flows from operating activities:</b>   |                |                |                 |
| Net income for the year  | Ps. 185,406    | Ps. 124,616    | Ps. 22,948      |
| <b>Adjustments to reconcile net income to net cash flows from operating activities:</b>                |                |                |                 |
| Income tax and minimum presumed income tax   | 145,952        | 92,682         | 284             |
| Depreciation and amortization  | 180,585        | 119,939        | 6,474           |
| Minority interest  | 184,844        | 94,210         | 266             |
| Gain on equity investees   | (127,105)      | (49,194)       | (38,417)        |
| Unrealized (gain) loss on inventories  | (86,580)       | 408            | 2,343           |
| Gain on the sale of fixed assets   | (21,694)       | 231            | 1,336           |
| Accrued expenses and allowance for doubtful accounts   | 87,053         | 102,230        | 9,298           |
| Financial results  | (4,455)        | 164,522        | 1,651           |
| Gain from recognition of inventories at net realizable value   | (33,831)       | (9,237)        | (886)           |
| Amortization of negative goodwill  | (43,721)       | (32,344)       |                 |
| Result from barter of inventories  |                | (2,867)        |                 |
| Net gain from repurchases of non-convertible notes   |                | (176,566)      |                 |
| Right to exercise the put option   |                | (44,877)       |                 |
| <b>Changes in operating assets and liabilities:</b>  |                |                |                 |
| (Increase) decrease in trade accounts receivable, leases and services                                  | (143,336)      | (122,966)      | 8,381           |
| Increase in other receivables  | (47,753)       | (158,150)      | (20,407)        |
| (Increase) decrease in inventories   | (36,908)       | 92,991         | (71,089)        |
| Increase in intangible assets  | (2,391)        | (12,612)       |                 |
| Increase trade accounts payable  | 25,105         | 51,101         | 15,127          |
| (Decrease) increase in salaries and social security payable, taxes payable and advances from customers | (93,540)       | 53,742         | 5,972           |
| Increase (decrease) in accrued interest  | 6,228          | (1,184)        | 23,339          |
| Decrease in other liabilities  | (6,250)        | (38,263)       | (5,722)         |
| <b>Net cash provided by (used in) operating activities</b>   | <b>167,609</b> | <b>248,412</b> | <b>(39,102)</b> |
| <b>Cash flows from investing activities:</b>   |                |                |                 |
| (Increase) decrease in investments   | (4,526)        | 47,884         | (12,111)        |
| Collection from sale undeveloped plot of land  | 11,023         |                |                 |
| Dividends collected  | 6,486          | 3,240          | 2,709           |
| Net proceeds from the sale of other property and equipment   | 5,328          | 1,217          | 1,109           |
| Acquisition of undeveloped parcels of lands  | (11,930)       | (8,860)        |                 |
| Loans granted  | 438            | (9,755)        |                 |
| Acquisition of farms and other property and equipment  | (199,674)      | (308,328)      | (28,019)        |
| Payment for acquisition of Arcos del Gourmet / Conil, net of cash acquired                             | (8,316)        | 171,481        |                 |
| Increase in equity investee and other investments  | (311,295)      | (123,042)      | (86,518)        |
| Advances for purchase of shares  | (23,735)       |                |                 |
| Advances received from the sale of interest in Tarshop   | 19,951         |                |                 |
| Payment for increase in IRSA s interest  |                | (89,892)       | (320,998)       |

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|   |                  |                  |                  |
|---|------------------|------------------|------------------|
| Payment for acquisition for Tarshop s Minority interest                           | (1,574)          |                  |                  |
| Payment for non-compete agreement with the former minority shareholder of Trashop | (5,615)          |                  |                  |
| <b>Net cash used in investing activities</b>                                      | <b>(523,439)</b> | <b>(316,055)</b> | <b>(443,828)</b> |

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

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**Table of Contents****Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Consolidated Statements of Cash Flows****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

|   | 2010           | 2009             | 2008           |
|---|----------------|------------------|----------------|
| <b>Cash flows from financing activities:</b>                      |                |                  |                |
| Contributions received by subsidiaries from minority shareholders | 46,220         | 34,652           |                |
| Increase in common stock  |                |                  | 881,117        |
| Proceeds from old warrants and warrants                           | 135            | 37               | 15,148         |
| Dividends paid  | (60,000)       | (20,000)         | (8,250)        |
| Dividends paid by subsidiaries to minority to shareholders        | (37,262)       | (23,065)         |                |
| Increase in loans   | 697,559        | 224,401          | 79,198         |
| Decrease in short-term debt and long term debt                    | (321,498)      | (210,586)        | (45,687)       |
| Repurchase of treasury stock                                      |                | (73,201)         |                |
| Cash paid for repurchase of non-convertible notes                 | (12,000)       | (140,509)        |                |
| Issuance of non-convertible notes                                 | 129,204        |                  |                |
| Decrease in mortgages payable                                     | (1,930)        | (1,791)          |                |
| Acquisition of minority interest                                  | (26,992)       | (9,411)          |                |
| Payment of seller financing                                       | (93,629)       | (22,294)         | (3,693)        |
| <b>Net cash provided by (used in) financing activities</b>        | <b>319,807</b> | <b>(241,767)</b> | <b>917,833</b> |
| Net (decrease) increase in cash and cash equivalents              | (36,023)       | (309,410)        | 434,903        |
| Cash and cash equivalents as of the beginning of the year         | 211,676        | 521,086          | 86,183         |
| Cash and cash equivalents as of year-end                          | Ps. 175,653    | Ps. 211,676      | Ps. 521,086    |

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

**Table of Contents****Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Consolidated Statements of Cash Flows****for the years ended June 30, 2010, 2009 and 2008 (continued)****(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

|  | 2010        | 2009        | 2008       |
|--|-------------|-------------|------------|
| <b>Supplemental cash flow information:</b>   |             |             |            |
| <b>Cash paid during the year for:</b>  |             |             |            |
| Interest   | Ps. 167,364 | Ps. 114,250 | Ps. 18,482 |
| Income tax   | Ps. 45,073  | Ps. 58,949  | Ps. 4,353  |
| <b>Non-cash investing and financing activities:</b>  |             |             |            |
| Inventory transferred to property and equipment  | Ps. 3,242   | Ps. 2,217   | Ps. 1,914  |
| Increase in minority interest through a decrease in other liabilities  | Ps. 14,512  | Ps. 84,160  | Ps.        |
| Increase in inventory through an increase in trade accounts payable  | Ps.         | Ps. 365     | Ps.        |
| Repayment of financial loans through issue of stock by exercise of conversion right                          | Ps.         | Ps.         | Ps. 8,519  |
| Increase in interest in IRSA by a decrease in non-current investments (conversion of IRSA Convertible Notes) | Ps.         | Ps.         | Ps. 37,764 |
| Increase in property and equipment through an increase in trade accounts payable                             | Ps. 4,996   | Ps. 102,657 | Ps.        |
| Increase in non-current investments by translation   | Ps. 33,885  | Ps. 31,409  | Ps.        |
| Tax effect on deferred capital cost allocated to additional paid-in-capital                                  | Ps.         | Ps.         | Ps. 9,935  |
| Financial costs capitalized in property and equipment  | Ps. 5,331   | Ps. 86,962  | Ps.        |
| Undeveloped parcels of land transferred to inventory   | Ps. 15,989  | Ps. 5,305   | Ps.        |
| Financial costs capitalized in inventory   | Ps. 1,932   | Ps. 7,087   | Ps.        |
| Increase in undeveloped parcels of land through an increase in trade accounts payable                        | Ps.         | Ps. 150     | Ps.        |
| Decrease in trade accounts payable through a decrease in undeveloped parcels of land                         | Ps.         | Ps. 5,445   | Ps.        |
| Increase in goodwill through a decrease in minority interest   | Ps.         | Ps. 7,410   | Ps.        |
| Decrease in current investments through an increase in other receivables                                     | Ps. 8,402   | Ps. 24,541  | Ps.        |
| Increase in current investments through an increase in other liabilities                                     | Ps.         | Ps. 2,739   | Ps.        |
| Increase in intangibles assets through a decrease in minority interest                                       | Ps.         | Ps. 1,137   | Ps.        |
| Decrease in advances from customers through a decrease in inventory  | Ps.         | Ps. 26,883  | Ps.        |
| Increase in inventory through a decrease in property and equipment   | Ps. 43,984  | Ps. 78,870  | Ps.        |
| Issuance of certificates of participation  | Ps. 8,646   | Ps. 20,608  | Ps.        |
| Decrease in undeveloped parcels of land through an increase in other receivables                             | Ps. 6,359   | Ps. 279     | Ps.        |
| Increase in related parties interest through a decrease in other receivables                                 | Ps. 8,838   | Ps.         | Ps.        |
| Increase in non-current investments through a decrease in inventories  | Ps. 1,076   | Ps.         | Ps.        |
| Increase in inventories through an increase in advances from customer  | Ps. 3,310   | Ps.         | Ps.        |
| Increase in intangibles assets through an increase in other liabilities                                      | Ps. 7,545   | Ps.         | Ps.        |
| Increase in non-current investments through an increase in other liabilities                                 | Ps. 13,209  | Ps.         | Ps.        |
| Increase in minority interest through a decrease in short term debt  | Ps. 1,310   | Ps.         | Ps.        |
| Decrease in undeveloped parcels of land through an increase in other trade accounts receivables, net         | Ps. 26,342  | Ps.         | Ps.        |

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

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Consolidated Statements of Cash Flows**

**for the years ended June 30, 2010, 2009 and 2008 (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

|   | 2010              | 2009                 | 2008       |
|---|-------------------|----------------------|------------|
| <b><u>Acquisition of subsidiaries companies</u></b> |                   |                      |            |
| Cash and cash equivalents acquired                  | Ps. 13            | Ps. 230,472          | Ps.        |
| Fair value non-cash asset acquired                  | Ps. 33,869        | Ps. 4,645,695        | Ps.        |
| Fair value liability assumed                        | Ps. (8,126)       | Ps. (2,781,143)      | Ps.        |
| <b>Net assets acquired</b>                          | <b>Ps. 25,756</b> | <b>Ps. 2,095,024</b> | <b>Ps.</b> |
| Minority interest                                   | Ps. (897)         | Ps. (852,615)        | Ps.        |
| Equity method previous to the acquisition           | Ps.               | Ps. (715,398)        | Ps.        |
| Goodwill (negative goodwill)                        | Ps. 506           | Ps. (468,020)        | Ps.        |
| <b>Purchase price</b>                               | <b>Ps. 25,365</b> | <b>Ps. 58,991</b>    | <b>Ps.</b> |
| Cash and cash equivalents acquired                  | Ps. (13)          | Ps. (230,472)        | Ps.        |
| Sellers financing                                   | Ps. (14,782)      | Ps.                  | Ps.        |
| Advanced payments                                   | Ps. (2,254)       | Ps.                  | Ps.        |
| <b>Net cash received</b>                            | <b>Ps. 8,316</b>  | <b>Ps. (171,481)</b> | <b>Ps.</b> |

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

**Table of Contents**

**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**1. Description of business**

Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria ( Cresud and together with its subsidiaries the Company ) was incorporated in 1936 as a subsidiary of Credit Foncier, a Belgian company engaged in, among other things, providing rural and urban loans in Argentina and administering real estate holdings foreclosed by Credit Foncier. Credit Foncier was liquidated in 1959, and as part of such liquidation, the shares of Cresud were distributed to Credit Foncier's shareholders. From the 1960s through the end of the 1970s, the business of the Company shifted exclusively to primary agricultural activities. Currently, the Company's agricultural business operations are comprised of crop production, cattle raising and fattening, milk production, cattle feeding, certain forestry activities and brokerage activities. Through its agricultural activities the Company transforms farmland and ultimately sells properties to profit from land value appreciation opportunities.

In addition, the Company through its subsidiary IRSA Inversiones y Representaciones Sociedad Anónima ( IRSA ), a real estate company, is involved in the real estate business primarily comprising: (i) the acquisition and development of residential properties primarily for sale and the acquisition of undeveloped land reserves either for future development or sale, (ii) the acquisition, development and operation of office and other non-shopping center properties primarily for rental purposes, (iii) the acquisition, development and operation of shopping center properties, (iv) the acquisition and operation of luxury hotels, (v) the origination of consumer loans and credit card receivables and securitization activities and (vi) other non-core activities. IRSA is the only Argentine real estate company whose shares are listed and traded on both the Buenos Aires Stock Exchange ( BASE ) and the New York Stock Exchange ( NYSE ).

**2. Preparation of financial statements*****a) Basis of presentation***

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles used in Argentina, as set forth by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* ( FACPCE ) and as implemented, adapted, amended, revised and/or supplemented by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* ( CPCECABA ) (collectively Argentine GAAP). In addition, the Company must comply with the regulations of the *Comisión Nacional de Valores* ( CNV ), the National Securities Commission in Argentina, which differ in certain significant respects from generally accepted accounting principles in the United States of America ( US GAAP ). Such differences involve methods of measuring the amounts shown in the consolidated financial statements as well as additional disclosures required by US GAAP and Regulation S-X of the Securities and Exchange Commission ( SEC ). A description of the significant differences between Argentine GAAP and US GAAP as they relate to the Company are set forth in Note 30 to these consolidated financial statements.

As discussed in Note 2.d), in order to comply with regulations of the CNV, the Company discontinued inflation accounting as from February 28, 2003. Since Argentine GAAP required companies to discontinue inflation adjustments only as from October 1, 2003, the application of CNV resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March to September 2003, such a departure has not had a material effect on the consolidated financial statements.

***b) Basis of consolidation***

The accompanying consolidated financial statements include the accounts of Cresud and its subsidiaries over which Cresud has effective control. Investments in joint ventures and/or jointly controlled operations in which the Company exercises joint control are accounted for under the proportionate consolidation method (See Note 2.c). Investments in companies in which Cresud exercises significant influence, but not control, are accounted for under the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation.





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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**2. Preparation of financial statements (continued)****b) Basis of consolidation (continued)**

In accordance with Argentine GAAP, the presentation of the parent company's individual financial statements is mandatory. Consolidated financial statements are to be included as supplementary information to the individual financial statements. For the purpose of these Consolidated Financial Statements, individual financial statements have been omitted since they are not required for SEC reporting purposes.

Effective October 1, 2008, the Company started consolidating the accounts of IRSA after a series of acquisitions, which increased the Company's ownership interest in IRSA to 54.01%. Accordingly, the consolidated statement of income for the year ended June 30, 2009 includes (i) the results of IRSA as an equity investee from July 1, 2008 through September 30, 2008; and (ii) the results of operations of IRSA consolidated into those of the Company for nine months from October 1, 2008 through June 30, 2009. The consolidated statement of income for the year ended June 30, 2008 is not comparable to either the June 30, 2009 or 2010 in this regard since it only includes the results of IRSA as it was an equity investee for the whole period.

A description of the subsidiaries over which Cresud has effective control, with their respective percentage of direct capital stock owned, is presented as follows:

| Subsidiaries (ii)                                     | Percentage of capital stock<br>owned as of June 30, (i) |        |        |
|---|---|--------|--------|
|   | 2010  | 2009   | 2008   |
| IRSA  | 57.49%  | 55.64% | 42.13% |
| Inversiones Ganaderas S.A. ( IGSA )                   | 100.00%   | 99.99% | 99.99% |
| Futuros y Opciones.Com S.A (FyO.com)                  | 64.30%  | 66.20% | 68.10% |
| Agropecuaria Anta S.A. (ex Agropecuaria Cervera S.A.) | 100.00%   | 99.99% | 99.99% |
| Agrology S.A.   | 100.00%   | 99.99% | 99.99% |

(i) Percentage of equity interest owned has been rounded.

(ii) Indirect ownership subsidiaries are excluded.

**c) Proportionate consolidation**

The Company follows Technical Resolution No. 21, Equity Method of Accounting, Consolidation of Financial Statements and Related Party Transactions ( RT No. 21 ) in accounting for jointly controlled entities. RT No. 21 requires proportionate consolidation where effective joint control is exercised. Accordingly, these financial consolidated statements reflect the Company's pro-rata equity interest in the jointly controlled entities on a line-by-line basis.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**2. Preparation of financial statements (continued)**

*c) Proportionate consolidation (continued)*

A description of the investments in which Cresud exercises effective joint control, with their respective percentage of indirect capital stock owned, is presented as follows:

| Investment                 | Percentage of capital stock<br>owned as of June 30, |      |      |
|----------------------------|---|------|------|
|                            | 2010  | 2009 | 2008 |
| Cresca S.A.                | 50%   | 50%  |      |
| Liveck S.A.                | 50%   | 50%  |      |
| Canteras Natal Crespo S.A. | 50%   | 50%  |      |
| Cyrsa S.A.                 | 50%   | 50%  |      |
| Metroshop S.A.             | 50%   | 50%  |      |
| Puerto Retiro S.A.         | 50%   | 50%  |      |
| Rummaala S.A.              |   | 50%  |      |
| Baicom Networks S.A.       | 50%   |      |      |

*d) Presentation of financial statements in constant Argentine Pesos*

On August 22, 1995, the Argentine Government issued Decree No. 316/95 discontinuing the requirement that financial information be restated for inflation for any date or period after August 31, 1995. Effective September 1, 1995 in accordance with CNV resolutions and Argentine GAAP, the Company began accounting for its financial transactions on a historical cost basis, without considering the effects of inflation. Prior to September 1, 1995, the consolidated financial statements were prepared on the basis of general price level accounting, which reflected changes in purchasing power of the Argentine Peso in the historical consolidated financial statements. The financial statement information of periods prior to August 31, 1995 was restated to pesos of general purchasing power as of August 31, 1995. The August 31, 1995 balances, adjusted to the general purchasing power of the Peso at that date, became the historical cost basis for subsequent accounting and reporting.

However, as a result of the inflationary environment in Argentina in 2002, the CPCECABA approved on March 6, 2002, a resolution reinstating the application of inflation accounting in financial statements as from January 1, 2002. This resolution provided that all recorded amounts restated for inflation through August 31, 1995, as well as those arising between that date and December 31, 2001 are to be considered stated in currency as of December 31, 2001.

On July 16, 2002, the Argentine government issued a decree, instructing the CNV to issue the necessary regulations for the acceptance of financial statements prepared in constant currency. On July 25, 2002, the CNV reinstated the requirement to submit financial statements in constant currency.

However, after considering inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government repealed the provisions of the previous decree related to the inflation adjustment and instructed the CNV to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the CNV issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. The Company complied with the CNV resolution and accordingly recorded the effects of inflation until February 28, 2003.



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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**2. Preparation of financial statements (continued)**

***d) Presentation of financial statements in constant Argentine Pesos (continued)***

Since Argentine GAAP required companies to discontinue inflation accounting as from October 1, 2003, the application of the CNV resolution represents a departure from generally accepted accounting principles in Argentina. However, due to the low level of inflation rates during the period from March 2003 through September 2003, such a departure has not had a material effect on the accompanying consolidated financial statements.

***e) Convenience translation***

Solely for the convenience of the reader certain amounts included in the notes to the consolidated financial statements are expressed in Argentine Pesos, Brazilian Reais or US Dollars as the context requires. These translations should not be construed as a representation that the amounts shown could have been, or could be, converted into U.S. Dollars or Brazilian Reais, as applicable, at that or any other rate.

***f) Acquisitions and development of businesses***

The following is a description of the most significant acquisitions and development of businesses for the years ended June 30, 2010, 2009 and 2008 divided between the agricultural and real estate businesses:

***Year ended June 30, 2010***

***A. Agricultural Business***

***Expanding business into the Republic of Paraguay***

Under the Option Agreement described in Note 2.f) below, on March 19, 2010, Cresca purchased from Casado 3,614 hectares for US\$1.3 million payable as follows: US\$0.3 million paid on March 23, 2010; US\$0.5 million were paid on December 1, 2010 and US\$0.5 million, on March 1, 2011.

Finally, on June 29, 2010, the title deed was executed for 3,646 hectares.

***Purchase of shares of IRSA***

During the year ended June 30, 2010, the Company acquired 10,667,870 additional shares of IRSA for US\$7.1 million, increasing the direct interest to 57.49% as of June 30, 2010.

***Purchase of shares of BrasilAgro***

During the year ended June 30, 2010, the Company acquired 2,395,400 additional shares of BrasilAgro - Companhia Brasileira de Propriedades Agrícolas ( BrasilAgro ) for US\$15.2 million, increasing its equity interest to 23.24%.

***Acquisition of additional interest BrasilAgro***

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On April 28, 2010, the Company entered into an agreement (the "Agreement") with Tarpon (Founding Partner of BrasilAgro), to acquire BrasilAgro's shares and warrants (9,581,750 shares and 64,000 first issue warrants and 64,000 second issue warrants) for a total purchase price of Brazilian Reals 131.4 million. The Agreement is subject to certain closing conditions including but not limited to implementation of an ADR program by BrasilAgro. The Company has granted a first degree pledge on certain amount of shares and warrants the Company has in BrasilAgro to secure the transaction.

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**2. Preparation of financial statements (continued)**

***f) Acquisitions and development of businesses (continued)***

Once the transaction is consummated, Tarpon will no longer be a shareholder in BrasilAgro. Notwithstanding this transaction, Mr. Elie Horn and Cape Town LLC have expressed their intentions to remain as shareholders of BrasilAgro.

On October 20, 2010, the conditions precedents to closing have been fulfilled. Therefore, the transfers and their underlying rights have been consummated (Note 29).

**Concession of rights and pledge to sell shares**

During last quarter of year 2010, an agreement was executed by which the Company assigned all equity and political rights related to 2,276,534 shares of BrasilAgro to a non related third party for two years. The agreement also provides a promise to sell, under which the assignee may at any time request the sale of BM&FBOVESPA's shares or the transfer of shares on its behalf.

In consideration for granting such rights, the Company was paid a fixed value of US\$0.8 million and additionally, in the event the assignee requested the sale or transfer of share, it should paid US\$7.15 per share sold or transferred.

**B. Real Estate Business**

**Acquisition of Hersha Hospitality Trust ( Hersha )**

On August 4, 2009, IRSA, through its indirect subsidiary Real Estate Investment Group L.P. (REIG) acquired 5.7 million shares representing approximately 10.4% of Hersha's common stock and a call option that matures on August 4, 2014 to purchase an additional 5.7 million shares at an exercise price of US\$3.00 per share. Under the agreement, if starting on August 4, 2011 the quoted market price of Hersha's share were to exceed US\$5.00 per share during 20 consecutive trading sessions, Hersha may settle the call option by issuing and delivering a variable amount of shares to be determined in accordance with certain market values.

The total purchase price paid was US\$14.3 million. As part of the agreement, IRSA's Chairman and CEO, Mr. Eduardo S. Elsztain, has been appointed to Hersha's Board of Trustees.

In January 2010 and March 2010, REIG purchased 4,789,917 and 3,864,000 additional shares of Hersha's common stock, respectively, for an aggregate purchase price of US\$30.8 million.

As of June 30, 2010 IRSA's interest in Hersha amounts to 10.9%. Assuming the call option is exercised and IRSA's interest is not diluted due to newly issued shares, IRSA's interest in Hersha would be 14.4%. IRSA accounts for its investment in Hersha at cost while the call option has been accounted for at its fair value (see note 29).

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



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**2. Preparation of financial statements (continued)**

*f) Acquisitions and development of businesses (continued)*

Acquisition of Tarshop's shares

On October 30, 2009 Tarshop capitalized capital contributions made by APSA increasing the Company's interest in Tarshop from 93.439% to 98.5878%.

During January 2010, the Company acquired the remaining minority interest in Tarshop for US\$0.54 million, reaching the 100% of the shareholding as of June 30, 2010.

Non-Compete Agreement with the former minority shareholder of Tarshop S.A.

In January 2010, Alto Palermo S.A. entered into a non-compete agreement with Mr. León Halac, the minority shareholder of Tarshop pursuant to which Mr. Halac may not conduct in or be related to any business associated with credit card companies other than those currently operating in the business regions where Tarshop operates for a 28 month-period. Additionally, under the agreement, Mr. Halac may not participate in developing any shopping mall of more than 20,000 square meters in the City of Buenos Aires. Alto Palermo S.A. agreed on a price of US\$2.2 million, of which US\$0.8 million was payable at execution date and the remaining US\$1.4 million payable in 28 consecutive monthly installments through the termination date of the agreement on April 30, 2013.

Acquisition of Catalinas Norte plot of land

In December 2009 the Company acquired through a public auction an undeveloped plot of land of 3,649 square meters located in the area known as Catalinas Norte in the City of Buenos Aires for a total purchase price of Ps. 95.0 million fully paid as of June 30, 2010.

Option to acquire an interest in Alto Palermo S.A.

In January 2010, the Company entered into a purchase option for the acquisition of the 29.55% minority interest in Alto Palermo held by Parque Arauco S.A. (PASA) together with PASA's interest in the Series I Convertible Notes issued by Alto Palermo.

The purchase option originally expired on August 31, 2010 and had been set at US\$126.0 million. To secure the option, the Company paid a non-refundable amount of US\$6.0 million to PASA as of June 30, 2010 (see note 29).

The Company exercised the option on October 21, 2010 cancelling the outstanding amount of US\$120.0 million and thus increasing the Company's interest in Alto Palermo to 94.89% as of the date of issuance of these financial statements.

Acquisition of shares of Banco Hipotecario S.A. (BHSA)

IRSA acquired 100,417,816 additional shares of BHSA for Ps. 118.7 million of which Ps. 112.6 million were paid in cash as of June 30, 2010. The transaction generated a gain of Ps. 70.4 million.

As of June 30, 2010, IRSA holds a 28.03% in BHSA (without considering treasury shares).





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**2. Preparation of financial statements (continued)**

*f) Acquisitions and development of businesses (continued)*

*Tender Offer for the acquisition of Telecom Argentina*

The Company participated together with other bidders, in a tender offer procedure for the acquisition of the 50% stake held by Telecom Italia SpA. and Telecom Italia International N.V. (Grupo Telecom Italia) in Sofora Telecomunicaciones S.A. ( Sofora ) and of a purchase option for the remaining 50% stake held by Sofora. Sofora indirectly holds the majority shareholding in Telecom Argentina, one of the major telecommunications carriers in Argentina. To that end, on June 4, 2010, the Company submitted an offer and a letter of credit for US\$50.0 million for the benefit of Grupo Telecom Italia. The Company had guaranteed the offer through a pledge over the Company's shares in Hersha and approximately US\$43.5 million in APSA's Negotiable Obligations. In later July 2010, Grupo Telecom Italia decided not to proceed with the sale of Sofora and the transaction was aborted. Any pledge was lifted.

*Acquisition of real estate assets in Uruguay*

In December 2009, the Company acquired from an unrelated party a parcel of land for US\$1.9 million, of which US\$0.3 million has been paid with the remaining balance to be settled through the delivery of housing units and/or storefronts to be constructed on the site equivalent to about 8% of the commercial value of the units of Sector B.

In February 2010, the Company acquired parcels of land for US\$1.0 million, of which US\$0.15 million has been paid with the balance to be settled in 3 consecutive and equal installments maturing on December 31, 2011, June 30, 2013 and December 31, 2014. Outstanding balances accrue interest at an annual fixed rate of 3%, payable quarterly and in arrears as from December 31, 2009.

*Acquisition of Torodur S.A.*

In May 2010, the Company acquired Torodur S.A., a shell company located in Uruguay, for de minimis consideration.

*Acquisition of shares of Arcos del Gourmet S.A.*

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

On November 27, 2009, the Company exercised the option and completed the acquisition of 80% of Arcos's common stock for an aggregate purchase price of US\$6.5 million, of which US\$3.1 million was paid as of June 30, 2010. The remaining balance will be paid as follows: (i) US\$2.0 million in two equal annual installments due on the second and third anniversary of the acquisition date and (ii) US\$1.4 million at the time of executing the share subscription agreements.

As customary for this type of transactions, the Company consulted with the National Antitrust Commission about the need to report the acquisition, which is still pending a response.



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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**2. Preparation of financial statements (continued)**

*f) Acquisitions and development of businesses (continued)*

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

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

Acquisition of a commercial center business

On December 28, 2007, the Company had entered into an agreement with INCSA, an unrelated party, for the acquisition of the Soleil Factory shopping center business, for an aggregate purchase price of US\$20.7 million, of which US\$8.1 million had been paid. The transaction was subject to certain suspensive conditions. Upon fulfillment of the conditions and transfer of the business, the remaining balance of the purchase price amounting to US\$12.6 million would accrue fixed interest at 5% per year and be payable in seven annual and consecutive installments starting on the first anniversary of the signing of the contract.

Furthermore, on December 28, 2007, the Company and INCSA had signed a letter of intent to acquire, build and manage a commercial center in a plot of land owned by INCSA, located in the City of San Miguel de Tucumán, Province of Tucumán. The price of this transaction was set at US\$1.3 million, of which US\$0.05 million were paid on January 2, 2008. This transaction was subject to certain precedent conditions such the completion of the acquisition of the Soleil Factory described above.

These conditions were fulfilled on July 1, 2010 and the transaction was closed. (See note 29).

Purchase-Sale of Conil S.A. s shares

On October 21, 2009, the Company acquired a 50% interest in Conil for US\$0.3 million, fully paid as of June 30, 2010.

The main asset of Conil is a 2,471 square meter undeveloped parcel of land located in Avellaneda, Province of Buenos Aires.

Barter with Condominios del Alto S.A.

On November 27, 2008, APSA granted an unrelated party, Condominios del Alto S.A. ( Condominios ), an acquisition option through a barter agreement pursuant to which APSA bartered a plot of land located in Rosario, Province of Santa Fe for future 42 apartments and 47 parking spaces of the total units to be constructed on the land. Under this agreement, APSA will have a 22% of the total square meters covered by the apartments and garages. The total fair value of the transaction is US\$2.3 million disclosed in the line item Torres de Rosario under construction in Note 4.e. As part of the agreement, Condominios paid APSA US\$34 and assumed certain obligations. Condominios. (i) guaranteed the transaction by the assumption of a first degree mortgage on the land in favor of APSA for US\$2.3 million; (ii) established a security insurance of which APSA will be assignor of the insured amount of US\$2.3 million; and (iii) the shareholders of Condominios assumed a personal guarantee of the obligations of Condominios. up to the amount of US\$1.0 million.



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**2. Preparation of financial statements (continued)**

*f) Acquisitions and development of businesses (continued)*

*Panamerican Mall S.A. (PAMSA)*

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

Dot Baires Shopping has 4 levels and 3 basements, a covered area of 173,000 square meters, out of which 49,731 are square meters of gross leasable area and includes 153 stores, a hypermarket, a 10 theater multiplex cinema and parking space for 2,200 automobiles.

*Year ended June 30, 2009*

***A. Agricultural Business***

*Purchase of shares of BrasilAgro*

The Company acquired 2,776,000 additional shares of BrasilAgro for Ps. 25.5 million in cash, increasing its equity interest from 14.39% to 19.14% as of June 30, 2009.

*International expansion into Bolivia and Uruguay*

As part of the Company's business plans, the Company started its international expansion into Bolivia and Uruguay in order to replicate its agricultural business in those countries. Accordingly, the Company, formed several wholly owned entities in Bolivia and acquired one entity in Uruguay. These entities in Bolivia started acquiring land for agricultural exploitation.

In October 2008, the Company acquired Helmir S.A., a Shell Company located in Uruguay for the minimis consideration whose corporate purpose is broad.

*Acquisitions of farmland in Bolivia*

On July 28, 2008, the Company acquired several properties in Bolivia as further described below:

The Company acquired Las Londras farm, a 4,566 hectare property located in the Province of Guarayos, Bolivia for an aggregate purchase price of US\$11.4 million of which US\$8.9 million was paid in cash. The outstanding balance will be paid without interests in February 15, 2011.

The Company acquired San Cayetano and San Rafael farms, 883 hectares and a 2,969 hectares properties, respectively, located in the Province of Guarayos, Bolivia for an aggregate purchase price of US\$8.8 million of which US\$6.9 million was paid in cash. The outstanding balance was paid on November, 2010.

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The Company acquired La Fon Fon farm, a 3,748 hectare property located in the Province of Obispo Santiesteban, Bolivia for an aggregate purchase price of US\$8.6 million of which US\$6.7 million was paid in cash. The outstanding balance was paid on November, 2010.

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**2. Preparation of financial statements (continued)**

*f) Acquisitions and development of businesses (continued)*

*Expanding business into the Republic of Paraguay*

The Company initiated an international expansion in the agriculture and livestock businesses in South America. In this context, in September 2008, the Company entered into an agreement with Carlos Casado S.A. ( Casado ) to jointly conduct business in Paraguay. Casado is an unrelated Argentine company conducting business in Southern Paraguay.

The Company and Casado formed Cresca S.A. ( Cresca ), a company incorporated under the laws of Paraguay, where each party holds a 50% interest. In turn, the Company entered into a 10-year Advisory Agreement with Cresca (the Agreement ) under which the Company advises Cresca on its agricultural, livestock and forestry business in Paraguay. Eventually, the agreement can be extended to cover up to 100,000 hectares of land in Paraguay to be purchased pursuant to an option granted by Carlos Casado to Cresca.

The Agreement can be automatically renewed for two additional 10-year periods at the end of the original term and subsequently renewed thereafter.

The Company acquired from Casado a 50% undivided interest in 41,931 hectares of land in Southern Paraguay for total consideration of US\$5.2 million. Immediately following the acquisition, the Company contributed the property to Cresca in exchange for its ownership interest. Casado, in turn, contributed the remaining 50% undivided interest in the property. The Company's aggregate contributions to Cresca amounted to US\$5.2 million derived from the in-kind contribution of the property.

*Investment in Cactus Argentina S.A.*

The Company acquired an additional 24% in Cactus for total consideration of US\$1.2 million. This amount was fully paid as of June 30, 2010.

***B. Real Estate Business***

*Purchase of shares of IRSA*

The Company acquired 78,181,444 additional shares of IRSA amounting to US\$47.4 million, increasing its direct interest to 55.64% as of June 30, 2009.

*Acquisition of Metropolitan*

In July 2008, IRSA International LLC, a wholly-owned subsidiary of IRSA (through Tyrus S.A.), acquired a 30% equity interest in Metropolitan 885 Third Avenue LLC ( Metropolitan ), a limited liability company incorporated under the laws of New York, United States of America, whose net asset comprised of a building known as the Lipstick Building in Manhattan and associated debt. The purchase price was US\$22.6 million in cash.

The transaction also included (i) a put right exercisable through July 2011 to sell 50% of the interest acquired (ie. 15%) at a price equivalent to the amount paid plus interest at 4.5% per annum; and (ii) a right of first offer for the purchase of 60% of the 5% held by another party (i.e. 3%).



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Due to the international credit crisis and real estate business contraction in the United States, Metropolitan recorded impairment charges in connection with the Lipstick Building. IRSA s

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**2. Preparation of financial statements (continued)**

*f) Acquisitions and development of businesses (continued)*

share in the loss exceeded the net book value of the investment. Accordingly, IRSA valued the investment at zero as of June 30, 2010 and 2009 while recognized a liability of US\$1.5 million related to the maximum amount committed by IRSA to fund Metropolitan operations if required. During the year ended June 30, 2010, the put option increased its fair value as the building's fair value decreased. The Company adjusted the put option's fair value on a monthly basis (See Note 29).

Acquisition of shares of Banco Hipotecario

The Company acquired additional shares in BHSA for Ps. 107.6 million, of which Ps. 28.8 million were paid in fiscal year 2009 and the outstanding balance (Ps.78.8 million) was paid in July 2009. This transaction generated a gain of Ps. 133.0 million for the year ended June 30, 2009.

Acquisition of companies in Uruguay

In June 2009, IRSA acquired a 100% interest in Liveck S.A. ( Liveck ), a shell company located in Uruguay, for de minimis consideration.

Simultaneously, Liveck acquired a 90% interest in two companies, Zetol S.A. (Zetol) and Vista al Muelle S.A. (Vista al Muelle), both property owners in the Canelones Department, Uruguay. The remaining 10% interest is held by a third party, Banzey S.A. (Banzey). IRSA intends to develop a residential and commercial complex.

The total price for the purchase of Zetol was US\$7.0 million, of which US\$2.0 million were paid as of June 30, 2009, while the outstanding balance is to be paid in 5 installments of US\$1.0 million each plus interest at an annual interest rate of 3.5% within a maximum term of 93 months counted as from the date of acquisition of IRSA. Payment of Zetol shares may be settled at the option of the sellers through the transfer of title on the future units to be built on the site representative of 12% of the total marketable square meters.

The total price for the purchase of Vista al Muelle was US\$0.83 million, of which US\$0.5 million was paid as of June 30, 2009, while the outstanding balance is to be paid within a two-year period plus interest at an annual rate of 8%.

To guarantee compliance with the duties agreed by Liveck in the above transactions, Ritelco S.A. has tendered a surety bond guaranteeing payment of 45% of the outstanding balance, interest thereon and the option rights of the sellers.

Subsequently, IRSA sold 50% of its stake in Liveck to Cyrela Brazil Realty S.A. for a price of US\$1.3 million.

As part of the purchase of Zetol and Vista al Muelle, IRSA and Banzey entered into an agreement pursuant to which IRSA agreed to purchase and the later agreed to sell the 10% interest in the companies on July 11, 2011, provided there is no shareholders agreement signed before July 1, 2011 (see Note 29).

Purchase of Anchorena building

On August 7, 2008, the Company signed an agreement by which acquired functional units number one and two with an area of 2,267.5 square meters and 608.4 square meters



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**2. Preparation of financial statements (continued)**

*f) Acquisitions and development of businesses (continued)*

respectively, located at Dr. Tomás Manuel de Anchorena street No. 665, 667, 669 and 671, between Tucumán and Zelaya streets. The total agreed-upon price amounts to US\$2 million which has been paid on January 15, 2009 when the title deed was signed.

On August 7, 2008, the Company signed an agreement by which acquired the functional unit number three covering a surface area of 988 sq. located in Dr. Tomás Manuel de Anchorena street numbers 665, 667, 669 and 671, between Tucumán and Zelaya streets. The total agreed-upon price amounts to US\$1.3 million which has been paid on January 15, 2009 when the title deed was signed.

As of June 30, 2009 the total amount paid for the acquired functional units above mentioned was US\$3.3 million.

Barter with CYRSA S.A.

On July 21, 2008, APSA entered into a barter agreement with Cyrsa S.A. ( Cyrsa ) pursuant to which APSA, subject to certain closing conditions, would surrender to Cyrsa its right to construct a building over a preexisting structure (owned by a third party) in exchange for de minimis cash and 25% of the housing units in the future building. The total fair value of the transaction is US\$5.9 million.

On December 17, 2010, the APSA and CYRSA entered into an agreement to nullify the rights and obligations assumed in the abovementioned transactions. CYRSA restored the building to the Company. Title deed s still pending.

Paraná plot of land

On June 30, 2009, the Company signed a Letter of Intent with an unrelated party to purchase a 10,022 square meter property in the City of Paraná, Province of Entre Rios, Argentina. The Company intends to construct a shopping center on the site. On August 12, 2010, the agreement of purchase was executed. See Note 29 for subsequent events details.

Year ended June 30, 2008

Purchase of shares of BrasilAgro

During the year ended June 30, 2008, the Company acquired 4,086,800 additional shares of BrasilAgro

for Ps. 84.0 million in cash, increasing its equity interest from 7.40% to 14.39%.

Acquisition of farms

On December 17, 2007, the Company acquired the remaining undivided 25% of the 72 hectares of La Adela farm (18 hectares) for an aggregate purchase price of US\$0.1 million. As a result, as of June 30, 2008, the Company owned 1,054 hectares of La Adela farm.

In April, 2008, the Company acquired an undivided 80% interest in La Esperanza farm (980 hectares) located in the Province of La Pampa for an aggregate purchase price of US\$1.28 million.

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On June 30, 2008, the Company acquired the Estancia Carmen farm, a 10,910 hectare property located in the Province of Santa Cruz, Argentina for US\$0.7 million.

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**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**2. Preparation of financial statements (continued)**

*f) Acquisitions and development of businesses (continued)*

Agrology S.A. and FyO Trading S.A.

In May 2008, the Company formed Agrology S.A. Agrology is a new venture that invests in financial instruments and manages equity interests in other companies.

Purchase of shares of IRSA

In September and November of 2007, the Company acquired 82.5 million shares of the common stock of its equity investee, IRSA, by (i) converting US\$12.0 million of IRSA's Convertible Notes into 22.0 million shares of IRSA's common stock and (ii) exercising the warrants to acquire 60.5 million shares of IRSA's common stock for US\$39.6 million (Ps. 124.7 million). Further, the Company acquired an additional 45,019,910 shares of the common stock of IRSA for US\$62.7 million (Ps. 196.3 million). All of these acquisitions increased the Company's interest in IRSA from 25.01% to 42.13% as of June 30, 2008.

Acquisition of a plot of land in Luján

In May 2008, IRSA entered into a preliminary purchase contract with transfer of possession with Birafriends S.A. (an unrelated party) for the acquisition of a plot of land in Luján, Province of Buenos Aires, for a total purchase price of US\$3.0 million. IRSA paid US\$1.2 million and the remaining balance will be paid at the time of the signing of the deed. On December 2008, IRSA assigned the preliminary purchase contract to Cresud. Cresud will pay the remaining balance at the time of the signing of the deed, and will also refund IRSA the amount the Company paid at the time of the signing of the preliminary purchase.

*g) Dispositions*

Year ended June 30, 2010

**A. Agricultural Business**

Sales of farms

On June 15, 2010, the Company sold the TALI SUMAJ farm (12,701 hectares) located in the Province of Catamarca for US\$4.8 million generating a profit of US\$3.2 million.

As discussed in Note 14, the farm is subject to pending litigation. The Company committed to carry out all obligations derived from the possible conviction including court expenses. For such purpose, the Company provided a performance bond to secure its obligations on behalf of the purchaser.

**B. Real Estate Business**

Sale of ownership interest in Pereiraola S.A.I.C.I.F. y A. (Pereiraola)

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In June 2010, the Company sold to an unrelated developer its interest in Pereiraola for US\$11.8 million, of which US\$1.94 million was collected as of June 30, 2010. The balance will be collected by receiving (a) the higher of (i) 6% of the marketable lots, or (ii) 39,601 square meters in a future neighborhood to be constructed by the buyer on the site, valued by the parties at US\$2.1 million and (b) four consecutive, half-yearly installments of US\$1.94 million each, plus an annual 14% interest rate on the outstanding balances. As of June 30, 2010, the Company collected US\$1.05 million in advance of the first installment.

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**2. Preparation of financial statements (continued)**

***g) Dispositions (continued)***

**Safe of equity interest in Tashop**

On December 22, 2009 APSA reported the approval by its Board of Directors the sale, assignment and transfer on behalf of Banco Hipotecario S.A. the amount of 107,037,152 registered nonendorsable shares of common stock with a face value of Ps. 1 each and entitled to one vote per share, representing 80% of the Tarshop S.A. shares.

On December 29, 2009, contractual documents related to the transaction were executed, which was subject to the approval by *Banco Central de la República Argentina* ( Argentine Central Bank ) granted on August 30, 2010. Consequently, on September 13, 2010, the respective memorandum of closure was executed. (See note 29).

**Sale of Buildings**

The Company sold 14,777 square meters of gross leasable area for Ps. 168.3 million in cash. These sales generated a profit of Ps. 115.4 million.

**Sale of properties in Guaymallén (Mendoza) and Rosario**

On March 26, 2010, the Company sold a building located in the district of Guaymallén, Province of Mendoza for US\$0.3 million fully collected as of June 30, 2010.

On April 14, 2010, the Company sold the lot designated as 2A of a building located in the District of Rosario, City of Rosario, Province of Santa Fe for US\$4.2 million, of which US\$1.0 million was collected as of June 30, 2010. The remaining balance will be settled upon executing the title deed. The sale is subject to certain precedent conditions, which have not been fulfilled as of year-end.

On May 3, 2010, the Company sold the lot designated as 2E of a building located in the District of Rosario, City of Rosario, Province of Santa Fe for US\$1.4 million, of which US\$0.3 million was collected as of June 30, 2010. The outstanding balance will be settled as follows: an amount of US\$0.3 million due on September 30, 2010, upon transfer of title and an amount of US\$0.7 million, plus interest at 14%. The lot was mortgaged in favor of the Company as collateral for the payment.

**Year ended June 30, 2009**

***A. Agricultural Business***

**Land sales out of El Recreo and Los Pozos farms**

On July 24, 2008, the Company sold 1,829 hectares out of the El Recreo farm, located in the Province of Catamarca for US\$0.4 million. The buyer paid US\$0.1 million in cash and the balance will be collected in two annual consecutive installments of US\$0.12 million each. The balance accrues interest at LIBOR plus 3% per annum. This transaction generated a gain of US\$0.3 million.

On April 7, 2009, the Company closed the sale of 1,658 hectares of the Los Pozos farm located in the Province of Salta, Argentina, for US\$0.5 million.





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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**2. Preparation of financial statements (continued)**

***g) Dispositions (continued)***

***B. Real Estate Business***

***Sales of Buildings***

During fiscal year 2009, the Company sold 20,315 square meters of office building for total consideration of Ps. 201.3 million resulting in a gain of Ps. 119.4 million.

***Year ended June 30, 2008***

***Land sales out of Los Pozos and La Esmeralda farms***

On October 22, 2007, the Company sold 4,974 hectares out of Los Pozos farm for US\$1.1 million, which was collected in full as of June 30, 2008. This transaction generated a gain of US\$1.0 million.

On May 30, 2008, the Company sold 2,430 hectares out of La Esmeralda farm out for US\$6.2 million, which was collected in full as of June 30, 2008. This transaction generated a gain of US\$5.3 million.

***h) Use of estimates***

The preparation of the Consolidated Financial Statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of date of the Consolidated Financial Statements, and the reported amounts of revenues and expenses during the reporting years. Significant estimates include those required in the accounting for barter transactions, gain from recognition of inventories at net realizable value, provisions for allowances and contingencies, impairment of long-lived assets, depreciation and amortization, current value of assets acquired in business combination and assets acquisition, deferred income assets and asset tax credit. Future results could differ from those estimates and evaluations made at the date of preparation of these Consolidated Financial Statements.

***i) Adoption of International Financial Reporting Standards***

On March 20, 2009, the FACPCE issued Technical Resolution No. 26 Adoption of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) which requires that companies under the supervision of the Comisión Nacional de Valores to prepare their financial statements in accordance with IFRS as published by the IASB for fiscal periods beginning on or after January 1, 2011, including comparative information for earlier periods. There are Consejos Profesionales or standard setters in each provincial jurisdiction in Argentina, which have the power to adopt, reject or modify a resolution issued by the FACPCE. The jurisdiction where we are located is the Federal District. On April 25, 2009, the CPCECABA approved Resolution No. 26. The CNV issued Resolution No. 562/09, as amended by Resolution 576/10 formally adopting application of Resolution No. 26 to its regulated entities for fiscal years beginning on January 1, 2012. The Company will be required to prepare its consolidated financial statements in accordance with IFRS as issued by the IASB for its fiscal year ended June 30, 2013 and 2012. The Company's transition date to IFRS will be July 1, 2011. On April 29, 2010, the Company's Board of Directors approved a plan for implementing IFRS. The Company is currently in the early stages of completing a diagnosis of the principal differences between Argentine GAAP and IFRS.



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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**2. Preparation of financial statements (continued)***j) Change in accounting policy related to statement of cash flows*

The Company classified cash flows from purchases and sales of investments not considered to be cash equivalents as operating activities for the years ended June 30, 2009 and 2008. As part of the Company's IFRS implementation efforts, for the fiscal year ended June 30, 2010, the Company changed this accounting policy to treat these cash flows as investing activities as permitted also by Argentine GAAP (Technical Resolution No 8). Therefore, the Company retroactively adjusted the prior years as follows:

|   | As of June, 2009 |                            | As of June, 2008 |                            |
|---|------------------|----------------------------|------------------|----------------------------|
|   | As<br>adjusted   | As<br>originally<br>issued | As<br>adjusted   | As<br>originally<br>issued |
| Net cash provided by (used in) operating activities | 248,412          | 299,536                    | (39,102)         | (48,504)                   |
| Net cash used in investing activities               | (316,055)        | (367,579)                  | (443,828)        | (434,426)                  |
| Net cash (used in) provided by financing activities | (241,767)        | (241,767)                  | 917,833          | 917,833                    |

**3. Significant accounting policies**

The following is a summary of significant accounting policies followed by the Company in the preparation of these consolidated financial statements. When appropriate, each accounting policy is discussed in the context of the two main businesses of the Company: agricultural and real estate businesses.

*a) Revenue recognition***Agricultural Business**

The Company primarily derives its revenues from the sale of crops, milk and live beef cattle, feed lot operation (through its equity investee Cactus), and services and leasing of its farms to third parties and brokerage activities and sale of farms.

The Company follows RT No. 22 *Agricultural Activities* which prescribes the accounting treatment, financial statement presentation, and disclosures related to agricultural activities. Agricultural activity is the management by an enterprise of the biological transformation of living animals or plants (biological assets) for sale, into agricultural produce, or into additional biological assets.

RT No. 22 prescribes, among other things, the accounting treatment for biological assets during its biological transformation. RT No. 22 establishes a hierarchy of measurement for biological assets depending on their stage of development. For a description of the measurement principles applied to the various biological assets within inventories see Note 3 h.

RT No. 22 defines biological transformation as the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset. Biological assets are defined as living plants and animals. Agricultural produce such as harvested crops, beef, milk and raw materials are the harvested produce of biological assets. Biological transformation results in the following types of outcomes: asset changes through (i) growth (an increase in quantity or improvement in quality of an animal or plant), (ii) degeneration (a decrease in the quantity or deterioration in quality of an animal or plant), or (iii) procreation (creation of additional living animals or plants).



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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**3. Significant accounting policies (continued)**

***a) Revenue recognition (continued)***

Under RT No. 22, the, statement of income shows the following line items relating to the agricultural activity:

Production Income: Production income is recognized when there is a qualitative or quantitative change in biological assets. As it relates to crops, production income is recognized when they are harvested. At the point of harvest and thereafter, harvested crops are measured at net realizable value, therefore, a gain is generally recognized for the difference between the cost recognized and net realizable value. Thus, under RT No. 22, gains are recognized when crops are harvested rather than when they are sold. As it relates to cattle, production income is recognized, for example, when a calf is born or there is a change in weight. Cost of Production: Cost of production consists of costs directly related to the transformation of biological assets and agricultural produce. As it relates to crops, costs are capitalized as incurred. At the point of harvest, costs are recognized in the income statement to match production income. As it relates to cattle, costs are recognized in the income statement as incurred;

Sales: Revenue from the sale of agriculture produce is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collectability is reasonably assured. Revenue from cattle feeding operations primarily comprised of feeding, animal health and yardage, and revenue from operating leases and brokerage activities are recognized as services are performed. Sales represent the consideration received or receivable for the sale to third parties based generally on the applicable quoted market prices of the respective produce or biological asset in the respective markets at the point of sale. At the point of sale, the produce is measured at net realizable value, which generally reflects the sale price less direct selling costs, using the applicable quoted market price;

Cost of Sales: Cost of sales consists of certain direct costs related to the sales of agricultural produce other than selling expenses. The cost of sales represents the recognition as an expense of the produce held in inventory valued at net realizable value. Therefore, based on the description in sales and this line item, the amount of sales is generally equal to the cost of sales plus direct selling expenses. Based on this, the Company generally does not recognize any significant additional profit upon selling the inventory beyond the gains or losses recognized within the line item unrealized gain (loss) on inventories ;

Unrealized gain (loss) on inventories: Under RT No. 22, gains or losses that arise from measuring harvested produce and cattle at net realizable value are recognized in the statement of income in the period in which they arise. In addition, this line item generally includes gains or losses from futures and options contracts on agriculture produce. Revenue from the sale of farms is recognized when all of the following criteria are met:

(i) the sale has been consummated;

(ii)

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the Company has determined that the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property;

(iii) the Company's receivable is not subject to future subordination; and

(iv) the Company has transferred to the buyer the risk of ownership, and does not have a continuing involvement in the property. Under RT No. 22, the exhibits entitled "Cost of Sales" and "Cost of Production" present a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the relevant periods. This reconciliation includes (a) the gain or loss arising from changes in fair value less estimated point-of-sale costs; (b) increases due to purchases; (c) decreases attributable to sales and biological assets classified as held for sale; (d) increases due to harvest; and (e) other changes.

### Real Estate Business

The Company through its subsidiary, IRSA, derives its revenues from domestic office and shopping center leases, the development and sale of properties, hotel operations and consumer financing.

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**3. Significant accounting policies (continued)**

***a) Revenue recognition (continued)***

*Development and sale of properties*

Revenue from the sale of properties is recognized when all of the following criteria are met:

- (i) the sale has been consummated;
- (ii) the Company has determined that the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property;
- (iii) the Company's receivable is not subject to future subordination; and
- (iv) the Company has transferred to the buyer the risk of ownership, and does not have a continuing involvement in the property.

The Company uses the percentage-of-completion method of accounting with respect to sales of development properties under construction affected under fixed-priced contracts. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs applied to the total budget cost. The Company does not commence revenue and cost recognition until such time as the decision to proceed with the project is made and construction activities have begun.

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

*Leases and services from office and other buildings*

Leases with tenants are accounted for as operating leases. Tenants are charged a monthly rent. Rental income is recognized on a straight-line basis over the term of the lease and unpaid rents are included in accounts receivable in the accompanying consolidated balance sheets.

*Leases and services from shopping center operations*

Leases with tenants are accounted for as operating leases. Tenants are generally charged a rent which consists of the higher of (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant's monthly gross retail sales (the Percentage Rent) (which generally ranges between 4% and 10% of tenant's gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant's Base Rent generally increases between 7% and 12% each year during the term of the lease. For the years ended June 30, 2010, 2009 and 2008 the majority of the tenants were charged with the Percentage Rent.



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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. IRSA determines the compliance with specific targets and calculates the additional rent on a monthly basis as provided for in the contracts. Thus, these contingent rents are not recognized until the required thresholds are exceeded.

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

APSA also 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 the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**3. Significant accounting policies (continued)**

***a) Revenue recognition (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 and upon lease renewal. Admission right is normally paid in one lump sum or in a small number of monthly installments. Admission rights are recognized using the straight-line method over the life of the respective lease agreements.

APSA also derives revenues for parking lot fees charged to visitors. Parking revenues are recognized as services are performed.

*Lease agent operations*

The Company, through a subsidiary of IRSA, Fibesa, acts as the leasing agent for APSA bringing together it and its potential lessees for the retail space available in certain of the Company's shopping centers. Fibesa's revenues are derived primarily from success fees paid by tenants calculated as a percentage of the final rental income value for both the lessee and APSA. Revenues related to success fees are recognized at the time that the transaction is successfully concluded. A transaction is considered successfully concluded when both parties have signed the related lease contract.

*Consumer Financing*

IRSA, through APSA subsidiary's Tarshop S.A. ( Tarshop ) is engaged in the origination of consumer loans and credit card transactions and securitization of corresponding receivables. Revenues from credit card transactions are primarily comprised of (i) merchant discount fees which are recognized when transactional information is received and processed by IRSA; (ii) data processing services which consist of processing and printing cardholders statement of accounts, and which are recognized as services are provided; (iii) life and disability insurance charges to cardholders which are recognized on an up-front basis, and (iv) interest income generated by financing and lending activities. Revenues from financing and lending activities are comprised of interest income which is recognized on an accrual basis. See Note 20 for details on Securitization activity. After the sale of 80% of Tarshop in September 2010, IRSA maintains a 20% interest in the company's business.

*Hotel operations*

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

***b) Cash and cash equivalents***

For purposes of the Consolidated Statement of cash flows, the Company considers all highly liquid investments with original maturities of three months or less, to be cash equivalents. Cash equivalents consist of time deposits on mutual funds with original maturities of less than three months at date of purchase. Mutual funds are considered to be cash equivalents since original maturity is determined by reference to the frequency with which liquidity is available according to current Argentine GAAP guidance and practice.

***c) Trade accounts receivable and payable***

Trade accounts receivable and payable are stated at their cash price estimated at the time of the transaction, plus interest and implied financial components accrued on the basis of the internal rate of return determined at such time, provided if they are significant. The Company provides for losses relating to trade accounts receivable. The allowance for losses is based on management's evaluation of various factors, including the credit risk of customers, historical trends and other information. While management uses the information available to make evaluations, future

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adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluations. Management has considered all events and/or transactions that are subject to reasonable and normal methods of estimation, and the consolidated financial statements reflect that consideration.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**3. Significant accounting policies (continued)**

***d) Financial receivables and payables***

Financial receivables and payables have been valued at the amount deposited or collected, respectively, net of transaction costs, plus accrued interest based on the interest rate estimated at the time of the transaction. In the case, the Company has the intention and feasibility of selling financial receivables after the year-end, those receivables are valued at their net realizable value.

***e) Investments***

*Current*

Current investments include, mutual funds, mortgage bonds, government bonds and time deposits. Mutual funds, mortgage bonds and government bonds are carried at market value as of year-end, with unrealized gains and losses reported in earnings. Time deposits are valued at cost plus accrued interest at year-end.

Unrealized gains and losses on these investments are included within Financial results, net in the statements of income.

Current investments also include retained interests in securitized receivables pursuant to the securitization programs of Tarshop (See Note 20) and the retained interest in securitized mortgage receivables, which have been accounted for under the equity method, net of the corresponding allowances for impairment, if applicable.

*Non-Current*

**Agricultural Business**

***Investments in affiliates***

Investments in affiliates in which the Company has control or significant influence (generally representing an equity interest between 20% and 50%) have been accounted for under the equity method. Management periodically evaluates the carrying value of its equity investments for impairment. The carrying value of equity investments is considered impaired when an other-than-temporary decrease in the value of the investments has occurred.

Investments in which the Company does not have significant influence have been accounted for under the cost plus dividend method.

The Company records gain or losses due to changes of interests in equity investees and/or subsidiaries, resulting from capital nature transactions between the equity investees and/or subsidiaries and other shareholders, in additional paid-in capital within shareholders' equity.

**Real Estate Business**

***Equity investments***

**Banco Hipotecario S.A. and Banco de Crédito y Securitización S.A.**

As of June 30, 2009, IRSA had a 21.34% equity interest in Banco Hipotecario S.A. ( BHSA ) (without considering treasury shares). During this year, IRSA acquired the equivalent of 100,417,816 shares of BHSA for an amount of Ps. 118.7 million of which Ps. 112.6 million were paid as of June 30, 2010. After the above mentioned purchases, as of June 30, 2010, IRSA has 28.03% of the shares of BHSA (without considering treasury shares). IRSA also has a 5.10% investment in Banco de Crédito y Securitización S.A. ( BACSA ).

In accordance with regulations of the Banco Central de la República Argentina ( BCRA ) and also as imposed by the agreements signed by BHSA as a result of its financial debt restructuring process, there are certain restrictions on the distribution of profits by BHSA.

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**3. Significant accounting policies (continued)**

***e) Investments (continued)***

The financial statements of BHSA and BACSA are prepared in accordance with BCRA standards. For the purpose of valuation of these investments, IRSA has made adjustments necessary to adequate these Consolidated Financial Statements to Argentine GAAP have been considered.

**Metropolitan 885 Third Ave LLC ( Metropolitan )**

The Company, through IRSA, holds an indirect 30% equity interest in Metropolitan through IRSA International LLC and Tyrus S.A., wholly owned subsidiaries of the Company. See Note 2.f) for details.

***Retained interests in securitization programs***

Non-current investments also include the non-current portion of IRSA's retained interests in securitized receivables (evidenced as Certificates of Participation or CPs) and trust debt securities (TDFs) pursuant to the securitization programs of credit card and personal loans receivables (See Note 20 for details).

***Undeveloped parcels of land***

IRSA acquires undeveloped land in order to provide an adequate and well-located supply for its residential and office building operations. IRSA's strategy for land acquisition and development is dictated by specific market conditions where IRSA conducts its operations.

Land held for development and sale and improvements are stated at cost (adjusted for inflation as described in Note 2.d) less allowances for impairment or estimated fair market value, whichever is lower. Land and land improvements are transferred to inventories or fixed assets, as appropriate, when IRSA determines that the properties are to be marketed for sale, when construction commences or the land is leased.

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

During the years ended June 30, 2002 and 2003 IRSA recognized significant impairment. As permitted by Argentine GAAP, due to increases in fair market values, these impairment charges were subsequently reversed during the years ended June 30, 2004 until 2009. Impairment charges and subsequent reversals are included in the line item Unrealized gain (loss) on inventories in the income statement. The balance of allowance for impairment of undeveloped parcels of land amount to Ps. 50 and Ps. 50 for the years ended June 30, 2010 and 2009, respectively. See Note 3.p) for details on accounting for impairment losses.

***f) Business Combinations***

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

When Company acquires properties, for fair value estimation purposes, the Company also considers information about each property obtained as a result of pre-acquisition due diligence, marketing and leasing activities. The Company allocates a portion of the purchase price to tangible

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assets including the fair value of the building on an as-if-vacant basis and to land determined either by real estate tax assessments, third-party appraisals or other relevant data. Generally the Company determines the as-if-vacant value by using a replacement cost method. Also, a portion of the purchase price is allocated to above-market and below-market in-place lease values for

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**3. Significant accounting policies (continued)**

*f) Business Combinations (continued)*

acquired properties based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining noncancelable term of the lease. The capitalized above-market and below-market lease values are amortized as a reduction of or an addition to rental income over the remaining noncancelable terms of the respective leases. Should a tenant terminate its lease, the unamortized portion of the lease intangibles would be charged or credited to income. A portion of the purchase price is also allocated to the value of leases acquired and management utilizes independent sources or management's determination of the relative fair values of the respective in-place lease values. The Company's estimates of value are made using methods similar to those used by independent appraisers. Factors considered by management in performing these analyses include an estimate of carrying costs during the expected lease-up periods, considering current market conditions and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. The Company also estimates costs to execute similar leases including leasing commissions, legal expenses and other related costs. Other intangible assets acquired may include tenant relationships which are valued based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. The Company has not identified any lessee with whom it has developed a type of relationship allowing the recognition of an intangible asset.

*g) Negative goodwill and goodwill*

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

*Negative goodwill*

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

*Goodwill*

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

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

*h) Inventories*

**Agricultural Business**

The following is a description of each group of biological assets, categorized by stage of biological transformation:



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Biological assets which have not attained significant biological growth are measured at cost less any impairment losses. Capitalized expenses for growing biological assets include land preparation expenses and other direct production expenses including but not limited to labor costs, seeds, fertilizers and agrochemicals, vaccines, fuel and others.

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**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**3. Significant accounting policies (continued)**

***h) Inventories (continued)***

The Company distinguishes between consumable and bearer biological assets. Bearer biological assets are those assets capable of producing more than one harvest, for example livestock from which milk is produced or breeding cattle. Consumable biological assets are those assets that may be harvested as agriculture produce or sold as biological assets, for example livestock intended for the production of meat and/or livestock held for sale.

Bearer biological assets are measured at replacement cost. Consumable biological assets in the form of unharvested crops are measured at cost less any impairment losses. Consumable biological assets in the form of livestock held for sale or to be slaughtered for meat production are measured at net realizable value at year-end. Net realizable value is based on the prices relevant in the respective markets less selling costs.

Harvested produce is measured at net realizable value. Net realizable value is represented by year-end quoted prices in the markets in which the Company regularly operates, net of additional selling costs.

Non-biological assets raw materials (including seeds, agrochemicals, semen cattle raising and dairy, food and by-products, packs and bundles, poles, bags and blankets, silos, raw materials). These assets are valued at reproduction or replacement cost as of year-end, which does not exceed the net realizable value.

All other inventories are valued at replacement cost.

The carrying values of inventories do not exceed their estimated recoverable values at the date of these financial statements.

**Real Estate Business**

Inventories are comprised primarily of properties held for development and sale and to a lesser extent other minor inventories from hotel operations. A property is classified as held for sale upon determination by the Board of Directors that the property is to be marketed for sale in the normal course of business.

Residential, office and other non-retail properties completed or under construction are stated at acquisition or construction cost (adjusted for inflation as described in Note 2.d)) less allowances for impairment or estimated fair market value, whichever is lower. The Company records impairment losses for certain inventories which have market values lower than costs. Costs include land and land improvements, direct construction costs, construction overhead cost, financial cost and real estate taxes.

In addition, inventory includes receivables representing the rights to receive certain property units. The units relating to the projects called Caballito (CYRSA) , Caballito (Koad) , Benavidez , Rosario and Dique III have been valued at acquisition cost.

Inventories on which the Company received down payments that fix the sales price and the terms and conditions of the contract provide reasonable assurance the closing of the transaction and realization of the gain are valued at net realizable value. See Gain from recognition of inventories at net realizable value in the Consolidated Statements of Income.

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Properties held for sale are classified as current or non-current based on the estimated date of sale and the time at which the related receivable is expected to be collected by the Company.

During the years ended June 30, 2002, 2003 and 2005, the Company recognized significant impairment losses. As permitted by Argentine GAAP, due to increases in fair market values, these impairment charges were subsequently reversed partially during the years ended June 30, 2004 through the current fiscal year. Impairment charges and subsequent reversals are included in the line item Gain from operations and holdings of real estate assets, net in the income statement. The balance of allowance for impairment of inventory amount to Ps. 157 and Ps. 1,029 as of June 30, 2010 and 2009, respectively. See Note 3.p) for details on accounting for impairment losses.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**3. Significant accounting policies (continued)**

*i) Property and equipment*

**Agricultural Business**

Farmlands are valued at cost (adjusted for inflation as described in Note 2.d.), based on the corresponding dates of origin or its cost when corresponding, less accumulated depreciation at the end of the year.

Accumulated depreciation is computed under the straight-line method based on the estimated useful lives of the assets as from the month of the fiscal year of addition.

The net carrying value of farmlands does not exceed their recoverable value at the end of the period or the fiscal year.

Tree plantations (wood) have been valued at cost less accumulated depreciation as the Company has no intention to sell it, but use it in the production process.

Depreciation expense has been calculated based on the remaining concession term.

The estimated useful life of alfalfa fields and meadow is between 2 and 8 years and of mass wood is 30 years.

**Real Estate Business**

Property and equipment are comprised primarily of rental properties (including office and shopping centers), hotels and other property and equipment held for use by the Company.

*Rental properties (including office and shopping centers)*

Rental properties are carried at cost (adjusted for inflation as described in Note 2.d)), less accumulated depreciation and allowances for impairment. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, which are estimated between 10 to 30 years for office buildings and related improvements and between 19 and 31 years for shopping centers. Expenditures for maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are capitalized and depreciated over their estimated remaining useful lives. At the time depreciable assets are retired or otherwise disposed of, the cost and the accumulated depreciation and allowances for impairment of the assets are removed from the accounts and any profit or loss is recognized. IRSA capitalizes financial costs (interest and foreign exchange differences) on long-term construction projects. Capitalized financial costs amounted to Ps. 5,331 and Ps. 86,452 for the years ended June 30, 2010 and 2009, respectively, mainly in connection with the construction of the Panamerican Mall, Shopping Alto Rosario and Dique IV.

During the years ended June 30, 2002, 2003 and 2005 IRSA recognized significant impairment losses. As permitted by Argentine GAAP, due to increases in fair market values, these impairment charges were subsequently reversed partially during the years ended June 30, 2003 through the current fiscal year. Impairment charges and subsequent reversals are included in the line item Unrealized gain (loss) on inventories in the income statement. The balance of allowance for impairment of fixed assets amounts to Ps. 3,532 and Ps. 3,891, as of June 30, 2010 and 2009,

respectively.

Other property and equipment (common to agricultural and real estate business)

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**3. Significant accounting policies (continued)***i) Property and equipment (continued)*

Other property and equipment are carried at cost (adjusted for inflation as described in Note 2.d)), less accumulated depreciation at the end of the year. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, as specified below:

| Asset                             | Estimated useful life (years)             |
|-----------------------------------|---|
| Buildings (agricultural business) | 50  |
| Leasehold improvements            | Lesser of lease term or asset useful life |
| Facilities                        | Between 10 and 20                         |
| Machinery and equipment           | 10  |
| Vehicles                          | 5   |
| Software                          | 3   |
| Computer equipment                | 3   |
| Furniture and fixtures            | Between 5 and 10                          |
| Other                             | Between 4 and 10                          |

The cost of maintenance and repairs is expensed as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective asset.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statements of income.

*j) Intangible assets*

Agricultural Business

Intangible assets are carried at cost less accumulated amortization.

*Preoperating expenses*

Represents primarily expenses incurred in the development of the new international businesses in Bolivia and Paraguay. These pre operating expenses are amortized on a straight line basis over five-year periods upon commencement of operations in those countries. The value of these intangible assets does not exceed their estimated recoverable value at year-end.

*Concession rights*

Relate to the concession rights acquired as part of the Agropecuaria Anta S.A. acquisition. Concession rights acquired were valued at fair value at the time of the acquisition. Concession rights of Agropecuaria Anta S.A. are amortized under the straight-line basis over the term of the concession, as from the beginning of operations (i.e. 30 years).

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The carrying value of concession rights does not exceed their estimated recoverable value at the end of these financial statements.

### Real Estate Business

Intangible assets are carried at cost restated (as mentioned in Note 2.d)), less accumulated amortization.

### *Pre-operating and organization expenses*

Represents primarily expenses incurred relating to pre-opening activities of certain shopping centers and development projects. These expenses are amortized on a straight-line basis over a three-year period starting upon the opening of the shopping center or the sale of the project.

### *Trademarks*

Represents fees and expenses related to the registration of trademarks.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**3. Significant accounting policies (continued)**

***j) Intangible assets (continued)***

*Customer relationships*

Represent the net present value of the future economic benefits related to the use of acquired customer base. This asset is amortized on a straight-line basis over a twelve year period.

*Non-compete agreement*

This right is valued at acquisition cost and is amortized over the life of the agreement (28 months).

*Above and below market leases an In-place leases*

See Note 3.f) for details on accounting for these intangibles.

*Concession rights*

Represent Arcos concession right, which will be amortized over the life of the concession agreement upon commencement of operations.

***k) Other assets***

Other assets include farms for which the Company entered into sale agreements whereby it received down payments which fixed the final purchase price. Moreover the contractual conditions provide reasonable assurance that the transaction will be closed. These assets are valued at fair value less costs to sell with unrealized gains included in the statement of income.

***l) Foreign currency assets and liabilities***

Monetary assets and liabilities denominated in foreign currencies are incorporated into the accounting records of the Company in Argentine Pesos at the exchange rate prevailing at the time of the transaction. Monetary assets and liabilities in foreign currencies at year-end are then translated into Argentine Pesos at closing exchange rates. Assets and liabilities and income and expenses in foreign currencies generate transaction gains and losses, which are recorded within Financial results, net in the consolidated statements of income.

***m) Income tax provision***

The subsidiaries of the Company calculate their income taxes on a separate basis. The Company did not either calculate or pay income taxes on a consolidated basis for any of the periods presented. The statutory income tax rate was 35.0% for all years presented.

The Company records income taxes using the deferred tax method required by Technical Resolution No. 17 Overall Considerations for the Preparation of Financial Statements ( RT 17 ). Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is



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recognized in income in the fiscal year that includes the enactment date. A valuation allowance is recognized for that component of net deferred tax assets which is more likely than not to be recoverable.

The Company has treated the differences between the price-level restated amounts of assets and liabilities and their historical basis as permanent differences for deferred income tax calculation purposes in accordance with Resolution MD No. 11/2003 issued by the CPCECABA.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**3. Significant accounting policies (continued)***n) Minimum presumed income tax (MPIT)*

The Company is subject to the MPIT. Pursuant to this tax regime, the Company is required to pay the greater of the income tax or the MPIT. Any excess of the MPIT over the income tax may be carried forward and recognized as a tax credit against future income taxes payable over a 10-year period. The MPIT provision is calculated on an individual entity basis at the statutory asset tax rate of 1% and is based upon the taxable assets of each company as of the end of the year, as defined by Argentine law. In the opinion of management, it is probable that the Company will utilize such asset against future taxable income charges within the next ten years and, as a result, the Company has recognized the accumulated MPIT charge within Other current and non-current receivables, as appropriate, in the accompanying consolidated balance sheet. This tax credit has been recorded at its nominal value.

*o) Provisions for allowances and contingencies*

The Company provides for losses relating to accounts and mortgage receivables. The Company accrues losses when they are probable of occurring and estimable. When applicable the Company measures impairment on an individual basis, generally for larger balances of non-homogeneous receivables. When individually assessed, losses are accrued based on the differences between the value of collateral, present value of future cash flows or values that are observable in the secondary market and the loan balance. When applicable, an asset-specific allowance is established when the discounted cash flows, collateral value (less disposal costs), or observable market price of the impaired loan is lower than its carrying value. This allowance considers the borrower's overall financial condition, resources, and payment record, the prospects for support from any financially responsible guarantors and, if appropriate, the realizable value of any collateral.

The Company collectively evaluates for impairment smaller-balance homogeneous loans, including residential mortgage loans. For purposes of a collective evaluation of impairment, mortgage receivables and consumer financing loans are grouped on the basis of similar risk characteristics, taking into account asset type, collateral type, past-due status and other relevant factors. The Company applies allowance factors, which in the judgment of management represent the expected losses over the life of the loans. In determining those factors, the Company considers the following: (i) delinquencies and overall risk ratings, (ii) loss history, (iii) trends in volume and terms of loans, (iv) effects of changes in lending policy, (v) the experience and depth of the borrowers' management, (vi) national and local economic trends, (vii) concentrations of credit by individual credit size and by class of loans, (viii) quality of loan review system, and (ix) the effect of external factors (e.g., competition and regulatory requirements).

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

At the date of issuance of these financial statements Company's Management understands that there are no elements to foresee other potential contingencies having a negative impact on these financial statements.

*p) Impairment of long-lived assets*

The Company periodically evaluates the carrying value of its long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying value of a long-lived asset is considered impaired by the Company

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when its value in use or its net realizable value, whichever is greater, is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the greater of the value in use or the net realizable value. Value in use is determined by the expected cash flows from the assets discounted at a rate commensurate with the risk involved. Net realizable value is determined by the selling price of the assets less costs to sell.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**3. Significant accounting policies (continued)**

***p) Impairment of long-lived assets (continued)***

Under Argentine GAAP, the impairment loss is recorded in the income statement against a liability account. This liability account is a contra account to fixed assets, undeveloped parcels of land or inventories, which means that it is presented on the balance sheet as a direct reduction from the book value of these assets to arrive at the carrying value at any particular point in time. The liability account is depreciated over the useful life of the related asset decreasing depreciation expense each period. Under Argentine GAAP, a previously recognized impairment loss should only be reversed when there is a subsequent change in estimates used to compute the value in use or its net realizable value, whichever is greater. In that event, the new carrying amount of the asset should be the lower of its value in use or its net realizable value, whichever is greater, or the net carrying amount the asset would have had if no impairment had been recognized. Both the impairment charge and the impairment reversal are recognized in earnings in the period in which they are incurred.

***q) Translation of non-peso currency amounts***

Assets and liabilities of non-Argentine subsidiaries and associates that have a local functional currency are translated to Argentine Pesos at year-end exchange rates. Translation adjustments are recorded in shareholders' equity. Income and expense items are translated at weighted-average rates of exchange prevailing during the year.

***r) Vacation expenses***

Vacation expenses are fully accrued in the year the employee renders services to earn such vacation.

***s) Derivative financial instruments***

As part of its risk management strategy, the Company may use derivative financial instruments. The Company uses derivative financial instruments to manage its exposure to certain risks, including foreign exchange risks. In entering into these contracts, the Company assumes the risk that might arise from the possible inability of counter parties to meet the terms of their contracts. The Company does not expect any losses as a result of counterparty defaults.

The Company follows Technical Resolution No. 18 - Derivative instruments and coverage operations and carries these derivatives as assets or liabilities at fair market value on the balance sheet. RT No. 18 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the statement of operations, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. While management believes each of the financial instruments manage various market risks, these instruments are not designated and accounted for as hedges as a result of the extensive record keeping requirements of the provisions. Accordingly, the Company's derivatives are marked to market on a current basis with gains and losses recognized in earnings.

***t) Other receivables and liabilities***

Certain other receivables and liabilities (value added tax, cash reserves and guarantee deposits) have been measured based on the best estimate of the amount receivable and payable, respectively, discounted at the interest rate that reflect the time-value of money and the estimate specific transactions risks at the time of incorporation to assets and liabilities, respectively. The remaining other receivables and liabilities have been valued at their nominal value plus interest, if any.



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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**3. Significant accounting policies (continued)**

*u) Liabilities in kind related to barter transactions*

Obligations to deliver units to be built are valued at the higher of (i) the cost of construction of the units to deliver plus additional costs to transfer the assets to the creditor, or (ii) the value of the barter agreed by the parties. Liabilities in kind are disclosed in the Trade accounts payable .

*v) Related party balances and other transactions*

Receivables and payables with related parties generated by financial transactions and other sundry transactions have been valued in accordance with the terms agreed by the parties.

*w) Customers advances*

Customer advances represent payments received in advance in connection with the sale and lease of certain properties and have been valued at the amount collected.

*x) Mortgage payables*

Mortgage payables includes the debt assumed in the acquisition of Llao Llao Resorts (LLR) (Notes 2.f) and 14) and have been valued at the amount collected net of expenses plus accrued interests based on the interest rate estimated at the time of the transaction.

*y) Advertising expenses*

The Company generally expenses advertising and promotion costs as incurred.

Advertising and promotion expenses were approximately Ps. 27,769 and Ps. 14,510 for the years ended June 30, 2010 and 2009, respectively.

*z) Monetary assets and liabilities*

Monetary assets and liabilities are disclosed at their face value, adding or deducting the corresponding financial results.

*aa) Debt issuance costs*

Expenses incurred in connection with the issuance of debt are amortized over the term of the debt, applying effective interest method. Debt issuance costs are classified within short-term or long-term debts, as appropriate. In the case of redemption or conversion of these debts, the related expenses are amortized using the accelerated depreciation method. Amortization of debt issuance costs are included within Financial results, net in the accompanying statements of income as a greater financing expense.

*ab) Paid-in capital*

Related Companies Law No. 19,550 Section 33: Increases or decreases of the equity value of investments in IRSA and Cactus generated on the basis of changes in their shareholders' equity, arising from transactions of shareholders different from the Company and its subsidiaries, were

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included in this caption as established in captions 9 second part of Technical Resolution 17 of the FACPCE and Resolution CD 243/01 of the CPCECABA.

Warrants issued: the value of warrants issued by the Company has been allocated to the account Paid-in Capital.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**3. Significant accounting policies (continued)***ac) Earnings per share*

The Company is required to disclose earnings per share information for all periods presented. Basic earnings per share ( basic EPS ) are computed by dividing the net income available to common shareholders for the period by the weighted-average number of common shares outstanding during the year. Diluted earnings per share ( diluted EPS ) are computed by dividing the adjusted net income for the year by the weighted-average number of common shares and potential common shares outstanding during the year.

In computing diluted EPS, income available to common shareholders used in the basic EPS calculation is adjusted to add back the after-tax amount of interest recognized in the year with respect to any debt convertible to common stock. Additional adjustments are made for any other income or loss items that would result from the assumed conversion of potential common shares. The weighted-average number of common shares outstanding is adjusted to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. Diluted EPS is based on the most advantageous conversion rate or exercise price over the entire term of the instrument from the standpoint of the security holder. The calculation of diluted EPS excludes potential common shares if their effect is anti-dilutive.

The Company has considered the dilutive effect of outstanding warrants and convertible debt in calculating diluted EPS.

*ad) Dividends*

Dividend policy of IRSA consist in the distribution of an amount up to the highest of a) twenty per cent (20%) of the Revenues of Offices and other Non-Shopping Center Rental Properties segment, defined in Segment Information (Note 10), 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 IRSA must at all times comply with the covenants imposed by its financial obligations.

**4. Details of balance sheet and statement of income accounts:**

For case of presentation and when appropriate, balance sheet and income statement accounts are categorized in the context of the two main businesses of the Company: agricultural and real estate businesses.

*a) Cash and banks*

|                             | As of June 30, |            |
|-----------------------------|----------------|------------|
|                             | 2010           | 2009       |
| Cash in banks               | Ps. 69,893     | Ps. 75,723 |
| Collections to be deposited | 5,944          | 2,751      |
| Cash on hand                | 5,082          | 3,985      |
|                             | Ps. 80,919     | Ps. 82,459 |





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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**4. Details of balance sheet and statement of income accounts (continued)****b) Investments**

|  | As of June 30, |             |
|--|----------------|-------------|
|  | 2010           | 2009        |
| <b>Current</b>   |                |             |
| Mutual funds (vii)   | Ps. 153,699    | Ps. 150,850 |
| Time Deposits  |                | 15,156      |
| Government bonds and notes                                     |                |             |
| - Pre 2009 bonds   |                | 10,108      |
| - Pro 2012 bonds   |                | 3,987       |
| - Participation trust certificates (TDF) (v)                   | 2,846          | 16,490      |
| - Retained interests in securitized receivables (v)            | 124,671        | 136,231     |
| - Allowance for impairment of CP (v)                           | (7,423)        | (10,198)    |
| - Global 2010 bonds  | 132            | 67          |
| - Mortgage Bonds   | 918            | 1,198       |
| Shares of public companies                                     | 4,075          | 21,603      |
| Others investments   | 50             | 49          |
|  | Ps. 278,968    | Ps. 345,541 |
| <b>Non-Current</b>   |                |             |
| <b>Equity investments:</b>                                     |                |             |
| <b>Agricultural business:</b>                                  |                |             |
| Agro-Uranga S.A.   | Ps. 21,370     | Ps. 20,203  |
| Cactus Argentina S.A. (i)                                      | 2,071          | 14,047      |
| Exportaciones Agroindustriales Argentina S.A.                  | 5              | 99          |
| Brasil Agro Companhia Brasileira de Propiedades Agrícolas (ii) | 289,919        | 212,274     |
| <b>Real estate business:</b>                                   |                |             |
| Banco Hipotecario S.A. (iii) (ix)                              | 815,480        | 551,120     |
| Banco Crédito y Securitización S.A.                            | 5,996          | 5,127       |
| Manibil S.A. (iv) (Note 15)                                    | 27,238         | 25,332      |
| Hersha Hospitality Trust                                       | 204,553        |             |
| Advances payments for the acquisitions of shares               | 23,735         | 6,250       |
| <b>Undeveloped parcels of land (vi):</b>                       |                |             |
| - Santa Maria del Plata  | 204,420        | 203,584     |
| - Puerto Retiro (Note 15)                                      | 66,551         | 66,331      |
| - Berutti Plot of land   | 54,237         | 54,018      |
| - Caballito Plot of land (viii) (Note 15)                      | 40,630         | 40,626      |
| - Patio Olmos  | 33,218         | 33,218      |
| - Pereiraola   |                | 24,157      |
| - Torres de Rosario  | 14,230         | 18,641      |
| - Espacio Aéreo Coto (Note 15)                                 | 14,672         | 14,672      |

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|   |               |               |
|---|---------------|---------------|
| - Plot of Land Zetol                              | 14,348        | 13,116        |
| - Canteras Natal Crespo                           | 6,465         | 6,465         |
| - Pilar   | 4,066         | 4,066         |
| - Torres Jardin IV                                | 3,038         | 3,038         |
| - Vista al Muelle Plot of land (Note 15)          | 8,292         | 1,739         |
| - Other undeveloped parcels of land               | 26,601        | 19,267        |
| <b>Other investments</b>                          |               |               |
| Retained interests in securitized receivables (v) | 18,458        | 22,900        |
| Allowance for impairment of investments (v)       | (1,165)       | (1,891)       |
| MAT (x)   | 90            | 90            |
| Coprolán  | 21            | 21            |
| Other investments                                 | 1,531         | 95            |
|   | Ps. 1,900,070 | Ps. 1,358,605 |

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**4. Details of balance sheet and statement of income accounts (continued)**

- (i) As of June 30, 2010 includes Ps. 4,978 of goodwill and Ps. (4,978) of impairment of goodwill. As of June 30, 2009 includes Ps. 4,015 of goodwill.
- (ii) As of June 30, 2010 and 2009 includes Ps. 6,965 and Ps. 3,841 of goodwill, respectively. As of June 30, 2010 and 2009 includes Ps. (14,765) and Ps. (19,163) of negative goodwill.
- (iii) As of June 30, 2010 and 2009 includes Ps. 13,278 and Ps. 21,152 of goodwill, respectively
- (iv) As of June 30, 2010 and 2009, includes Ps. 10 of goodwill.
- (v) As part of its credit card and personal loans securitization programs, Tarshop transfers credit card and personal loans receivables to trusts in exchange for cash and certificates representing undivided interests in such receivables. Trusts debt securities represent debt certificates (TDFs) issued by trusts which are valued at amortized cost. Retained interests in transferred credit card and personal loans receivables represent equity certificates (CPs) issued by trusts which are accounted for under the equity method of accounting (See Note 20 for details).
- (vi) Shown net of allowances for impairment losses mentioned in Note 3.e)
- (vii) As of June 30, 2010 and 2009 includes an amount of Ps. 58,965 and Ps. 36,789, respectively, relates to investment in mutual funds which has not been considered as cash equivalents for purposes of the statement of cash flow. See Note 13 for additional details.
- (viii) This asset is restricted in relation to certain tax claims.
- (ix) As of June 30, 2010, includes Ps. 12,195 and Ps. 21,466 as goodwill and negative goodwill, respectively. As of June 30, 2009, includes Ps. 35,609 and Ps. 12,426 as goodwill and negative goodwill, respectively. Represents 420,455,493 shares with a quoted value at closing equivalent to Ps. 1.44 per share as of June 30, 2010 and 320,038,137 shares with a quoted value at closing equivalent to Ps. 0.85 per share as of June 30, 2009.
- (x) Mercado a Término de Buenos Aires - Buenos Aires Board of Trade

**c) Trade accounts receivable, net**

|   | As of June 30, |             |
|---|----------------|-------------|
|   | 2010           | 2009        |
| <b>Current</b>                                    |                |             |
| Consumer financing receivables                    | Ps. 245,538    | Ps. 141,570 |
| Leases and services receivables                   | 64,603         | 79,097      |
| Checks to be deposited                            | 67,920         | 62,230      |
| Pass-through expenses receivables (iii)           | 19,917         | 37,689      |
| Debtors under legal proceedings (ii)              | 42,117         | 35,903      |
| Trade accounts receivable - agricultural business | 73,740         | 40,583      |
| Receivables from the sale of properties (i)       | 19,867         | 20,319      |
| Hotel receivables                                 | 11,186         | 7,713       |
| Debtors from Tarjeta Shopping - collection agents | 4,532          | 5,070       |
| Related parties (Note 8)                          | 6,500          | 2,400       |
| Less:   |                |             |
| Allowance for doubtful accounts (Note 31.c))      | (114,855)      | (129,479)   |
|   | Ps. 441,065    | Ps. 303,095 |
| <b>Non-current</b>                                |                |             |
| Consumer financing receivables                    | Ps. 25,824     | Ps. 6,490   |

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|   |            |           |
|---|------------|-----------|
| Leases and services receivables             | 998        | 2,691     |
| Receivables from the sale of properties (i) | 16,551     | 2,757     |
| Less:                                       |            |           |
| Allowance for doubtful accounts (Note 31.c) | (1,250)    | (2,708)   |
|   | Ps. 42,123 | Ps. 9,230 |

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**4. Details of balance sheet and statement of income accounts (continued)**

*c) Trade accounts receivable, net (continued)*

- (i) Includes fixed-rate mortgage from several borrowers. At June 30, 2010, the amount due from the largest individual borrower was Ps. 26,537 at a contractual interest rate of 14%.
- (ii) Comprised of Ps. 1.1 million and Ps. 1.3 million related to mortgage receivables and Ps. 40.9 and Ps. 34.6 related to leases receivables, as of June 30, 2010 and 2009, respectively.
- (iii) Represents receivables for common area maintenance and other operating expenses charged to tenants of shopping centers.

*d) Other receivables*

|  | As of June 30, |             |
|--|----------------|-------------|
|  | 2010           | 2009        |
| <b>Current</b>   |                |             |
| Metropolitan put option  | Ps. 48,461     | 44,877      |
| Receivables from the sale of shares (i)                        | 35,772         | 34,553      |
| VAT receivable, net  | 50,994         | 32,601      |
| Related parties (Note 8)                                       | 10,876         | 89,925      |
| Prepaid expenses, excluding leases                             | 41,003         | 25,869      |
| Income tax advances and MPIT credit                            | 9,992          | 21,987      |
| Trust programs account receivables                             | 5,427          | 6,782       |
| Loans granted  | 859            | 5,424       |
| Guarantee of defaulted credits                                 |                | 4,206       |
| Outstanding tax on sales                                       | 9,013          | 3,318       |
| Receivables for services of third offered in Tarshop´ business | 4,880          | 2,746       |
| Guarantee deposits (ii)  | 2,611          | 1,490       |
| Pre-paid insurance   | 79             | 1,489       |
| MPIT   | 1,056          | 923         |
| Financial operations to liquidate                              | 512            |             |
| Premiums collected   |                | 742         |
| Other tax credit   | 745            | 171         |
| Prepaid leases   | 4,823          | 75          |
| Expenses to be recovered                                       | 235            | 47          |
| Receivables from stock holders in related companies            |                | 29          |
| Others   | 24,570         | 10,109      |
|  | Ps. 251,908    | Ps. 287,363 |
| <b>Non-Current</b>   |                |             |
| Deferred income tax (Note 11)                                  | Ps. 66,245     | Ps. 78,285  |
| MPIT   | 97,025         | 65,967      |
| VAT credit and prepaid income tax                              | 65,088         | 65,575      |
| Related parties (Note 8)                                       | 15,010         | 22,513      |
| Prepaid Expenses   | 2,609          | 3,958       |

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|  |             |             |
|--|-------------|-------------|
| Mortgages receivables under legal proceeding (iii)                   | 2,208       | 2,208       |
| Allowance for doubtful accounts (iii) (Note 31.c)                    | (2,208)     | (2,208)     |
| Outstanding gross sales tax payable and others                       | 935         | 1,989       |
| Trust programs account receivables                                   |             | 999         |
| Guarantee deposits   |             | 380         |
| Income tax advances and tax credit (net of provision for income tax) |             | 109         |
| Prepaid leases   |             | 33          |
| Others   | 1,403       | 2,784       |
|  | Ps. 248,315 | Ps. 242,592 |

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**4. Details of balance sheet and statement of income accounts (continued)**

*d) Other receivables (continued)*

- (i) In June, 2007 IRSA sold 10% of the shareholding in Solares de Santa Maria S.A. for US\$10.6 million (on such date IRSA collected US\$1.5 million of such amount). The balance became due in December, 2010 and it was supported by a pledge in favor of IRSA.
- (ii) As of June 30, 2010 and 2009 the balance is related to deposits required as collateral for derivative financial instruments operated by the Company (see Note 6).

Corresponds to a loan granted to an unaffiliated third party, which is collateralized by a mortgage on certain properties. During fiscal year 2001, this debtor filed for bankruptcy. As a result, IRSA has recognized an allowance for the entire balance based on the opinion of its legal counsel.

*e) Inventories*

|   | As of June 30, |             |
|---|----------------|-------------|
|   | 2010           | 2009        |
| <b>Current</b>  |                |             |
| <u>Agricultural Business</u>                            |                |             |
| Crops   | Ps. 51,660     | Ps. 49,258  |
| Beef Cattle   | 16,053         | 18,279      |
| Materials and others                                    | 37,619         | 26,898      |
| Unharvested crops                                       | 26,807         | 13,006      |
| Seeds and fodder  | 3,664          | 2,864       |
| <u>Real Estate Business</u>                             |                |             |
| Credit from barter transaction of Caballito (Koad) (ii) | Ps. 27,115     | Ps. 19,222  |
| Horizons  | 211,397        |             |
| Torres de Rosario                                       | 3,379          |             |
| Rosario plot of land                                    | 8,728          |             |
| Abril/Baldovinos  | 1,839          | 3,035       |
| Credit from barter transaction of Benavidez (i)         | 5,777          | 2,119       |
| Other inventories                                       | 6,483          | 4,516       |
|   | Ps. 400,521    | Ps. 139,197 |

|   | As of June 30, |            |
|---|----------------|------------|
|   | 2010           | 2009       |
| <b>Non-Current</b>  |                |            |
| <u>Agricultural Business</u>                              |                |            |
| Beef Cattle   | Ps 141,602     | Ps 77,828  |
| <u>Real Estate Business</u>                               |                |            |
| Horizons  | Ps             | Ps 109,144 |
| Credit from barter transaction of Caballito (CYRSA) (iii) | 25,155         | 20,875     |
| Credit from barter transaction of Caballito (Koad) (ii)   | 6,991          | 14,324     |
| Torres de Rosario under construction                      | 7,742          | 11,121     |



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|   |             |             |
|---|-------------|-------------|
| Credit from barter transaction of Benavídez (i) | 6,222       | 9,633       |
| Caballito plot of land                          | 6,794       | 6,653       |
| Pereiraola lots                                 | 8,200       |             |
| Abril/Baldovinos                                |             | 768         |
| Other inventories                               | 1,512       | 1,183       |
|   | Ps. 204,218 | Ps. 251,529 |

- (i) In March 2004, IRSA (through its subsidiaries) sold to Desarrolladora El Encuentro S.A (DEESA) a plot of land in Benavidez through the exchange of (i) US\$1.0 million in cash and (ii) 110 residential plots of the mentioned plot of

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Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**4. Details of balance sheet and statement of income accounts (continued)***e) Inventories (continued)*

land for an amount of US\$3 million. As guarantee of compliance with the operation, DEESA set up a first mortgage amounting to US\$3 million. On December 22, 2009 DEESA delivered the residential lots and the mortgage was lifted. On May 4, 2006, IRSA entered into a barter agreement with an unrelated party, Koad S.A. (Koad) pursuant to which the Company exchanged an undeveloped parcel of land of its property for the future delivery of units of property in a building complex to be constructed by Koad on the land. Both parties valued the transaction in US\$7.5 million. As consideration for the transaction, Koad made a down payment of US\$0.05 million and will settle the remaining balance through the delivery of 118 apartments and 55 parking units within a maximum period of 1,188 days. However, the final number of units to be received is subject to certain adjustments, depending on completion of milestone dates contemplated in the agreement. Koad encumbered with a mortgage the plot subject to this transaction in the amount of US\$7.5 million and constituted insurance for US\$2 million (which was reduced to US\$1 million according to the barter agreement in relation to the work advance) and is going to constitute another one for US\$0.5 million at the time the units are transferred. As of June 30, 2009, Koad had delivered 42 parking lots of the total stipulated. In addition, preliminary sales agreements were signed over 61 functional units. With these units recognized at net realization value, this transaction generated income for Ps. 4,839 during the fiscal year ended on June 30, 2010.

(ii) See note 2.f)

(iii) As of June 30, 2010, the Company entered into preliminary sales agreement by all of housing units and for which advances from customers were received and disclosed as Advances from Customers in the financial statements. Delivery of the housing units is scheduled for February 2011.

*f) Goodwill and negative goodwill*

|                                   | As of June 30, |               |
|-----------------------------------|----------------|---------------|
|                                   | 2010           | 2009          |
| <b>Goodwill</b>                   |                |               |
| IRSA                              | Ps. 13,040     | Ps. 12,596    |
| Alto Palermo S.A.                 | 10,865         | 11,821        |
| Tarshop S.A.                      |                | 6,032         |
| Torre Bank Boston                 | 5,033          | 5,195         |
| Della Paolera 265 y Museo Renault | 2,755          | 2,893         |
| Fibesa S.A.                       | 47             | 346           |
| Conil S.A.                        | 507            |               |
| <b>Negative Goodwill</b>          |                |               |
| IRSA                              | Ps. (360,477)  | Ps. (385,809) |
| Alto Palermo S.A.                 | (26,443)       | (26,548)      |
| Palermo Invest S.A.               | (24,503)       | (24,635)      |
| Empalme S.A.I.C.F.A. y G.         | (4,757)        | (5,184)       |
| Mendoza Plaza Shopping S.A.       | (5,002)        | (5,283)       |
| Emprendimiento Recoleta S.A.      | (90)           | (164)         |
|                                   | Ps. (389,025)  | Ps. (408,740) |

*g) Trade accounts payable*

|                                   | As of June 30, |             |
|-----------------------------------|----------------|-------------|
|                                   | 2010           | 2009        |
| <b>Current</b>                    |                |             |
| Suppliers (i)                     | Ps. 224,236    | Ps. 191,122 |
| Accruals                          | 102,877        | 105,674     |
| Related parties (Note 8)          | 2,815          | 6,961       |
| Debt related to purchase of farms | 25,181         | 35,098      |
| Liabilities in kind Horizons      | 46,451         |             |
| Others                            | 2,183          | 1,039       |
|                                   | Ps. 403,743    | Ps. 339,894 |
| <b>Non-Current</b>                |                |             |
| Suppliers (ii)                    | Ps. 11,210     | Ps. 58,862  |
| Debt related to purchase of farms |                | 21,893      |
| Related parties (Note 8)          | 12,158         | 8,438       |
|                                   | Ps. 23,368     | Ps. 89,193  |

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**4. Details of balance sheet and statement of income accounts (continued)**

*g) Trade accounts payable (continued)*

- (i) As of June 30, 2010 and 2009, includes accounts payable to merchants for credit card operations of Ps. 124.7 million and Ps. 88.8 million  
(ii) As of June 30, 2009 includes a non-current Ps. 46,451 balance that reflects the liabilities in kind associated to the acquisition of properties in Vicente López.

*h) Mortgage payable*

|                            | As of June 30, |           |
|----------------------------|----------------|-----------|
|                            | 2010           | 2009      |
| Current                    |                |           |
| Mortgage payable Llao Llao | Ps.            | Ps. 1,930 |
|                            | Ps.            | Ps. 1,930 |

*i) Short-term and long-term debt*

|   | As of June 30, |             |
|---|----------------|-------------|
|   | 2010           | 2009        |
| <b>Short-term debt:</b>                                 |                |             |
| Bank loans (i)  | Ps. 253,990    | Ps. 294,065 |
| Bank overdrafts including accrued interests             | 609,075        | 166,651     |
| Short-term debt (vii)                                   | 23,019         |             |
| Bank loans from foreign financial institutions entities | 4,921          | 788         |
| Seller financing (iv)                                   | 15,920         | 28,895      |
| IRSA Non-Convertible Notes interest (ii)                | 15,393         | 14,839      |
| Non-Convertible Notes Class II (v)                      | 35,324         |             |
| APSA Non-Convertible Notes 2011 (vi)                    | 69,978         |             |
| APSA Convertible Notes Accrued interest (iii)           | 2,719          | 2,610       |
| APSA Non-Convertible Notes 2012 (iii)                   | 26,695         | 26,569      |
| APSA Non-Convertible Notes Accrued interest (iii)       | 2,702          | 2,471       |
|   | Ps. 1,059,736  | Ps. 536,888 |

|                                       | As of June 30, |             |
|---------------------------------------|----------------|-------------|
|                                       | 2010           | 2009        |
| <b>Long-term debt:</b>                |                |             |
| IRSA Non-Convertible Notes (ii)       | Ps. 440,670    | Ps. 421,932 |
| APSA Non-Convertible Notes 2017 (iii) | 261,663        | 250,512     |

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|                                       |             |             |
|---------------------------------------|-------------|-------------|
| Bank loans (i)                        | 52,767      | 76,611      |
| APSA Convertible Notes (iii)          | 60,782      | 58,679      |
| APSA Non-Convertible Notes 2012 (iii) | 24,848      | 50,356      |
| Seller financing (iv)                 | 12,436      | 8,610       |
|                                       | Ps. 853,166 | Ps. 866,700 |

- (i) As of June 30, 2010 and 2009 the balance primarily relates to several short-term loans granted by several domestic financial institutions. As of June 30, 2010 and 2009 these loans accrue interest at annual fixed interest rates ranging

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**4. Details of balance sheet and statement of income accounts: (continued)**

*i) Short-term and long-term debt (continued)*

from 3.0% to 15.75% and from 7.5% to 19.9%, respectively. As of June 30, 2010 it includes the following loans: (a) Ps. 28,023 as a current balance and Ps. 52,767 as a non-current balance related to debt for purchase República building (See note 2.f)), (b) Ps. 19,023 correspond to Hoteles Argentinos S.A.'s mortgage loan. (See note 2.f)), (c) Ps. 206,944 related to loans granted by different financial institutions (mainly Ps. 47,451 granted by Banco Santander Río, Ps. 40,031 granted by Banco Nación, Ps. 30,726 granted by Banco Provincia, Ps. 21,269 granted by Banco Hipotecario and Ps. 15,545 granted by Banco Supervielle). As of June 30, 2009 it includes the following loans: (a) Ps. 27,596 as a current balance and Ps. 76,453 as a non-current balance related to debt for purchase República building (See note 2.f)), (b) Ps. 20,736 correspond to Hoteles Argentinos S.A.'s mortgage loan. (See note 2.f)), (c) Ps. 1,246,521 as a current balance and Ps. 158 as a non-current balance related to loans granted by different financial institutions (mainly Ps. 90,790 granted by Banco Nación, Ps. 45,234 granted by Banco Ciudad and Ps. 32,798 granted by Banco Provincia).

- (ii) In February 2007, IRSA issued US\$150.0 million of non-convertible notes (the IRSA Non-Convertible Notes) due February 2017 under the Global Program for up to US\$200.0 million authorized by the CNV in December 2006. The IRSA Non-Convertible Notes bear interest at a fixed rate of 8.5% per annum. The IRSA Non-Convertible Notes pay interest in cash semi-annually in arrears on February 2 and August 2 of each year, beginning on August 2, 2007. Principal on the Non-Convertible Notes is fully paid at maturity. In May, 2008 the Company acquired nominal value 5,000 of IRSA Non-Convertible Notes, for an average weighted price of US\$0.785 per Note, totaling US\$4.1 million. During fiscal year 2009, the Company on its own and through its subsidiaries bought IRSA Non-Convertible Notes for US\$28.2 million in par value at an average US\$0.39 quoted price. As of June 30, 2009, these transactions generated a gain of Ps. 60,657 disclosed in Financial results, Generated by liabilities, in the Statement of Income. The IRSA Non-Convertible Notes contain certain customary covenants including restrictions to pay dividends in accordance with certain limits.
- (iii) In May 2007, APSA issued an aggregate amount of US\$170.0 million of non-convertible notes (the APSA Non-Convertible Notes) under the Global Program for up to US\$200.0 million authorized by the CNV on April 19, 2007. The APSA Non-Convertible Notes were issued at par in two series. Out of the total amount, US\$120.0 million were issued as Series I of APSA Non-Convertible Notes due May 11, 2017 (Series I) and Ps. 154.0 million (equivalent to US\$50.0 million) were issued as Series II of APSA Non-Convertible Notes due June 11, 2012 (Series II). Series I bear interest at a fixed rate of 7.875% per annum and Series II bear interest at a fixed rate of 11.0% per annum. Series I pay interest in cash semi-annually in arrears on May 11 and November 11 of each year beginning on November 11, 2007. Series II pay interest in cash semi-annually in arrears on June 11 and December 11 of each year beginning on December 11, 2007. Principal on the Series I is fully paid at maturity while principal on the Series II is paid semi-annually in seven equal and consecutive installments beginning on June 11, 2009. Since a portion of the Notes have been repurchased by the Company, cash disbursements for principal amortization and interest payment were lower.

During fiscal year 2009, the Company bought US\$39.6 million of APSA Series I Notes and Ps. 46.5 million of APSA Series II Notes. The amount paid was US\$21.2 million and US\$8.2 million, respectively. Likewise, APSA re-purchased US\$3 million of Series II Notes and US\$5 million of Series I Notes. These transactions generated Ps. 115,909 income disclosed in Financial results, Generated by liabilities, in the Consolidated Statement of Income.

On July 19, 2002, APSA, issued an aggregate amount of US\$50.0 million of Convertible notes (the APSA Convertible Notes) in exchange for cash and the settlement of certain liabilities. The APSA Convertible Notes accrue interest at a fixed annual interest rate of 10%, are convertible at any time at the option of the holder into common shares of APSA of Ps. 0.10 par value per share and originally matured on July 19, 2006. A meeting of noteholders resolved to extend the maturity date of the APSA Convertible Notes through July 19, 2014 although the remaining terms and conditions were left unchanged. As of June 30, 2010 holders of Convertible Notes have exercised their right to convert ordinary shares for a total of US\$2.8 million. The outstanding balance of the APSA Convertible Notes as of June 30, 2010 and 2009 amounts to US\$47.2 million, of which US\$31.7 million is held by IRSA. Accordingly, balances shown reflect amount held by third parties after intercompany eliminations.

(iv)

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- As of June 30, 2010 the balance mainly includes: (a) Ps. 9,201 to the debt from acquisition of Zetol S.A. (See note 2.f); (b) Ps. 6,053 related to the debt of Tyrus for purchase of Banco Hipotecario S.A. shares and (c) Ps. 13,102 related to the debt for purchase of Arcos del Gourmet S.A. shares (Note 2.f). As of June 30, 2009 the balance mainly includes: (a) Ps. 15,626 as a current balance related to the debt for purchase Beruti plot of land which is guaranteed by a mortgage over the plot of land; (b) Ps. 11,633 as a current balance related to the debt for purchase 33.33% ownership interest in Palermo Invest S.A. (See note 2.f)) and (c) Ps. 8,609 as a non-current balance related to the debt for the acquisition of Zetol S.A. (See note 2.f)).
- (v) During August 2009, based on the powers granted by the shareholders to the Board of Directors, the Company has approved the issuance of the Company's First Series of Non-convertible notes up to a face value of Ps. 50 million under the Global Program for the issuance a face value of up to US\$50 million. During the current year, the First Series of non-convertible notes was subscribed and issued for Ps. 50 million in two classes. Class I for Ps. 15.5 million at variable rate (average Badlar + 300 basis points) falling due 270 days from issuance date and Class II for Ps. 34.5 million at a

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**4. Details of balance sheet and statement of income accounts: (continued)**

*i) Short-term and long-term debt (continued)*

fixed rate of 7.2% falling due 365 after issuance date. The terms and conditions of such non-convertible notes require that the Company complies with certain obligations that have been specified in the respective price supplement. In this sense, the Company has made quarterly interest payment related to both classes and the payment of the amortization installment of Class I.

- (vi) The APSA's Shareholders Meeting held on October 29, 2009 approved the increase in the amount of the Global Program for the Issuance of Notes in place up to US\$200 million. It also approved the creation of the Global Program for the issuance of securities representing short-term debt ( VCP ) in the form of simple notes not convertible into shares, denominated in pesos, US dollars or any other currency with unsecured, special, floating and/or any other guarantee, including third party guarantee, either subordinated or not, for a maximum outstanding amount at any time that may not exceed the equivalent in Ps. of US\$50 million.

Under such Global Issuance Program of Notes, on November 10, 2009, the placement of the Second Series of Notes for a total value of Ps. 80.7 million, was completed in two series.

Series III relates to the issuance of Ps. 55.8 million maturing on May 12, 2011, which accrue interest at variable BADLAR rate plus a 3% margin payable on a quarterly basis.

Series IV relates to the issuance of Ps. 24.9 million (equivalent to US\$6.6 million) maturing on May 12, 2011, which accrues interest at a fixed 6.75% rate applied to the principal in US dollars, payable on a quarterly basis.

- (vii) On December 28, 2009, the Extraordinary Shareholders Meeting of Tarshop approved the creation of a Global Program for the issuance of securities representing short-term debt ( VCPs ) and its terms and conditions, which was authorized by the CNV on February 15, 2010. On the same date, the CNV authorized the issuance of Class I VCPs up to Ps. 15,000 that may be extended up to Ps. 25,000. On February 23, 2010, Tarshop placed Class I VCPs for a total face value of Ps. 22,720. Class I VCPs will accrue interest at an annual rate equal to the BADLAR, plus cap-margin of 400 basic points. Interest payment dates are: August 25, 2010 and November 23, 2010. Principal will be repaid on November 23, 2010.

On August 6, 2010, the CNV authorized the issuance of Class II VCPs of up to Ps. 25,000 that may be extended to Ps. 40,000. On August 18, 2010, Tarshop placed Class II VCPs for a total face value of Ps. 40,000. Class II VCPs will accrue interest at an annual rate equal to the BADLAR, plus cap-margin of 400 basic points. Interest payment dates are: November 18, 2010 and February 16, March 18, April 18 and May 17, 2011. Principal payment dates are: March 18, April 18 and May 17, 2011, related to 25%, 25% and 50% of the total face value, respectively.

The net proceeds from the issuances were used for general working capital needs.

*j) Salaries and social security payable*

|                                    | As of June 30, |            |
|------------------------------------|----------------|------------|
|                                    | 2010           | 2009       |
| Provision for vacation and bonuses | Ps. 47,967     | Ps. 30,677 |
| Social security payable            | 11,994         | 10,188     |
| Salaries payable                   | 1,019          | 299        |
| Others                             | 504            | 590        |



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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**4. Details of balance sheet and statement of income accounts (continued)**

*k) Taxes payable*

|  | As of June 30, |             |
|--|----------------|-------------|
|  | 2010           | 2009        |
| <b>Current</b>                               |                |             |
| Income tax payable, net                      | Ps. 38,213     | Ps. 14,291  |
| Gross revenue tax payable                    | 4,729          | 3,042       |
| Property tax payable                         | 82             | 208         |
| MPIT payable, net                            | 14,127         | 20,345      |
| VAT payable                                  | 17,308         | 18,469      |
| Tax withholdings                             | 12,482         | 8,772       |
| VAT Plan of facilities                       | 13,235         | 57,258      |
| Income Taxes Plan of facilities              | 1,559          | 21,835      |
| Tax on personal assets                       | 4,360          | 5,514       |
| Tax moratorium ABL                           | 815            |             |
| Tax moratorium income tax                    |                | 1,358       |
| MPIT Plan of facilities                      |                | 1,137       |
| Gross sales tax payable plan of facilities   | 485            | 449         |
| Others                                       | 1,163          | 3,274       |
|  | Ps. 108,558    | Ps. 155,952 |
| <b>Non-Current</b>                           |                |             |
| Deferred income tax (Note 11)                | Ps. 248,722    | Ps. 197,473 |
| Facilities plan Income tax payable           | 19,145         | 20,704      |
| Facilities plan Personal assets              | 2,392          | 2,773       |
| Gross revenue tax payable                    |                | 1,138       |
| Gross revenue tax payable Plan of facilities | 1,320          | 2,433       |
| Tax Moratorium ABL                           | 2,372          |             |
| MPIT   | 12             | 8           |
|  | Ps. 273,963    | Ps. 224,529 |

*l) Advances from customers*

|                  | As of June 30, |            |
|------------------|----------------|------------|
|                  | 2010           | 2009       |
| <b>Current</b>   |                |            |
| Admission rights | Ps. 51,194     | Ps. 45,935 |

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|                                  |             |             |
|----------------------------------|-------------|-------------|
| Advanced payments from customers | 134,889     | 30,601      |
| Leases and service advances (i)  | 30,381      | 20,850      |
|                                  | Ps. 216,464 | Ps. 97,386  |
| <b>Non-current</b>               |             |             |
| Admission rights                 | 59,469      | 60,626      |
| Advanced payments from customers |             | 56,822      |
| Leases and service advances (i)  | 30,924      | 32,909      |
|                                  | Ps. 90,393  | Ps. 150,357 |

- (i) Lease and services advances include (a) Ps.18.7 million and Ps. 18.2 million, as of June 30, 2010 and 2009, respectively, received from NAI International II, Inc. at the time of the construction of a movie theater complex and a portion of parking facilities in the Córdoba Shopping; and (b) Ps. 9.5 million and Ps. 8.1 million, as of June 30, 2010 and 2009, respectively, received from Wal-Mart Argentina S.R.L. to secure a 30-year lease in Dot Baires Shopping.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**4. Details of balance sheet and statement of income accounts (continued)**

*m) Other liabilities*

|   | As of June 30, |             |
|---|----------------|-------------|
|   | 2010           | 2009        |
| <b>Current</b>  |                |             |
| Below market leases   | 1,929          | 18,711      |
| Payables to Nationals Park Administration                                 | 2,589          | 10,223      |
| Guarantee deposits  | 5,243          | 5,228       |
| Commitment to provide (ii)  |                | 2,270       |
| Related parties (Note 8)  | 33,384         | 90,336      |
| Loans with shareholders of related parties                                |                | 837         |
| Premium collected   | 595            | 543         |
| Contributed leasehold improvements to be accrued and unrealized gains (i) | 516            | 524         |
| Debt with the minority shareholder of Tarshop S.A.                        | 3,529          |             |
| Operations to liquidate   | 178            |             |
| Advanced from sale of Tarshop S.A.'s shares (Note 8)                      | 21,070         |             |
| Loan with FyO.Com's minority shareholder (Note 8)                         | 134            | 134         |
| Others  | 6,675          | 7,251       |
|   | Ps. 75,842     | Ps. 136,057 |
| <b>Non-Current</b>  |                |             |
| Loans with shareholders of related parties                                | Ps. 19,989     | Ps. 47,388  |
| Contributed leasehold improvements to be accrued and unrealized gains (i) | 9,687          | 10,203      |
| Guarantee deposits  | 4,073          | 4,713       |
| Debts for the purchase of investments                                     |                | 4,556       |
| Debt to the former minority shareholders of Tarshop S.A.                  | 3,322          |             |
| Hersha's option payable   | 16,693         |             |
| Commitment to provide   | 5,897          | 3,425       |
| Below market leases   | 3,166          | 1,308       |
| Related parties (Note 8)  | 20             | 20          |
| Others  | 2,525          | 5,063       |
|   | Ps. 65,372     | Ps. 76,676  |

- (i) Contributed leasehold improvements relate to improvements made by tenants in Abasto Shopping Center and Mendoza Plaza Shopping (merged into Shopping Alto Palermo S.A. as from January 1st, 2009, see Note 2.f). Contributed leasehold improvements are recorded as

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fixed assets based on construction costs incurred with a corresponding deferred liability. Contributed leasehold improvements are amortized to income over the term of lease.

(ii) As of June 30, 2009 commitment to provide relates to the acquisition of Metropolitan (See Note 2.f.)).

***n) Unrealized gain (loss) on inventories***

|   | 2010       | As of June 30,<br>2009 | 2008        |
|---|------------|------------------------|-------------|
| Unrealized gain (loss) on inventories    Beef cattle            | Ps. 84,349 | Ps. (845)              | Ps. 8,535   |
| Unrealized loss on inventories    Crops, raw, materials and MAT | 1,140      | (493)                  | (10,878)    |
| Gain for operations and holding of real estate assets           | 1,091      | 930                    |             |
|   | Ps. 86,580 | Ps. (408)              | Ps. (2,343) |

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**4. Details of balance sheet and statement of income accounts (continued)***o) Other income and expenses, net*

|   | 2010         | As of June 30,<br>2009 | 2008        |
|---|--------------|------------------------|-------------|
| <b>Other income</b>                     |              |                        |             |
| Provision for litigation                | Ps. 1,151    | Ps. 1,601              | Ps. 39      |
| Gains on the sale of other fixed assets | 5            | 185                    | 443         |
| Management fee                          | 855          |                        |             |
| Others                                  | 1,066        | 1,242                  | 482         |
|   | Ps. 3,077    | Ps. 3,028              | Ps. 482     |
| <b>Other expenses</b>                   |              |                        |             |
| Tax on shareholder's personal assets    | (12,734)     | (12,812)               | (4,574)     |
| Unrecoverable VAT receivable            | (2,937)      | (4,200)                |             |
| Donations                               | (5,592)      | (1,730)                |             |
| Provision for litigation                | (742)        |                        |             |
| Others                                  | (723)        | (734)                  |             |
|   | Ps. (22,728) | Ps. (19,476)           | Ps. (4,574) |
|   | Ps. (19,651) | Ps. (16,448)           | Ps. (4,092) |

*p) Financial results, net*

|  | 2010       | As of June 30,<br>2009 | 2008         |
|--|------------|------------------------|--------------|
| <b>Generated by assets:</b>                                      |            |                        |              |
| Exchange gain (loss)   | Ps. 6,943  | Ps. 99,627             | Ps. (32,420) |
| Conversion differences   | 2,271      | 6,250                  |              |
| Interest income (loss)   | 23,281     | (1,100)                | 4,440        |
| Gain on hedging operations                                       | 5,412      | 22,668                 | (70)         |
| Tax on bank account operations                                   | (5,812)    | (4,683)                | (4,518)      |
| Interest income on IRSA Convertible Notes                        |            |                        | (387)        |
| Holding gain and result of transactions on securities investment | 7,693      | 50,919                 | 2,746        |
| Others   | (392)      | (150)                  | 23           |
|  | Ps. 39,396 | Ps. 173,531            | Ps. (30,186) |
| <b>Generated by liabilities:</b>                                 |            |                        |              |

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|   |               |               |              |
|---|---------------|---------------|--------------|
| Gain on hedging operations  | Ps.           | Ps. 9,436     | Ps.          |
| Loans and convertible notes   | (181,806)     | (128,270)     | (23,416)     |
| Net gain from repurchase of non-convertible notes (Note 4.i) (ii) (iii) |               | 176,566       |              |
| Exchange (loss) gain  | (52,501)      | (180,510)     | 1,997        |
| Others  | (6,431)       | (6,097)       | (663)        |
|   | Ps. (240,738) | Ps. (128,875) | Ps. (22,082) |

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**5. Shareholders equity***a) Common stock*

As of June 30, 2010, the Company had 501,560,508 outstanding shares of common stock, having a par value of Ps. 1 per share. Holders of the common stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Following is a summary of the activity in the Company's shares during the years presented:

|   | Shares issued | Common stock<br>Par value | Paid-in-capital |
|---|---------------|---------------------------|-----------------|
| <b>Balances as of June 30, 2007</b>   | 309,577       | Ps. 309,577               | Ps. 164,923     |
| Exercise of old-warrants  | 5,855         | Ps. 5,855                 | Ps. 5,306       |
| Exercise of warrants  | 757           | 757                       | 3,229           |
| Conversion of Convertible Notes into common shares  | 5,343         | 5,343                     | 3,176           |
| Capital Increase (i)  | 180,000       | 180,000                   | 711,052         |
| Changes of interests in equity investees and subsidiaries resulting from capital nature transactions between equity investees and subsidiaries and other shareholders |               |                           | (8,498)         |
| <b>Balances as of June 30, 2008</b>   | 501,532       | Ps. 501,532               | Ps. 879,188     |
| Exercise of warrants  | 7             | Ps. 7                     | Ps. 30          |
| <b>Balances as of June 30, 2009 (ii)</b>  | 501,539       | Ps. 501,539               | Ps. 879,218     |
| Exercise of warrants  | 22            | 22                        | 113             |
| <b>Balances as of June 30, 2010</b>   | 501,561       | 501,561                   | 879,331         |

(i) In March 2008, the Company issued 180 million shares of common stock with a face value of Ps. 1 each entitled to one vote per share. The Company raised net proceeds of Ps. 881.1 million, both in the local and international markets, through the issuance equivalent to US\$1.60 or Ps. 5.0528 per share.

(ii) During this fiscal year 2009, 2,935,641 ADR's and 643,590 shares of common stock were repurchased. See Note 26. Additionally, for each subscribed share, each shareholder received at no additional cost a warrant entitling the holder to purchase 0.33333333 new shares at a price of US\$1.68 per each share to be acquired. Thus, the Company issued 180 million warrants entitling the holder to purchase a total of 60 million additional shares. Warrants mature May 22, 2015 and may be exercised between the 17th and the 22nd day of February, May, September and November of any year through 2015. Warrants are listed on the Buenos Aires Stock Exchange under the symbol CREW2 and on the Nasdaq under the symbol CRESW.



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The terms and conditions of outstanding options (warrants) to subscribe the Company's shares of common stock have been amended due to attributing proprietary treasury shares on a prorata basis among its shareholders, made by the Company on November 23, 2009. The terms that have been modified are the number of shares to be issued for warrants (current is 0.35100598) and the prices to call shares to be issued (current price after assignment US\$1.5954). The rest of terms and conditions of warrants remain unchanged.

Proceeds from the issuance, net of issuance expenses, amount to Ps. 881.1 million, while the tax effect of issuance expenses amounted to Ps. 9.9 million. Proceeds were allocated to shares and warrants issued based on the fair market value estimated upon subscription. The portion of the proceeds allocated to warrants amounting to Ps. 115.2 million was recorded as additional paid-in capital.

As stated in the section "Allocation of funds" in the capital increase issuance prospectus, the funds brought into the Company were mainly used to organize companies and acquire plots of land for agricultural production in Bolivia and Paraguay, the purchase of shares of our subsidiaries IRSA and BrasilAgro, the acquisition of corporate bonds of our subsidiaries IRSA and APSA, the repurchase of proprietary shares which are treasury stock, the settlement of payables and working capital. It should be considered that the allocation of net funds obtained from the offer has been and may continue occasionally to be influenced by current market conditions and, consequently, in the section "Allocation of funds" in the capital increase issuance prospectus, we have reserved the right to reallocate the whole or a portion of such anticipated uses to other uses that we consider consistent with our strategy.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**5. Shareholders' equity (continued)**

***a) Common stock (continued)***

Funds obtained were assigned to shares and warrants issued based on the current value estimated upon subscription.

During last fiscal year, 20,237 options were exercised; consequently, 6,747 shares of common stock were issued for Ps. 37.

In the current fiscal year, 62,559 options were exercised; consequently, 21,898 shares of common stock were issued for Ps. 135.

***b) Inflation adjustment of common stock***

As discussed in Note 2.d), the Company's consolidated financial statements were prepared on the basis of general price-level accounting which reflects changes in the purchasing power of the Argentine peso in the historical financial statements until February 28, 2003. Accordingly, the inflation adjustment related to common stock and treasury was appropriated to an inflation adjustment reserve, which forms part of shareholders' equity. According to Argentine rules and regulations, the balance of the inflation adjustment reserves may be applied only towards the issuance of common stock to shareholders of the Company.

***c) Paid-in capital***

The Company records changes of interests in equity investees and/or subsidiaries, resulting from capital nature transactions between the equity investees and/or subsidiaries and other shareholders, to paid-in capital within shareholders' equity.

During the year ended June 30, 2008, as a result of the dilutive effect of warrants and conversion rights of IRSA exercised by other shareholders, the Company recorded a loss of Ps. 8.5 million as paid-in capital.

***d) Restrictions on distribution of profits (legal reserve)***

In accordance with the Argentine Corporations Law and the Company's by-laws, 5% of the net and realized profit for the year calculated in accordance with Argentine GAAP plus (less) prior year adjustments must be appropriated by resolution of shareholders to a legal reserve until such reserve equals 20% of the Company's outstanding capital. This legal reserve may be used only to absorb losses.

***e) Reserve for new developments***

Under Argentine law, companies are allowed to transfer portions of accumulated retained earnings to special reserves. These special reserves may be for general purposes or for specific uses such as new developments. The transfer of accumulated retained earnings to these special reserves is shown in the shareholder's equity. These reclassifications have no impact on the total shareholders' equity of the Company.

***f) Treasury stock***

The acquisition cost of treasury stock has been debited from the account Reserve for new developments as provided by sec. 220, subsec. 2, Law No. 19,550.

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Likewise, the Common stock account was debited for the face value of repurchased shares and the Inflation adjustment of common stock account, for the proportional portion of the adjustment for inflation related to the shares acquired. In turn, the accounts Treasury stock and Inflation adjustment of treasury stock were respectively credited (See Note 26).

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**6. Derivative financial instruments**

The Company uses derivative financial instruments to manage its exposure to commodity risks and foreign-exchange risks. These financial instruments consist mainly of crop future contracts, put and call option contracts, and foreign currency future contracts. The counterparties to these instruments generally are major financial institutions. In entering into these contracts, the Company has assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. The Company does not expect any losses as a result of counterparty defaults. As described in Note 3.s), derivative financial instruments are recognized at fair value as either assets or liabilities in the consolidated balance sheet. Changes in the fair market value of the derivative instruments are reported in earnings. Margin deposits and premiums paid related to outstanding future and option contracts are recorded as other receivables on the consolidated balance sheet.

As of June 30, 2010 and 2009, the Company had open commodity crop future contracts amounting to US\$7.4 million and US\$5.4 million, respectively. As of June 30, 2010 and 2009, these contracts covered a notional amount 34,600 tons and 24,100 tons, respectively, of various crops, including soybean, wheat, sunflower and corn.

Futures contracts are used in combination with put and call option contracts principally to take advantage of market fluctuations, which provide more favorable pricing opportunities. During the year-end June 30, 2010 and 2009, the Company opened several CBOT (Chicago Board of Trade) put and call options to partially hedge the Corn and Soybean exposures. During fiscal year 2010 and 2009 corn puts and calls were opened with a weighted average strike price of US\$187 and US\$161 per ton, covering notional amounts of 2,540 tons and 59,880 tons, respectively. Soybean puts and calls were opened with a weighted average strike price of US\$347 and US\$360 per ton, covering notional amounts of 26,875 tons and 126,565 tons, respectively. The open options as of June 30, 2010 and 2009 mature at various dates through May 2011 and May 2010, respectively.

The Company recorded gains and losses associated with these commodity based contracts in Unrealized gain (loss) on inventories in the statement of income. Gains and losses were Ps. 713 (loss), Ps. 2,780 (gain) and Ps. 14,512 (loss) for the years ended June 30, 2010, 2009 and 2008, respectively.

During fiscal year 2010, the Company had foreign currency future contracts outstanding to sell US\$9.8 million and to purchase US\$2.7 million at an average price of Ps. 4.06 per US\$ maturing through December 2010. During fiscal year 2009, the Company had foreign currency future contracts outstanding to sell US\$10.5 million at an average price of Ps. 4.28 per US\$ maturing through April 2010. The Company recognized results from foreign exchange contracts of Ps. 5,412 (gain), 32,104 (gain) and Ps. 70 (loss) for the years ended June 30, 2010, 2009 and 2008, respectively.

The Company recorded gains and losses associated with these foreign exchange contracts in Financial Results, net in the statements of income.

Derivative financial instruments involve, to a varying degree, elements of market and credit risk. The market risk associated with these instruments resulting from price movements is expected to offset the market risk of the underlying transactions, assets and liabilities, being hedged. The counterparties to the agreements relating to the Company's futures and options contracts consist of a number of major institutions with high credit ratings. The Company does not believe that there is a significant risk of nonperformance by these counterparties because the Company continually monitors the credit rating of such counterparties, and limits the financial exposure and the amounts of agreements entered into with any one financial institution. While the contract or notional amounts of derivative financial instruments provide one measure of the volume of these transactions, they do not represent the amount of the Company's exposure to credit risk. The amounts potentially subject to credit risk are generally limited to the amounts, if any, by which the counterparties' obligations under the contracts exceed the obligations of the Company to the counterparties.



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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**7. Additional information on assets and liabilities**

The breakdown of main assets and liabilities as of June 30, 2010 is as follows:

|                                    | To mature in<br>1 <sup>st</sup> Quarter | To mature in<br>2 <sup>nd</sup><br>Quarter | To mature in<br>3 <sup>rd</sup> Quarter | To mature in<br>4 <sup>th</sup> Quarter | To mature in<br>greater than 1 year | No fixed term | Past due    | Total         |
|------------------------------------|---|--|---|---|-------------------------------------|---------------|-------------|---------------|
| <b>Assets</b>                      |   |  |   |   |                                     |               |             |               |
| Investments                        | Ps. 208,164                             | Ps. 10,411                                 | Ps. 30,628                              | Ps. 10,620                              | Ps. 17,292                          | Ps. 4,127     | Ps. 16,661  | Ps. 297,903   |
| Trade accounts receivables,<br>net | 241,863                                 | 46,911                                     | 27,549                                  | 26,491                                  | 42,123                              | 691           | 97,560      | 483,188       |
| Other receivables                  | 155,693                                 | 8,196                                      | 18,059                                  | 14,095                                  | 6,996                               | 297,089       | 95          | 500,223       |
|                                    | Ps. 605,720                             | Ps. 65,518                                 | Ps. 76,236                              | Ps. 51,206                              | Ps. 66,411                          | Ps. 301,907   | Ps. 114,316 | Ps. 1,281,314 |

|                                  | To mature in<br>1 <sup>st</sup> Quarter | To mature in<br>2 <sup>nd</sup><br>Quarter | To mature in<br>3 <sup>rd</sup> Quarter | To mature in<br>4 <sup>th</sup> Quarter | To mature in<br>greater than 1<br>year | No fixed<br>term | Past due   | Total         |
|----------------------------------|---|--|---|---|--|------------------|------------|---------------|
| <b>Liabilities</b>               |   |  |   |   |  |                  |            |               |
| Trade accounts payable           | Ps. 324,066                             | Ps. 9,551                                  | Ps. 37,688                              | Ps. 188                                 | Ps. 416                                | Ps. 24,060       | Ps. 31,142 | Ps. 427,111   |
| Short-term and long-term<br>debt | 499,031                                 | 98,405                                     | 29,253                                  | 138,092                                 | 853,166                                | 294,955          |            | 1,912,902     |
| Advances from customers          | 101,064                                 | 23,146                                     | 77,235                                  | 14,201                                  | 90,393                                 | 421              | 397        | 306,857       |
| Other liabilities                | 118,759                                 | 76,874                                     | 10,608                                  | 5,519                                   | 74,674                                 | 309,989          | 1,394      | 597,817       |
|                                  | Ps. 1,042,920                           | Ps. 207,976                                | Ps. 154,784                             | Ps. 158,000                             | Ps. 1,018,649                          | Ps. 629,425      | Ps. 32,933 | Ps. 3,244,687 |

|                                | Accruing interest at a fixed rate |                    | Accruing interest at a variable rate |                   | Not accruing interest |                    | Total                |
|--------------------------------|-----------------------------------|--------------------|--------------------------------------|-------------------|-----------------------|--------------------|----------------------|
|                                | Current                           | Non-Current        | Current                              | Non-Current       | Current               | Non-Current        |                      |
| Investments                    | Ps.                               | Ps.                | Ps. 104,811                          | Ps.               | Ps. 174,157           | Ps. 18,935         | Ps. 297,903          |
| Trade accounts receivable, net | 112,684                           | 13,789             | 563                                  | 154               | 327,818               | 28,180             | 483,188              |
| Other receivables              | 2,890                             | 32,035             | 31,896                               | 4,579             | 217,122               | 211,701            | 500,223              |
| <b>Total assets</b>            | <b>Ps. 115,574</b>                | <b>Ps. 45,824</b>  | <b>Ps. 137,270</b>                   | <b>Ps. 4,733</b>  | <b>Ps. 719,097</b>    | <b>Ps. 258,816</b> | <b>Ps. 1,281,314</b> |
| Trade accounts payable         | Ps. 117,310                       | Ps. 320            | Ps.                                  | Ps.               | Ps. 286,433           | Ps. 23,048         | Ps. 427,111          |
| Short and long-term debt       | 596,266                           | 852,207            | 127,218                              |                   | 336,252               | 959                | 1,912,902            |
| Advances from customers        |                                   | 2,551              | 300                                  |                   | 216,164               | 87,842             | 306,857              |
| Other liabilities              | 37,199                            | 66,970             | 13,236                               | 65,103            | 198,339               | 216,970            | 597,817              |
| <b>Total Liabilities</b>       | <b>Ps. 750,775</b>                | <b>Ps. 922,048</b> | <b>Ps. 140,754</b>                   | <b>Ps. 65,103</b> | <b>Ps. 1,037,188</b>  | <b>Ps. 328,819</b> | <b>Ps. 3,244,687</b> |

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The breakdown of main assets and liabilities as of June 30, 2009 is as follows:

|                                 | To mature in<br>1 <sup>st</sup> Quarter | To mature in<br>2 <sup>nd</sup> Quarter | To mature in<br>3 <sup>rd</sup><br>Quarter | To mature in<br>4 <sup>th</sup><br>Quarter | To mature in<br>greater<br>than 1 year | No fixed term | Past due   | Total         |
|---------------------------------|---|---|--|--|--|---------------|------------|---------------|
| <b>Assets</b>                   |   |   |  |  |  |               |            |               |
| Investments                     | Ps. 95,892                              | Ps. 63,126                              | Ps. 6,458                                  | Ps. 47,814                                 | Ps. 21,104                             | Ps. 122,587   | Ps. 9,775  | Ps. 366,756   |
| Trade accounts receivables, net | 163,411                                 | 34,250                                  | 13,851                                     | 12,747                                     | 9,230                                  | 689           | 78,147     | 312,325       |
| Other receivables               | 125,439                                 | 56,283                                  | 21,381                                     | 15,544                                     | 57,109                                 | 251,759       | 2,440      | 529,955       |
|                                 | Ps. 384,742                             | Ps. 153,659                             | Ps. 41,690                                 | Ps. 76,105                                 | Ps. 87,443                             | Ps. 375,035   | Ps. 90,362 | Ps. 1,209,036 |

|                               | To<br>mature in<br>1 <sup>st</sup> Quarter | To mature<br>in<br>2 <sup>nd</sup> Quarter | To mature<br>in<br>3 <sup>rd</sup><br>Quarter | To mature<br>in<br>4 <sup>th</sup><br>Quarter | To mature in<br>greater than 1<br>year | No fixed<br>term | Past due   | Total         |
|-------------------------------|--|--|---|---|--|------------------|------------|---------------|
| <b>Liabilities</b>            |  |  |   |   |  |                  |            |               |
| Trade accounts payable        | Ps. 248,162                                | Ps. 58,066                                 | Ps. 310                                       | Ps. 272                                       | Ps. 89,193                             | Ps. 1,037        | Ps. 32,047 | Ps. 429,087   |
| Short-term and long-term debt | 268,125                                    | 110,576                                    | 56,314  | 25,671  | 866,700                                | 76,202           |            | 1,403,588     |
| Advances from customers       | 28,923                                     | 28,333                                     | 16,760  | 18,461  | 150,357                                | 1,592            | 3,317      | 247,743       |
| Other liabilities             | 169,097                                    | 61,042                                     | 22,550  | 51,292  | 136,655                                | 205,642          | 494        | 646,772       |
|                               | Ps. 714,307                                | Ps. 258,017                                | Ps. 95,934                                    | Ps. 95,696                                    | Ps. 1,242,905                          | Ps. 284,473      | Ps. 35,858 | Ps. 2,727,190 |

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(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**7. Additional information on assets and liabilities (continued)**

|                                | Accruing interest at a fixed rate |                    | Accruing interest at a variable rate |                   | Not accruing interest |                    | Total                |
|--------------------------------|-----------------------------------|--------------------|--------------------------------------|-------------------|-----------------------|--------------------|----------------------|
|                                | Current                           | Non-Current        | Current                              | Non-Current       | Current               | Non-Current        |                      |
| Investments                    | Ps. 14,954                        | Ps.                | Ps. 178,294                          | Ps.               | Ps. 152,293           | Ps. 21,215         | Ps. 366,756          |
| Trade accounts receivable, net | 72,526                            | 6,181              | 1,163                                | 451               | 229,406               | 2,598              | 312,325              |
| Other receivables              | 81,720                            | 79,878             | 50,222                               | 28,621            | 155,421               | 134,093            | 529,955              |
| <b>Total assets</b>            | <b>Ps. 169,200</b>                | <b>Ps. 86,059</b>  | <b>Ps. 229,679</b>                   | <b>Ps. 29,072</b> | <b>Ps. 537,120</b>    | <b>Ps. 157,906</b> | <b>Ps. 1,209,036</b> |
| Trade accounts payable         | Ps. 86,368                        | Ps.                | Ps.                                  | Ps.               | Ps. 253,526           | Ps. 89,193         | Ps. 429,087          |
| Short and long-term debt       | 279,974                           | 867,304            | 212,399                              | 158               | 44,515                | (762)              | 1,403,588            |
| Advances from customers        |                                   |                    | 300                                  | 3,127             | 97,086                | 147,230            | 247,743              |
| Other liabilities              | 71,222                            | 49,253             | 59,994                               | 16,753            | 208,528               | 241,022            | 646,772              |
| <b>Total Liabilities</b>       | <b>Ps. 437,564</b>                | <b>Ps. 916,557</b> | <b>Ps. 272,693</b>                   | <b>Ps. 20,038</b> | <b>Ps. 603,655</b>    | <b>Ps. 476,683</b> | <b>Ps. 2,727,190</b> |



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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**8. Balances and transactions with related parties**

The balances with related parties as of June 30, 2010 and 2009 are as follows:

| Related Parties                         | Trade accounts receivable, net |        |         |            | Other receivables |        |         |           | Trade accounts payable |        |       |  |
|---|--------------------------------|--------|---------|------------|-------------------|--------|---------|-----------|------------------------|--------|-------|--|
|   | Current                        |        | Current |            | Non-Current       |        | Current |           | Non-Current            |        |       |  |
|   | 2010                           | 2009   | 2010    | 2009       | 2010              | 2009   | 2010    | 2009      | 2010                   | 2009   |       |  |
| Cactus Argentina S.A. (1)               | Ps. 304                        | Ps. 25 | Ps.     | Ps. 15,031 | Ps.               | Ps.    | Ps. 632 | Ps. 5,133 | Ps.                    | Ps.    |       |  |
| Agro-Uranga S.A. (1)                    | 7                              |        | 39      | 39         |                   |        | 36      | 45        |                        |        |       |  |
| BrasilAgro (1)                          |                                | 13     |         |            |                   |        | 8       |           |                        |        |       |  |
| Dolphin Fund PLC (9)                    |                                |        |         | 63,560     |                   |        |         |           |                        |        |       |  |
| Advances to employees (7)               | 57                             | 6      | 2,894   | 1,553      |                   |        | 128     | 50        |                        |        |       |  |
| Directors                               | 2                              |        | 169     | 191        |                   |        | 36      | 29        |                        |        |       |  |
| Estudio Zang, Bergel & Viñes (3)        |                                | 2      | 22      | 20         |                   |        | 708     | 683       |                        |        |       |  |
| Fundación IRSA (8)                      | 41                             | 22     | 5       | 3          |                   |        |         | 259       |                        |        |       |  |
| Consultores Asset Management S.A. (10)  | 918                            | 597    | 29      | 3,826      |                   |        | 7       | 7         |                        |        |       |  |
| Inversiones Financieras del Sur S.A (5) |                                |        | 95      | 39         |                   |        |         |           |                        |        |       |  |
| CYRSA S.A. (4)                          | 1,669                          | 1,530  | 8       | 20         |                   |        | 1,006   | 560       |                        |        |       |  |
| Banco Hipotecario S.A. (2)              | 354                            | 5      |         |            |                   |        | 168     |           |                        |        |       |  |
| Canteras Natal Crespo S.A. (4)          | 318                            | 193    | 50      | 864        |                   |        |         |           |                        | -      |       |  |
| Consortio Libertador S.A. (7)           |                                |        | 20      | 532        |                   |        | 66      | 122       |                        |        |       |  |
| Consortio Dock del Plata (7)            | 883                            |        | 2       | 370        |                   |        | 10      | 46        |                        |        |       |  |
| Cresca S.A. (4)                         | 182                            |        | 5,219   | 788        |                   |        |         |           |                        |        |       |  |
| Metroshop S.A. (4)                      |                                |        |         | 2,265      | 14,687            | 22,513 |         |           |                        | 12,158 | 8,438 |  |
| Museo de los niños (8)                  | 1,111                          |        |         | 811        |                   |        | 5       | 5         |                        |        |       |  |
|   | 59                             | 7      | 31      | 13         |                   |        | 5       |           |                        |        |       |  |

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|                                     |                  |                  |                   |                   |                   |                   |                  |                  |                   |                  |  |
|-------------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|-------------------|------------------|--|
| Puerto Retiro S.A.<br>(4)           |                  |                  |                   |                   |                   |                   |                  |                  |                   |                  |  |
| Hersha<br>Hospitality Trust<br>(14) |                  | 2,087            |                   |                   |                   |                   |                  |                  |                   |                  |  |
| Baicom Networks<br>S.A. (4)         |                  | 1                |                   | 323               |                   |                   |                  |                  |                   |                  |  |
| Rummaalá S.A.<br>(13)               |                  |                  |                   |                   |                   |                   |                  | 22               |                   |                  |  |
| Consortio Torre<br>Boston (7)       | 595              |                  | 205               |                   |                   |                   |                  |                  |                   |                  |  |
| <b>Total</b>                        | <b>Ps. 6,500</b> | <b>Ps. 2,400</b> | <b>Ps. 10,876</b> | <b>Ps. 89,925</b> | <b>Ps. 15,010</b> | <b>Ps. 22,513</b> | <b>Ps. 2,815</b> | <b>Ps. 6,961</b> | <b>Ps. 12,158</b> | <b>Ps. 8,438</b> |  |

| Related Parties                          | Other liabilities |                   |               |               |
|--|-------------------|-------------------|---------------|---------------|
|  | Current           |                   | Non-Current   |               |
|  | 2010              | 2009              | 2010          | 2009          |
| Cactus Argentina S.A. (1)                | Ps.               | Ps.               | 3             | Ps.           |
| Inversiones Financieras del Sur S.A. (5) |                   |                   | 25,500        |               |
| Dolphin Fund PLC (9)                     |                   |                   | 61,398        |               |
| Banco Hipotecario S.A. (2)               | 21,070            |                   |               |               |
| Directors                                | 24,994            | 2,362             | 20            | 20            |
| Consultores Asset Management S.A. (10)   | 7,267             |                   |               |               |
| Fundación IRSA (8)                       | 1,073             | 1,073             |               |               |
| IRSA Developments LP (14)                | 8                 |                   |               |               |
| IRSA Real Estate Strategies LP (14)      | 8                 |                   |               |               |
| Elsztain Managing Partners Lim (11)      | 27                |                   |               |               |
| Consortio Libertador S.A. (7)            | 4                 |                   |               |               |
| Consortio Dock del Plata S.A. (7)        | 3                 |                   |               |               |
| FYO minority shareholders                | 134               | 134               |               |               |
| <b>Total</b>                             | <b>Ps. 54,588</b> | <b>Ps. 90,470</b> | <b>Ps. 20</b> | <b>Ps. 20</b> |

The transactions with related parties as of June 30, 2010, 2009 and 2008 is as follows:

| Related Parties                           | Fees for shared services and expenses |            |                    | Fees for shared services and expenses |                |                  | Fees                |                     |                    |
|---|---------------------------------------|------------|--------------------|---------------------------------------|----------------|------------------|---------------------|---------------------|--------------------|
|   | 2010                                  | 2009       | 2008               | 2010                                  | 2009           | 2008             | 2010                | 2009                | 2008               |
| Alto Palermo S.A. (12)                    | Ps.                                   | Ps.        | Ps. (826)          | Ps.                                   | Ps.            | Ps. 1,870        | Ps.                 | Ps.                 | Ps.                |
| IRSA (1)                                  |                                       |            | (372)              |                                       |                | 947              |                     |                     |                    |
| Tarjeta Shopping S.A. (12)                |                                       |            |                    |                                       |                | 113              |                     |                     |                    |
| Consultores Asset Management<br>S.A. (10) |                                       |            |                    |                                       |                | 15               | (20,601)            | (13,641)            | (2,171)            |
| CYRSA S.A. (4)                            |                                       |            |                    | 73                                    |                | 5                |                     |                     |                    |
| Canteras Natal Crespo S.A. (4)            |                                       |            |                    | 48                                    | 48             |                  |                     |                     |                    |
| Consortio Libertador S.A. (7)             |                                       |            |                    | 123                                   | 124            |                  |                     |                     |                    |
| Consortio Dock del Plata S.A. (7)         |                                       |            |                    | 195                                   |                |                  |                     |                     |                    |
| Consortio Torre Boston (7)                |                                       |            |                    | 54                                    |                |                  |                     |                     |                    |
| <b>Total</b>                              | <b>Ps.</b>                            | <b>Ps.</b> | <b>Ps. (1,198)</b> | <b>Ps. 493</b>                        | <b>Ps. 172</b> | <b>Ps. 2,950</b> | <b>Ps. (20,601)</b> | <b>Ps. (13,641)</b> | <b>Ps. (2,171)</b> |

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**8. Balances and transactions with related parties (continued)**

| Related Parties                  | Rent Expenses      |                |                  | Leases         |                |            | Legal services     |                    |                  |
|----------------------------------|--------------------|----------------|------------------|----------------|----------------|------------|--------------------|--------------------|------------------|
|                                  | 2010               | 2009           | 2008             | 2010           | 2009           | 2008       | 2010               | 2009               | 2008             |
| Estudio Zang, Bergel & Viñes (3) | Ps.                | Ps.            | Ps.              | Ps. 97         | Ps.            | Ps.        | Ps. (4,921)        | Ps. (5,532)        | Ps. (657)        |
| Cactus Argentina S.A. (1)        | (2,090)            | 733            | 3,481            |                |                |            |                    |                    |                  |
| CYRSA S.A. (4)                   |                    |                |                  | 24             | 225            |            |                    |                    |                  |
| Consortio Libertador S.A. (7)    |                    |                |                  | 11             | 9              |            |                    |                    |                  |
| Advances to employees (7)        |                    |                |                  |                | 109            |            |                    |                    |                  |
| <b>Total</b>                     | <b>Ps. (2,090)</b> | <b>Ps. 733</b> | <b>Ps. 3,481</b> | <b>Ps. 132</b> | <b>Ps. 343</b> | <b>Ps.</b> | <b>Ps. (4,921)</b> | <b>Ps. (5,532)</b> | <b>Ps. (657)</b> |

| Related Parties                          | Interest gain (loss) |                  |                | Administrative services |                |                | Others           |                  |               |
|--|----------------------|------------------|----------------|-------------------------|----------------|----------------|------------------|------------------|---------------|
|  | 2010                 | 2009             | 2008           | 2010                    | 2009           | 2008           | 2010             | 2009             | 2008          |
| Alto Palermo S.A. (12)                   | Ps.                  | Ps. 923          | Ps.            | Ps.                     | Ps.            | Ps.            | Ps.              | Ps. 243          | Ps.           |
| IRSA (1)                                 |                      | 1                | (387)          |                         |                |                |                  |                  |               |
| Inversora Bolivar S.A. (2)               |                      |                  |                |                         | (38)           |                |                  | (429)            | (240)         |
| BrasilAgro (1)                           |                      |                  |                |                         | 408            |                |                  |                  |               |
| Canteras Natal Crespo S.A. (4)           | 100                  | 83               |                |                         |                |                |                  |                  |               |
| Cactus Argentina S.A. (1)                | 9                    | 907              | 434            | 152                     | 171            | 167            | 40               | 336              | 89            |
| Cresca (4)                               |                      |                  |                | 703                     |                |                |                  |                  |               |
| Inversiones Financieras del Sur S.A. (5) | 804                  | 1,111            | 95             |                         |                |                |                  |                  |               |
| Fundación IRSA (8)                       |                      |                  |                |                         |                |                | 5,592            | 1,730            |               |
| Advances to employees (7)                | 95                   | 205              | 15             |                         |                |                |                  |                  |               |
| Parque Arauco S.A. (6)                   | (8,049)              |                  |                |                         |                |                |                  |                  |               |
| Directors                                | (9)                  |                  |                |                         |                |                |                  |                  |               |
| Agro-Uranga S.A. (1)                     |                      |                  |                |                         |                |                | 1,323            | 340              | 226           |
| <b>Total</b>                             | <b>Ps. (7,050)</b>   | <b>Ps. 3,230</b> | <b>Ps. 157</b> | <b>Ps. 855</b>          | <b>Ps. 541</b> | <b>Ps. 167</b> | <b>Ps. 6,955</b> | <b>Ps. 2,220</b> | <b>Ps. 75</b> |

- (1) Equity investee of Cresud.
- (2) Equity investee of IRSA.
- (3) Law firm whose partners are directors of Cresud.
- (4) Venture of Cresud.
- (5) Controlling shareholders of the company.
- (6) Minority shareholders of APSA, an indirect subsidiary of Cresud.
- (7) Property manager of IRSA's buildings, a subsidiary of Cresud.
- (8) Not for profit organization whose president is a shareholder and director of Cresud.

- (9) An open ended investment fund which is related to the Company's directors.
- (10) A Company advisory services whose majority shareholder is a shareholder and Director of Cresud.
- (11) A Company whose directors are shareholders of Cresud.
- (12) Subsidiary of IRSA, a subsidiary of Cresud.
- (13) Merged with Cyrsa.
- (14) Investment of IRSA, a subsidiary of Cresud

**9. Issuance of Convertible Notes**

In October 2002, the Company issued US\$50.0 million of 8% convertible notes due 2007 (the Convertible Notes) with non-detachable warrants to acquire additional shares of common stock (the old-warrants). The issuance of Convertible Notes was approved by the shareholders on March 8, 2002 and by the CNV and the Buenos Aires Stock Exchange on October 1, 2002. The Convertible Notes are convertible, at anytime, at the option of the holder, into a fixed number of common shares at an original conversion price of US\$0.5078, which can only be adjusted as a result of anti-dilution provisions. Once converted, the holder has the right to acquire an additional equal number of shares at the exercise price of US\$0.6093 per share. The exercise price of the old-warrants is also adjusted as a result of anti-dilution provisions. No proceeds were allocated to the conversion feature and old-warrants. Proceeds from the issuance of the Convertible Notes were partially used to purchase IRSA Convertible Notes.

From 2003 through November 14, 2007, an amount of 49,910,874 Convertible Notes were converted into 98,288,372 shares of common stock increasing the Company's shareholders' equity of Ps. 152,103.

During fiscal year 2008, an amount of 49,867,018 old-warrants were exercised and consequently, 98,202,054 shares of common stock were issued for Ps. 182,912. The Convertible Notes matured November 14, 2007. As of that date, 89,126 Convertible Notes were pending conversion and were settled in cash. An amount of 132,982 warrants expired unexercised.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**10. Segment information**

The Company is required to disclose segment information in accordance with RT 18. RT 18 establishes standards for reporting information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial reports issued to shareholders. Operating segments are components of a company about which separate financial information is available that is regularly evaluated by the chief operating decision maker(s) (CODM) in deciding how to allocate resources and assess performance. The statement also establishes standards for related disclosures about a company's products and services, geographical areas and major customers.

As discussed in Note 2.b), during fiscal year 2009 the Company acquired an additional 11.57% equity interest in IRSA and increased its ownership interest to 53.7%. Thus, effective October 1, 2008, the Company started consolidating the accounts of IRSA on a line-by-line basis.

For the years ended June 30, 2008 and 2007, the equity investment in IRSA was reviewed by the Company's CODM as part of the Non-Operating segment.

As a result of IRSA's consolidation, for the year ended June 30, 2009, the Company's CODM reviews the results of operations divided into two main businesses: Agricultural and Real Estate businesses. These businesses are further segmented as described below. Comparative information has not been restated due to this change in consolidation.

Following is a description of the reportable segments within the Agricultural and Real Estate businesses of the Company.

**A. Agricultural Business:**

The Company's agricultural operations are conducted through seven business segments organized primarily on a product-line basis, with each segment offering a variety of different but interrelated products. The Company's agricultural operations are subject to various risks, including but not limited to market prices for commodities, weather conditions and environmental concerns. One of the cornerstones of the Company is the transformation of farmland through its agricultural activities. Ultimately the Company may sell farmland to profit from land value appreciation opportunities and which, in the judgment of management, are surplus to the Company's primary operations. Gains on the sale of farmland properties are presented in "Sales of farmlands" in the consolidated statements of income.

For all years presented the Company's principal operations were located in Argentina, the country of domicile. For the years ended June 30, 2008 and 2007, the Company's international operations were concentrated in Brazil through its equity investment in BrasilAgro. As discussed above, for the year ended June 30, 2009, the Company continued its business in Brazil while it expanded its international operations to Bolivia and Paraguay.

The Company's business segments within the agricultural business are as follows:

The Crops Segment includes the planting and harvesting and sale of fine and coarse grains and oilseeds, including wheat, corn, soybeans and sunflowers;

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The Beef Cattle Segment consists of the raising and fattening of beef cattle from the Company's own cattle stock and the purchase and fattening of beef cattle for sale to meat processors;

The Milk Segment consists of the production of milk for sale to dairy companies;

The Feed Lot Segment includes the cattle feeding operation.

Others Segment consists of services and leasing of the Company's farms to third parties and brokerage activities.

Farmland Sales Segment consists of gains from the sale of farmland to profit from land value appreciation opportunities as part of the land transformation objectives of the Company;

Non-Operating Segment includes gains or losses from equity investees (excluding gain or loss from Cactus) and depreciation for corporate assets.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**10. Segment information (continued)**

The Company evaluates the performance of its agricultural business segments based on gross income (loss) from agricultural production plus gross income from sales - including sales of products and farmland- less selling and administrative expenses plus unrealized gains or losses on inventories. The column titled "Sub-Total Agricultural Business" represents the addition of the segment gains or losses from the Crops (Domestic and International, as applicable), Beef Cattle, Milk, Feedlot (as applicable), Others and Farmland Sales Segments. Excluded from total segment gains or losses are the gains or losses from the other equity investees of the Company included in the Non-Operating Segment.

Accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intercompany transactions between segments, if any, are eliminated.

**B. Real Estate Business**

The Company's real estate operations are conducted through its subsidiary IRSA. The real estate business is further segmented as follows:

Development and Sale of Properties: this segment includes the operating results of the Company's construction and ultimate sale of residential buildings business.

Office and Other Non-Shopping Center Rental Properties: this segment includes the operating results of the Company's lease and service revenues of office space and other non-retail building properties from tenants.

Shopping Centers: this segment includes the operating results of the Company's shopping centers principally comprised of lease and service revenues from tenants.

Consumer Financing: this segment includes the origination of loans and credit card receivables and related securitization programs carried through Tarshop.

Hotel Operations: this segment includes the operating results of the Company's hotels principally comprised of room, catering and restaurant revenues.

Financial Operations and Others: this segment primarily includes revenues and associated costs generated from the sale of equity securities, other securities-related transactions and other non-core activities of the Company. This segment also includes the gains or losses on the equity investees of the Company.

The accounting policies of the segments are the same as those described in Note 3.

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**10. Segment information (continued)**

Financial information for each segment follows:

**Year ended June 30, 2010:**

| Statement of income data   | Crops       |               | Agricultural Business |            |           |            | Farmland sales | Non Operating (i) | Subtotal Agricultural business |
|--|-------------|---------------|-----------------------|------------|-----------|------------|----------------|-------------------|--------------------------------|
|  | Local       | International | Beef Cattle           | Milk       | Feed lot  | Others     |                |                   |                                |
| Agricultural production income   | Ps. 143,772 | Ps. 27,076    | Ps. 20,830            | Ps. 26,043 | Ps.       | Ps.        | Ps.            | Ps.               | Ps. 217,721                    |
| Cost of agricultural production  | (132,301)   | (27,423)      | (21,850)              | (20,383)   |           |            |                |                   | (201,957)                      |
| (Loss) Gross income from agricultural production                                 | 11,471      | (347)         | (1,020)               | 5,660      |           |            |                |                   | 15,764                         |
| Sales (iii).   | 164,522     | 30,129        | 39,274                | 24,415     |           | 50,497     | 18,557         |                   | 327,394                        |
| Cost of sales (iv)   | (148,077)   | (27,552)      | (46,682)              | (24,415)   |           | (38,102)   | (4,825)        |                   | (289,653)                      |
| Gross income (loss) from sales   | 16,445      | 2,577         | (7,408)               |            |           | 12,395     | 13,732         |                   | 37,741                         |
| Gross (Loss) profit  | 27,916      | 2,230         | (8,428)               | 5,660      |           | 12,395     | 13,732         |                   | 53,505                         |
| Unrealized gain / (loss) on inventories  | 1,515       | (268)         | 84,349                |            |           | (107)      |                |                   | 85,489                         |
| Selling expenses   | (23,127)    | (4,481)       | (2,550)               | (540)      |           | (3,355)    |                |                   | (34,053)                       |
| Administrative expenses  | (19,440)    | (7,203)       | (12,329)              | (2,229)    |           | (1,839)    | (1,346)        |                   | (44,386)                       |
| Gain from recognition of inventories at net realizable value                     |             |               |                       |            |           |            |                |                   |                                |
| Net gain from retained interest in securitized receivables of consumer financing |             |               |                       |            |           |            |                |                   |                                |
| (Loss) Gain on equity investees  |             |               |                       |            | (21,206)  |            |                | (12,105)          | (21,206)                       |
| <b>Segment (loss) gain</b>   | (13,136)    | (9,722)       | 61,042                | 2,891      | (21,206)  | 7,094      | 12,386         |                   | 39,349                         |
| Operating Margin (ii)  | (4.3%)      | (17%)         | 101.6%                | 5.7%       |           | 14%        | 66.7%          |                   | 11.1%                          |
| Depreciation   | (5,044)     |               | (1,842)               | (687)      |           | (279)      |                | (653)             | (8,505)                        |
| <b>Balance Sheet Data</b>  |             |               |                       |            |           |            |                |                   |                                |
| <b>Assets</b>  | Ps. 381,962 | Ps. 442,276   | Ps. 265,567           | Ps. 51,330 | Ps. 2,357 | Ps. 19,674 | Ps. 3,162      | Ps. 162,020       | Ps. 1,328,348                  |



| Statement of income data   | Real Estate Business               |                   |                  |                  |                    | Financial operations and others | Subtotal Real Estate business | Total         |
|--|------------------------------------|-------------------|------------------|------------------|--------------------|---------------------------------|-------------------------------|---------------|
|  | Development and sale of properties | Office and others | Shopping Centers | Hotel operations | Consumer financing |                                 |                               |               |
| Agricultural production income   | Ps.                                | Ps.               | Ps.              | Ps.              | Ps.                | Ps.                             | Ps.                           | Ps. 217,721   |
| Cost of agricultural production  |                                    |                   |                  |                  |                    |                                 |                               | (201,957)     |
| (Loss) Gross income from agricultural production                                 |                                    |                   |                  |                  |                    |                                 |                               | 15,764        |
| Sales (iii)  | 225,567                            | 156,592           | 529,841          | 159,894          | 265,346            |                                 | 1,337,240                     | 1,664,634     |
| Cost of sales (iv)   | (99,893)                           | (35,705)          | (164,265)        | (103,191)        | (99,470)           |                                 | (502,524)                     | (792,177)     |
| Gross income (loss) from sales   | 125,674                            | 120,887           | 365,576          | 56,703           | 165,876            |                                 | 834,716                       | 872,457       |
| Gross (Loss) profit  | 125,674                            | 120,887           | 365,576          | 56,703           | 165,876            |                                 | 834,716                       | 888,221       |
| Unrealized gain / (loss) on inventories  | 730                                | 361               |                  |                  |                    |                                 | 1,091                         | 86,580        |
| Selling expenses   | (2,388)                            | (4,452)           | (37,134)         | (16,509)         | (124,918)          |                                 | (185,401)                     | (219,454)     |
| Administrative expenses  | (35,079)                           | (45,679)          | (54,335)         | (35,074)         | (25,125)           |                                 | (195,292)                     | (239,678)     |
| Gain from recognition of inventories at net realizable value                     | 33,831                             |                   |                  |                  |                    |                                 | 33,831                        | 33,831        |
| Net gain from retained interest in securitized receivables of consumer financing |                                    |                   |                  |                  | 37,470             |                                 | 37,470                        | 37,470        |
| (Loss) Gain on equity investees  | 1,907                              |                   | 40               | 5,990            |                    | 152,479                         | 160,416                       | 139,210       |
| <b>Segment (loss) gain</b>   | 124,675                            | 71,117            | 274,147          | 11,110           | 53,303             | 152,479                         | 686,831                       | 726,180       |
| Operating Margin (ii)  | 54.4%                              | 45.4%             | 51.7%            | 3.2%             | 20.1%              |                                 | 39.4%                         | 35.3%         |
| Depreciation   | (17,091)                           | (24,089)          | (106,475)        | (16,432)         | (7,993)            |                                 | (172,080)                     | (180,585)     |
| <b>Balance Sheet Data</b>  |                                    |                   |                  |                  |                    |                                 |                               |               |
| <b>Assets</b>  | Ps. 683,040                        | Ps. 1,104,047     | Ps. 1,814,382    | Ps. 239,278      | Ps. 314,285        | Ps. 1,354,508                   | Ps. 5,509,540                 | Ps. 6,837,888 |

(i) Not included in the segment gain.

(ii) This item aggregates segment (loss) gain divided by the sum of production income and sales.

(iii) This item aggregates sales of crops, beef cattle, milk and others and sales of farmland disclosed separately in the statements of income.

(iv) This item aggregates costs of crops, beef cattle, milk and others and cost of farmland sales disclosed separately in the statements of income.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**Year ended June 30, 2009**

| Statement of income data                                     | Crops       |               | Agricultural Business |            |            |           | Farmland sales | Non Operating (i) | Subtotal Agricultural business |
|--|-------------|---------------|-----------------------|------------|------------|-----------|----------------|-------------------|--------------------------------|
|  | Local       | International | Beef Cattle           | Milk       | Feed lot   | Others    |                |                   |                                |
| Agricultural production income                               | Ps. 118,582 | Ps. 15,597    | Ps. 18,120            | Ps. 20,213 | Ps.        | Ps.       | Ps.            | Ps.               | Ps. 172,512                    |
| Cost of agricultural production                              | (159,109)   | (16,807)      | (16,241)              | (18,286)   |            |           |                |                   | (210,443)                      |
| (Loss) Gross income from agricultural production             | (40,527)    | (1,210)       | 1,879                 | 1,927      |            |           |                |                   | (37,931)                       |
| Sales (iii).   | 147,680     | 16,783        | 17,646                | 19,270     |            | 36,045    | 1,959          |                   | 239,383                        |
| Cost of sales (iv)   | (130,054)   | (14,915)      | (16,237)              | (19,316)   |            | (24,210)  | (94)           |                   | (204,826)                      |
| Gross income (loss) from sales                               | 17,626      | 1,868         | 1,409                 | (46)       |            | 11,835    | 1,865          |                   | 34,557                         |
| Gross (Loss) profit  | (22,901)    | 658           | 3,288                 | 1,881      |            | 11,835    | 1,865          |                   | (3,374)                        |
| Unrealized (loss) / gain on inventories                      | (691)       | (183)         | (860)                 |            |            | 398       |                |                   | (1,336)                        |
| Selling expenses   | (18,676)    | (2,406)       | (1,323)               | (328)      |            | (2,474)   |                |                   | (25,207)                       |
| Administrative expenses                                      | (16,938)    | (3,018)       | (9,036)               | (1,620)    |            | (1,349)   | (140)          |                   | (32,101)                       |
| Gain from recognition of inventories at net realizable value |             |               |                       |            |            |           |                |                   |                                |
| Net loss in credit card trust Tarshop                        |             |               |                       |            |            |           |                |                   |                                |
| Gain on equity investees                                     |             |               |                       |            | (2,780)    |           |                | (38,216)          | (2,780)                        |
| <b>Segment gain (loss)</b>                                   | (59,206)    | (4,949)       | (7,931)               | (67)       | (2,780)    | 8,410     | 1,725          |                   | (64,798)                       |
| Operating Margin (ii)  | (22.2%)     | (15.3%)       | (22.2%)               | (0.2%)     |            | 23.3%     | 88.1%          |                   | (15.7%)                        |
| Depreciation   | (3,799)     | (105)         | (1,408)               | (615)      |            | (1,066)   |                | (835)             | (7,828)                        |
| <b>Balance Sheet Data</b>                                    |             |               |                       |            |            |           |                |                   |                                |
| <b>Assets</b>  | Ps. 421,531 | Ps. 250,773   | Ps. 208,973           | Ps. 44,645 | Ps. 22,982 | Ps. 6,223 | Ps. 9,121      | Ps. 138,783       | Ps. 1,103,031                  |

| Statement of income data | Real Estate Business               |                   |                  |                    | Financial operations and | Subtotal Real Estate business | Total |
|--------------------------|------------------------------------|-------------------|------------------|--------------------|--------------------------|-------------------------------|-------|
|                          | Development and sale of properties | Office and others | Shopping Centers | Hotel operations   |                          |                               |       |
|                          |                                    |                   |                  | Consumer financing |                          |                               |       |

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|  | others      |               |               |             |             |             |               |               |           |
|--|-------------|---------------|---------------|-------------|-------------|-------------|---------------|---------------|-----------|
| Agricultural production income                               | Ps.         | Ps.           | Ps.           | Ps.         | Ps.         | Ps.         | Ps.           | Ps.           | 172,512   |
| Cost of agricultural production                              |             |               |               |             |             |             |               |               | (210,443) |
| (Loss) Gross income from agricultural production             |             |               |               |             |             |             |               |               | (37,931)  |
| Sales (iii).   | 278,107     | 127,339       | 305,127       | 116,672     | 188,035     |             | 1,015,280     |               | 1,254,663 |
| Cost of sales (iv)   | (170,529)   | (25,932)      | (87,097)      | (74,240)    | (78,125)    |             | (435,923)     |               | (640,749) |
| Gross income (loss) from sales                               | 107,578     | 101,407       | 218,030       | 42,432      | 109,910     |             | 579,357       |               | 613,914   |
| Gross (Loss) profit  | 107,578     | 101,407       | 218,030       | 42,432      | 109,910     |             | 579,357       |               | 575,983   |
| Unrealized (loss) / gain on inventories                      | (145)       | 1,073         |               |             |             |             | 928           |               | (408)     |
| Selling expenses   | (1,591)     | (9,948)       | (24,153)      | (12,048)    | (139,535)   |             | (187,275)     |               | (212,482) |
| Administrative expenses                                      | (16,804)    | (26,221)      | (32,946)      | (26,931)    | 339         |             | (102,563)     |               | (134,664) |
| Gain from recognition of inventories at net realizable value | 9,237       |               |               |             |             |             | 9,237         |               | 9,237     |
| Net loss in credit card trust Tarshop                        |             |               |               |             | (22,263)    |             | (22,263)      |               | (22,263)  |
| Gain on equity investees                                     | 1,833       |               | 30            |             |             |             | 88,327        |               | 90,190    |
| Segment gain (loss)  | 100,108     | 66,311        | 160,961       | 3,453       | (51,549)    |             | 88,327        |               | 367,611   |
| Operating Margin (ii)  | 36.0%       | 52.1%         | 52.8%         | 3.0%        | (27.4%)     |             | 36.2%         |               | 21.2%     |
| Depreciation   | (643)       | (25,772)      | (66,481)      | (14,082)    | (5,133)     |             | (112,111)     |               | (119,939) |
| <b>Balance Sheet Data</b>                                    |             |               |               |             |             |             |               |               |           |
| Assets   | Ps. 540,358 | Ps. 1,036,959 | Ps. 1,915,268 | Ps. 232,848 | Ps. 174,865 | Ps. 972,727 | Ps. 4,873,025 | Ps. 5,976,056 |           |

(i) Not included in the segment gain.

(ii) This item aggregates segment gain divided by the sum of production income and sales.

(iii) This item aggregates sales of crops, beef cattle, milk and others and sales of farmland disclosed separately in the statements of income.

(iv) This item aggregates costs of crops, beef cattle, milk and others and cost of farmland sales disclosed separately in the statements of income.

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**10. Segment information (continued)****Year ended June 30, 2008:**

| Statement of income data   | Agricultural Business |                |            |            |            |                   | Non<br>Operating (i) | Total         |
|--|-----------------------|----------------|------------|------------|------------|-------------------|----------------------|---------------|
|  | Crops                 | Beef<br>Cattle | Milk       | Feed lot   | Others     | Farmland<br>sales |                      |               |
| Production income  | Ps. 117,474           | Ps. 23,927     | Ps. 18,420 | Ps.        | Ps.        | Ps.               | Ps.                  | Ps. 159,821   |
| Cost of production   | (82,151)              | (19,316)       | (14,283)   |            |            |                   |                      | (115,750)     |
| Gross income from<br>agricultural production                       | 35,323                | 4,611          | 4,137      |            |            |                   |                      | 44,071        |
| Sales (iii)  | 86,870                | 32,432         | 17,493     |            | 25,786     | 23,020            |                      | 185,601       |
| Cost of sales (iv)   | (75,949)              | (30,038)       | (17,630)   |            | (17,379)   | (3,006)           |                      | (144,002)     |
| Gross income (loss)<br>from sales                                  | 10,921                | 2,394          | (137)      |            | 8,407      | 20,014            |                      | 41,599        |
| Gross profit   | 46,244                | 7,005          | 4,000      |            | 8,407      | 20,014            |                      | 85,670        |
| Unrealized (loss) / gain<br>on inventories                         | (11,624)              | 8,535          |            |            | 746        |                   |                      | (2,343)       |
| Selling expenses   | (11,241)              | (1,379)        | (163)      |            | (1,714)    |                   |                      | (14,497)      |
| Administrative expenses  | (10,913)              | (11,425)       | (1,696)    |            | (2,070)    |                   |                      | (26,104)      |
| Gain from recognition of<br>inventories at net<br>realizable value |                       |                |            |            |            | 886               |                      | 886           |
| Gain on equity investees   |                       |                |            | (474)      |            |                   | 38,891               | 38,417        |
| <b>Segment gain</b>  | 12,466                | 2,736          | 2,141      | (474)      | 5,369      | 20,900            |                      | 43,138        |
| Operating Margin (ii)  | 6.1%                  | 4.9%           | 6.0%       |            | 20.8%      | 90.8%             |                      | 12.5%         |
| Depreciation   | (3,421)               | (1,246)        | (165)      |            | (1,025)    |                   | (617)                | (6,474)       |
| <b>Balance Sheet Data</b>  |                       |                |            |            |            |                   |                      |               |
| <b>Assets</b>  | Ps. 299,705           | Ps. 165,191    | Ps. 37,321 | Ps. 10,995 | Ps. 13,876 | Ps.               | Ps. 1,542,672        | Ps. 2,069,760 |

(i) Not included in the segment gain.

(ii) Segment gain divided by the sum of production income and sales.

(iii) This item aggregates sales of crops, beef cattle, milk and others and sales of farmland disclosed separately in the statements of income.

(iv)

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This item aggregates costs of crops, beef cattle, milk and others and cost of farmland sales disclosed separately in the statements of income.

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**11. Income tax**

As described in Note 3.m) the Company accounts for income tax using the deferred tax method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax based assets and liabilities and are measured using the enacted tax rates.

Income tax expense for the years ended June 30, 2010, 2009 and 2008 consists of the following:

|                             | 2010               | 2009              | 2008           |
|-----------------------------|--------------------|-------------------|----------------|
| Current income tax expense  | Ps. 82,743         | Ps. 61,718        | Ps. 464        |
| Deferred income tax expense | 63,209             | 30,964            | (180)          |
| <b>Income tax expense</b>   | <b>Ps. 145,952</b> | <b>Ps. 92,682</b> | <b>Ps. 284</b> |

Resolution CD 93/2005 issued by CPCECABA provided for the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes when companies prepare price-level restated financial statements. This Resolution standard mandates companies to treat these differences as temporary differences but allowed a one-time accommodation to continue treating these differences as permanent at the time of adoption of the standard. As a result, the Company elected to continue treating differences as permanent. The estimated effect as of June 30, 2010 that the adoption of the new criteria would have generated would be a decrease in shareholder's equity of approximately Ps. 83.6 million which should be recorded Ps. 90.1 million (loss) as a reduction to retained earnings and Ps. 6.5 million (gain) to the current year statements of income.

As mentioned above the Company has elected not to recognize the deferred tax liability associated with the inflation adjustment on fixed assets and other non-monetary assets, amounting to Ps. 83.6 million as of June 30, 2010. This deferred tax liability, if recorded, would reverse as follows:

| Reversal period    | Total       |
|--------------------|-------------|
| 1 years            | 4.2         |
| 2 years            | 4.1         |
| 3 year             | 4.1         |
| More than 3 years  | 58.6        |
| No specific period | 12.6        |
| <b>Total</b>       | <b>83.6</b> |

Income tax expense for the years ended June 30, 2010, 2009 and 2008 differed from the amounts computed by applying the Company's statutory income tax rate to pre-tax income as a result of the following:

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|   | 2010               | 2009              | 2008           |
|---|--------------------|-------------------|----------------|
| Income tax expense at statutory tax rate on pretax income | Ps. 180,672        | Ps. 109,028       | Ps. 8,224      |
| Donations   | 10                 | 13                | 16             |
| Inflation adjustment                                      | 24,837             | 22,388            | 668            |
| Gain on equity investees                                  | (53,443)           | (23,257)          | (13,446)       |
| Financial income with tax exemption                       |                    | (13,818)          |                |
| Loss on the sale of shares                                |                    |                   | 661            |
| Personal asset tax  | 2,945              | 3,721             | 1,603          |
| Tax loss carryforward recognized during the year          | (41,826)           |                   |                |
| Non-Deductible expenses                                   | 3,003              | 3,271             |                |
| Change in valuation allowance                             | 42,499             | (244)             |                |
| Others  | (12,745)           | (8,420)           | 2,558          |
| <b>Income tax expense (*)</b>                             | <b>Ps. 145,952</b> | <b>Ps. 92,682</b> | <b>Ps. 284</b> |

(\*) As of June 30, 2008, includes Ps. 9,935 related to the tax effect on expenses incurred for issuing the Company's warrants and shares mentioned in note 5.a) that has been disclosed as Paid-in capital in the statement of changes in shareholders' equity.

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**11. Income tax (continued)**

The tax effects of temporary differences that give rise to the Company's deferred tax assets and liabilities as of June 30, 2010 and 2009 are presented below:

|                                      | 2010                 | 2009                 |
|--------------------------------------|----------------------|----------------------|
| Foreign currency                     | Ps. (48)             | Ps. (653)            |
| Tax loss carryforwards               | 124,273              | 74,169               |
| Provisions and others                | 11,256               | 3,507                |
| Other receivables                    | 1,767                | 3,951                |
| Property and equipment               | (228,876)            | (190,951)            |
| Inventories                          | (58,629)             | (34,862)             |
| Provision of deferred income tax     | (60,504)             | (17,694)             |
| Short-term and long-term debts       | (11,057)             | (12,811)             |
| Other liabilities                    | 1,783                | 12,492               |
| Trade accounts receivable            | 12,371               | 14,714               |
| Advances from customers              | 37,712               | 32,815               |
| Salaries and social security payable | 1,835                | 2,009                |
| Intangible assets                    | (10,742)             | (8,262)              |
| Investments                          | (3,618)              | 2,480                |
| Trade accounts payable               |                      | (92)                 |
| <b>Net deferred tax liability</b>    | <b>Ps. (182,477)</b> | <b>Ps. (119,188)</b> |

In assessing the recoverability of deferred income tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Based on the current expiration period of tax loss carryforwards (5 years), the ultimate realization of the deferred income tax assets for income tax purposes is considered more likely than not.

As of June 30, 2010 and 2009 the Company and its subsidiaries had accumulated income tax loss carryforwards of approximately Ps. 355.1 million and Ps. 211.9 million, which, on an individual entity basis, may be offset against future years' taxable income in accordance with income tax law. Such tax loss carryforwards expire at various dates through 2010 to 2014.

**12. Earnings per share**

The following tables set forth the computation of basic and diluted net income per common share under Argentine GAAP for all periods presented:

|                   | Year ended June 30, |             |            |
|-------------------|---------------------|-------------|------------|
|                   | 2010                | 2009        | 2008       |
| <b>Numerator:</b> |                     |             |            |
|                   | Ps. 185,406         | Ps. 124,616 | Ps. 22,948 |



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Net income available to common  
shareholders

|   |             |             |            |
|---|-------------|-------------|------------|
| Net income available to common<br>shareholders plus assumed conversions | Ps. 185,406 | Ps. 124,616 | Ps. 22,948 |
|---|-------------|-------------|------------|

**Denominator:**

|   |             |             |             |
|---|-------------|-------------|-------------|
| Weighted-average number of shares<br>outstanding    | 486,545,863 | 484,929,612 | 368,466,065 |
| Plus: incremental shares of assumed<br>conversions: |             |             |             |
| Warrants  | 62,355,168  | 59,242,907  | 16,834,050  |
| Adjusted weighted-average number of<br>shares       | 548,901,031 | 544,172,519 | 385,300,115 |

|                                     | Year ended June 30, |          |          |
|-------------------------------------|---------------------|----------|----------|
|                                     | 2010                | 2009     | 2008     |
| <b>Basic and diluted EPS:</b>       |                     |          |          |
| Basic net income per common share   | Ps. 0.38            | Ps. 0.26 | Ps. 0.06 |
| Diluted net income per common share | 0.34                | 0.23     | 0.06     |

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**13. Supplementary cash flow information**

The following table reconciles the balances included as cash and banks and current investments in the consolidated balance sheet to the total amounts of cash and cash equivalents at the beginning and end of the period shown in the consolidated statements of cash flows:

|  | <b>2010</b>        | <b>As of June 30,<br/>2009</b> | <b>2008</b>        |
|--|--------------------|--------------------------------|--------------------|
| Cash and banks   | Ps. 80,919         | Ps. 82,459                     | Ps. 47,795         |
| Current investments  | 278,968            | 345,541                        | 485,292            |
| <b>Total cash and banks and current investments as per balance sheet</b> | <b>359,887</b>     | <b>428,000</b>                 | <b>533,087</b>     |
| Less: Items not considered cash and cash equivalents                     |                    |                                |                    |
| - Mutual Funds   | (58,965)           | (36,789)                       |                    |
| - Pre 2009 bonds   |                    | (10,108)                       |                    |
| - Pro 2012 bonds   |                    | (3,987)                        |                    |
| - Participation trust certificates                                       | (2,846)            | (16,490)                       |                    |
| - CPs on Tarshop   | (124,671)          | (136,231)                      |                    |
| - Allowance for impairment of investments                                | 7,423              | 10,198                         |                    |
| - IRSA Non-Convertible Notes   |                    |                                | (11,285)           |
| - Global 2010 bonds  | (132)              | (67)                           | (92)               |
| - Bocon Pro 1  |                    | (1)                            | (1)                |
| - Mortgage Bonds   | (918)              | (1,198)                        | (623)              |
| - Shares of public companies   | (4,075)            | (21,603)                       |                    |
| - Others investments   | (50)               | (48)                           |                    |
| <b>Cash and cash equivalents as shown in the statement of cash flows</b> | <b>Ps. 175,653</b> | <b>Ps. 211,676</b>             | <b>Ps. 521,086</b> |

**14. Litigation****A. Agricultural Business***1. Exagrind S.A. San Rafael farm against Tali Sumaj and other damages and losses*

Exagrind S.A. has filed a lawsuit against Inversiones Ganaderas S.A. (IGSA) on claims for damages and losses produced by a fire in San Rafael farm, which is close to Tali Sumaj, Province of Catamarca. The fire took place on September 6, 2000.

The estimated amount of the legal action is Ps. 2,914 at the date the claim was filed.

In turn, IGSA has filed an extraordinary appeal to the High Court of the Province of Catamarca, requesting for a remainder term to answer the lawsuit as, at the time of revoking the first instance judge decision that postponed the terms to answer until a new notice was dispatched, such period had not yet expired. The management of IGSA is awaiting the decision of the High Court of the Province of Catamarca.

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Additionally, in March 2007 -under the request of Exagrind S.A.- the court in charge of the case seized an inhibition of assets. This decision was lifted in June 2007 and a real estate on attachment has been accepted in replacement.

In June, 2010, the Company sold the farm to a third party. Since the litigation is still pending, the Company assumed certain obligations and provided a surety insurance to guarantee its obligation on behalf of the purchaser.

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**Notes to the Consolidated Financial Statements (continued)**

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**14. Litigation (continued)**

*2. Ongoing litigation with the city of Villa Mercedes*

A judge from the City of Villa Mercedes, Province of San Luis, issued an administrative resolution mandating Cactus to cease activities and relocate facilities within 36 months. In addition, Cactus is precluded from holding more than 18,500 heads of cattle during this period. Cactus appealed this resolution before the Municipality of Villa Mercedes, which denied it on April 7, 2009. Following this decision, Cactus appealed the decision before the Superior Court of Justice of the Province of San Luis alleging illegality of the Villa Mercedes' judge rulings. The appeal is still pending resolution. The Company believes, based on the advice of its legal counsel, that it has meritorious defenses to revert the judge rulings.

Cactus is carrying out a plan to improve its relationship with the community of Villa Mercedes, seeking to strengthen the company's position as a valuable member in the social and economic activity in the region, whose purpose is that the scheduled moving be reconsidered by municipal authorities.

***B. Real Estate Business***

*1. Llao Llao Resorts S.A.*

LLao Llao Holdings S.A. ( LLH ) (in liquidation process following the merger with and into the Company), predecessor of Llao Llao Resorts ( LLR ), as operator of the Llao Llao Hotel was sued in 1997 by the National Parks Administration ( NPA ), a governmental entity, seeking collection of US\$2.9 million in Argentine External Debt Bonds ( EDB ) relating to the unpaid balance of the additional sales price. The Court of First Instance sustained the demand. IRSA appealed the sentence but it was rejected by the Court of Appeals which demanded the Company to pay NPA an amount of US\$3.8 million including interest, penalties and attorney's fees. The plaintiff requested the court of original jurisdiction to initiate an incidental procedure for execution of sentence by performing a settlement through the Ministry of Economy, the procedure having been questioned by the Company. In view of the fact that the information provided was not sufficient to evaluate the amount settled by the Ministry of Economy, it was requested that the execution be suspended until there is a sentence on the complaint recourse filed with the National Supreme Court for the denial of the extraordinary recourse soliciting that the debt be converted to pesos ( pesification ).

On July 14, 2008 the Court of Appeal notified LLR that by means of a resolution dated June 18, 2008 it had confirmed the settlement approved by the court of original jurisdiction.

On March 17, 2009, the National Supreme Court admitted the appeal against and decided to suspend the enforcement of the judgment in so far as the extraordinary appeal lodged by LLR is not resolved.

On February 23, 2010, the Supreme Court of Justice dismissed the action, which rendered the judgment final and compelled LLR to pay the amount calculated by the State. On April, 2010 LLR paid Ps. 13,122 in cash and bonds.

On June 10, 2010, LLR was notified of the newly-performed settlement: LLR filed an objection against it in due time and manner. On June 17, 2010, the court ordered that the plaintiff was to be served notice of the objection. As of June 30, 2010, LLR awaits notice of the most recently ordered service of process.

In accordance with the information provided by the attorneys in respect of this lawsuit, the amount to be recorded by virtue of the Court sentence amounts to Ps. 2,589 and Ps. 10,223 as of June 30, 2010 and 2009, respectively, such amount being recorded in Other current liabilities Payable to National Parks Administration.

**15. Restricted assets**

***A. Agricultural Business***

a) The San Pedro establishment was included in fixed assets as of June 30, 2010 and 2009. Such establishment had a mortgage on a fraction of its land to guarantee the payment for the purchase. On September 30, 2009, the entire mortgage for purchasing the establishment San Pedro was settled by paying US\$1.8 million including interest.

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**15. Restricted assets (continued)**

b) Due to the purchase of farms in the Republic of Bolivia, a mortgage was established on such properties as mentioned in Note 2.f). As of the date of these financial statements, the mortgage on the Las Londras farm amounts to US\$2.5 million, effective through November 2010; the mortgage on the San Cayetano and San Rafael farms amount to US\$2.0 million, effective through November, 2010 and the mortgage on the La Fon Fon farm amounts to US\$1.9 million, effective through November, 2010.

**B. Real Estate Business**

a) In a series of transactions, which occurred between 1999 and 2000, the Company, through IRSA, acquired from an unrelated party, 50 % of Puerto Retiro S.A., whose sole asset is an undeveloped parcel of land in Retiro, Buenos Aires. Prior to the acquisition by IRSA, Puerto Retiro had acquired land from Tandanor S.A. ( Tandanor ), a formerly state-owned entity, which had been acquired by Inversora Dársena Norte S.A. ( Indarsa ) in 1991 through a privatization process. The Argentine Government sustained Indarsa had not cancel the outstanding balance of the purchase price of Tandanor, and as a result petitioned the bankruptcy of Indarsa. Since the sole asset of Indarsa was its ownership interest in Tandanor, the Argentine Government was seeking to extend the bankruptcy procedures to any company or individual, which, according to its view, acted as a group, and therefore, in this process requested the bankruptcy of Puerto Retiro and other companies and individuals. In this connection, the bankruptcy court for the Buenos Aires District issued an order restraining the ability of Puerto Retiro to sell or dispose in any manner the land acquired from Tandanor. IRSA is vigorously defending against this case. Management and legal advisors of IRSA estimate that there are legal and technical issues sufficient to consider that the request for bankruptcy will be denied by the court. However, taking the circumstances into account and the progress of the legal action, this position cannot be considered final. IRSA's investment in Puerto Retiro amounts to Ps. 54.6 million as of June 30, 2010.

b) The Company mortgaged the following properties under certain obligations:

| <b>Property</b>           | <b>Net Book Value<br/>as of<br/>June 30, 2010</b> |
|---------------------------|---|
| Edificio República        | 219,865   |
| Caballito                 | 44,754  |
| Plots of land Bariloche   | 27,051  |
| Zetol Plot of land        | 14,348  |
| Suipacha 652              | 18,355  |
| Vista Muelle Plot of land | 8,292   |

c) As of June 30, 2009 IRSA had pledged shares of Rummaala under certain obligations. As from October 1st, 2009, Rummaala is merged with CYRSA. Considering the above mentioned merger, the pledge of Rummaala shares was cancelled and issued a new pledge on the CYRSA's shares.

d) The IRSA has agreed not to transfer its shares of Manibil or any related right until May, 2011.

e) Certain investments, cash and cash equivalents and accounts receivable of the Company were restricted aggregating less than Ps. 0.7 million in total.

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f) As part of the securitization program a portion of the proceeds was retained by the trustee and maintained as a cash reserve to serve as collateral for the payment of amounts due of TDFs. Cash reserves flow back to Tarshop on a monthly basis according to a schedule until all TDFs are fully paid.

g) To guarantee the compliance with all the covenants assumed by Liveck S.A., and the minority shareholder of Zetol S.A. and Vista al Muelle S.A. pursuant to the stock purchase agreement of Vista al Muelle S.A. shares executed on June 11, 2009 and the Addendums to the Agreement as well as payment of any possible damages and associated expenses, the parties have reciprocally tendered a security interest consisting in a possessory pledge over the shares of Vista al Muelle S.A. and Zetol S.A.

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**16. Compensation plan for executive management**

The Company together with its related Company IRSA has a defined contribution plan covering its managers in Argentina. The Plan was effective from January 1, 2006. Employees may begin participation voluntarily on monthly enrollment dates. Participants may make pre-tax contributions to the Plan of up to 2.5% of their monthly salary (Base Contributions) and pre-tax contributions of up to 15% of their annual bonuses (Extraordinary Contributions). Under the Plan, the Company matches employee contributions to the plan at a rate of 200% for Base Contributions and 300% for Extraordinary Contributions. Contribution expense was Ps. 3.3 million and Ps. 2.9 million for the years ended June 30, 2010 and 2009, respectively. Participant contributions are held in trust as required by law. Individual participants may direct the trustee to invest their accounts in authorized investment alternatives. Company contributions are also held in trust. Participants or their assignees, as the case may be, may have access to the 100% of the Company contributions under the following circumstances:

- (i) ordinary retirement in accordance with applicable labor regulations;
- (ii) total or permanent incapacity or disability;
- (iii) death.

In case of resignation or termination without good cause, the manager will receive the Company's contribution only if he or she has participated in the Plan for at least 5 years.

**17. Granted Guarantees**

In the ordinary course of business, FyO guarantees certain brokerage transactions. Under the agreement, FyO guarantees the performance of the producer in case it does not comply with the physical delivery. The Company has recourse against the non-performing party. As of June 30, 2010 and 2009, the value of transacted merchandise for which guarantees were granted amounted to Ps. 9.5 million and Ps. 9.1 million respectively. As of the date of these financial statements, there were no non-performing parties under the agreements for which the Company had to respond as guarantor. As of the date of these financial statements, the value of transacted merchandise for which guarantees were granted amounted to Ps. 7.6 million and Ps. 7.1 million respectively.

**18. Security loan**

The Company through its subsidiary Agrology S.A. signs a securities loan agreement with Inversiones Financieras del Sur S.A., by which it was granted 1,253,942 Global Depositary Shares (GDRs) represented by Global Depositary Receipts representative of 10 book-entry shares of common stock, with a face value of Ps. 1 per share, of IRSA. This loan does not imply transferring any political or economic rights related to the GDRs, which will be held by Agrology. As regards exercising the political rights (vote), the Parties agreed that the company will grant a power of attorney to Inversiones Financieras del Sur S.A. with the respective voting instructions. As regards dividends, Inversiones Financieras del Sur S.A. commits itself to transferring forthwith to Agrology the funds related to this item.

This loan will accrue interest at a monthly rate equivalent to 3-month LIBOR, plus 150 basis points. It will be effective for 30 days and may be renewed for periods, up to a maximum of 360 days.

**19. Memorandum of understanding to renegotiate the concession agreement**

On July 2, 2008, Agropecuaria Anta S.A. entered into a Memorandum of Understanding (MOU) of the concession agreement for the northern and southern areas of the real estate property of Salta Forestal S.A. pursuant to which certain concession terms were renegotiated. The MOU



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changed the payment terms of the concession fee from a fixed amount to a variable amount starting in 2009.

The original concession area comprised 162,000 hectares of which 30,000 hectares were originally considered as unusable for agricultural purposes under the concession. On August 29, 2008, the Memorandum of Understanding was approved by Decree No. 3,766 of the Executive Power of the Province of Salta.

On June 30, 2010 the installment corresponding to 2009-2010 campaign was cancelled for Ps. 1.5 million.

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**20. Tarshop and Metroshop credit card and personal loans receivables securitization**

The Company has ongoing revolving year securitization programs through which Tarshop and Metroshop, both subsidiaries of the Company, transfer a portion of their customer credit card and personal loans receivable balances to master trusts that issue certificates to public and private investors.

Under the securitization programs, the trusts may issue two types of certificates representing undivided interests in the Trust – Títulos de Deuda Fiduciaria ( TDF ) and Certificados de Participación ( CP ), which represent debt and equity certificates, respectively. Interest and principal services are paid periodically to the TDF holders throughout the life of the security. CPs are subordinated securities which entitle the CP holders to share pro rata in the cash flows of the securitized credit card and personal loans receivables, after principal and interest on the TDFs and other fees and expenses have been paid. During the revolving period no payments are made to TDF and CP holders. Principal collections of the underlying financial assets are used by the Trust to acquire additional credit card and personal loans receivables throughout the revolving period. Once the revolving period ends, a period of liquidation occurs during which: (i) no further assets are purchased, (ii) all cash collections are used to fulfill the TDF service requirements and (iii) the remaining proceeds are used to fulfill the CPs service requirements.

At the time of the securitization, Tarshop and Metroshop transfer credit card and personal loans receivables to the trust in exchange for cash and retained interests in the trust (CPs). Part of the proceeds is retained by the trustee and maintained as a cash reserve to serve as collateral for the payment of amounts due on the TDFs. Cash reserves flow back to Tarshop and Metroshop on a monthly basis according to a schedule until all TDFs are fully paid. Cash reserves are stated at cost and are classified as guarantee deposits within the caption Other receivables and prepaid expenses, net in the accompanying Consolidated Balance Sheets. CPs are carried at their equity value based on the financial statements issued by the trusts, less allowances for impairment if the carrying amount exceeds their estimated recoverable value and classified as Other investments, net in the accompanying Consolidated Balance Sheets. Gain or losses on CPs are reported as a component of Net income (loss) from retained interest in securitized receivables in the accompanying Consolidated Statements of Operations. Tarshop and Metroshop recognize a result on the sale of receivables when the carrying value of transferred credit card and personal loans receivables differs from the amount of cash and CPs received. Results recognized on the sale of receivables are reported as a component of Net income (loss) from retained interest in securitized receivables in the accompanying Consolidated Statements of Operations. Expenses related to the securitization of receivables are expensed as incurred.

The consumer financing segment has recorded a gain of Ps. 37.5 million, a loss of Ps. 46.0 million and a loss of Ps. 1.3 million in retained interest in securitized receivables for the years ended June 30, 2010, 2009 and 2008, respectively.

As of June 30, 2010 the Company has 16 securitization programs outstanding from Tarshop and 12 securitization programs outstanding from Metroshop, pursuant to which have sold an aggregate amount of Ps. 960.9 million and Ps. 235.8 million, for Tarshop and Metroshop, respectively, of its customer credit card receivable balances to Trusts in exchange for Ps. 805.5 million and Ps. 191.0 million, for Tarshop and Metroshop, respectively, in cash proceeds, Ps. 23.9 million and Ps. 1.7 million, for Tarshop and Metroshop, respectively, variable rate interest TDFs, and Ps. 122.5 million and Ps. 43.1 million, for Tarshop and Metroshop, respectively, nominal value subordinated CPs. Under the securitization programs, the Trusts issued Ps. 40 million and Ps. 10.6 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 12 %, Ps. 225.3 million and Ps. 37.6, for Tarshop and Metroshop, respectively, TDFs which pay variable interest rate with a floor of 12.5 %, Ps. 71.2 million and Ps. 8.9 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 13 %, Ps. 52.7 million for Tarshop TDFs which pay a variable interest rate with a floor of 14.5 %, Ps. 94.4 million and Ps. 27.2 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 15 %, Ps. 202.7 million and Ps. 9 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 16 %, Ps. 53.5 million and Ps. 59.1 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 17 %, Ps. 16.8 million for Metroshop TDFs which pay a variable interest rate with a floor of 17.5 %, Ps. 21.9 million for Metroshop TDFs which pay a variable interest rate with a floor of 18 % and Ps. 65.6 million for Tarshop TDFs which pay a variable interest rate with a floor of 23 %. Except for certain TDFs acquired by Tarshop and Metroshop as mentioned above, the TDFs were sold to other investors through a public offering in Argentina. As

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mentioned above, as a credit protection for investors, the trusts have established cash reserves amounting to Ps. 4.7 million and Ps. 0.7 million, for Tarshop and Metroshop, respectively.

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**21. BHSA exposure to public sector**

As discussed in Note 3.e), the Company has a 28.03% (without considering treasury shares) equity interest in BHSA.

Following the Argentine crisis in December 2001 and to prevent widespread insolvencies, the Argentine Government pledged to provide offsetting compensation to banks. The general principles of the compensation scheme were to: (1) maintain the peso value of each bank's net worth, and (2) leave the banks hedged in terms of currency. To that end, the Argentine Government issued two types of bonds to banks. BHSA sought compensation in the amounts of US\$360,811 in BODEN 2012 compensation bonds and US\$832,827 in BODEN 2012 coverage bonds. In September 2002 and October 2005, the BCRA credited US\$344,050 and US\$16,761 in BODEN 2012 compensation bonds, respectively, as compensation. BODEN 2012 compensation bonds are US-dollar denominated bonds that the BCRA offered to affected banks at a discounted price of Ps. 1.40 plus CER indexation to US\$1.00, to compensate for the consequences of creating a mismatch between a bank's dollar and peso position as a result of the pesification in 2002.

In the period beginning in September 2005 and ended in January 2006, subscriptions were made for BODEN 2012 hedging bonds equivalent to US\$773,533. A supplementary subscription of hedging bonds and detached coupons took place on June 26, 2009, subscribing an original par value of US\$59,294 in exchange for a payment in cash of Ps. 211,947 as subscription price. In addition, US\$40,207 were received as matured coupons.

In addition, in July 2007 the Bank requested an advance of Ps. 83,012 (through Dossier 27.551/07) to purchase US\$59,294 in National Government Bonds in US Dollars Libor Due 2012 (BODEN 2012) pursuant to the provisions of Section 29, subsections f) and g) of Decree No. 905/02 of the Executive Branch and regulations.

In order to guarantee the advance to be received, the Bank submitted as collateral a) Secured Bonds (BOGAR) for a face value of Ps. 47,098 and b) Mortgage Securities granted customers of the non-financial private sectors, in Situation 1, equivalent to Ps. 26,163.

As of June 30, 2010 and 2009, BHSA has an aggregate asset receivable position with the non-financial public sector amounting to Ps. 2,251,808 and Ps. 2,884,542, respectively. Since the year ended June 30, 2008, a BCRA rule established that the total exposure of any bank to the non-financial public sector must not be higher than 35% of the total bank's assets measured as of the last day of the last month prior to measurement date. BHSA was in compliance with these limits for all years presented aggregating 20.2% and 24.5% as of June 30, 2010 and 2009, respectively.

*Banco Hipotecario's Treasury Shares*

In the course of the 2009 fiscal year and with the Total Return Swap dated January 29, 2004 having expired, Banco Hipotecario received treasury shares Clase D totaling 71.1 million.

On April 30, 2010, the Extraordinary General Shareholders' Meeting of Banco Hipotecario resolved to delegate upon the Board of Directors the decision to pay, with the treasury shares, the StAR coupons resulting from the debt restructuring, as advisable, based on the contractually agreed valuation methods and their actual market value and after allowing the shareholders to exercise their preemptive rights on an equal footing.

**22. Counting at Estancia Los Pozos**

During the annual cattle count held at Estancia Los Pozos, it was detected that the number of head of cattle had decreased. As the Company had filed a report with Unidad Regional No. 5, in Joaquín V. González, Province of Salta, involving procedures by the Criminal Court No. 1, Metán, Province of Salta seeking to find out the reason for such decrease.



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**22. Counting at Estancia Los Pozos (continued)**

In this sense, the Company is currently providing the information and documentation requested by the judge hearing such case. Although such procedure is at the initial stage, the effects of the previously mentioned difference were recognized in this year.

**23. Financing and occupation agreement with NAI Internacional II, INC.**

APSA acquired Empalme in December, 2006. Prior to APSA's acquisition, back in August 1996, Empalme had entered into a Financing and Occupancy Agreement with NAI INTERNACIONAL II, INC. ( NAI ) (the NAI Agreement ) pursuant to which NAI financed the construction of a movie theatre complex and a portion of parking facilities in the Córdoba Shopping for up to US\$8.2 million. The financing accrued interest at LIBOR plus 1.5%. As part of the NAI Agreement, NAI had the right to occupy a portion of the building for a period of 10 years as from the commencement of NAI operations in October 1997, renewable for four additional periods of 5 years each. Interest payments under the NAI Agreement were to be offset against the lease payments to be received from NAI. The NAI Agreement originally established that in the event that any outstanding loan balances remained unpaid after the total lease period (together with renewals and extensions), the NAI Agreement would be further extended for the lower of a 10-year period or the period necessary to settle the loan. Any unpaid outstanding balance after that extension was to be forgiven by NAI. In July 2002, following the Argentine crisis, the NAI Agreement was amended to, among other matters, (i) pesify the payments, (ii) establish a CER-adjustment indexing clause, and (iii) impose restrictions to Empalme and/or third parties on the use of the space occupied by NAI.

Principal owed as of June 30, 2010 and interest accrued through that date, due to the original loan agreement and respective amendments are disclosed in Customers advances Lease and customer advances for Ps. 18.7 million.

**24. Shopping Neuquén project**

The main asset of the Shopping Neuquén S.A. is a 50,000 square meter undeveloped parcel of land located in Neuquén, Argentina, where APSA intends to develop a commercial project including the construction of a shopping center, a hypermarket and other developments.

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

The Agreement effectively closed the administrative case brought against Shopping Neuquén S.A. by the Municipality. The only item pending is the determination of legal counsel fees to be borne by Shopping Neuquén S.A. These fees were provided for and included under provisions.

According to the terms of the Agreement, Shopping Neuquén S.A. submitted the corresponding project plans within the required timeframe of 150 days as from approval date due February 17, 2008. The Municipality objected to certain terms of the plans and Shopping Neuquén S.A. requested an extension to the term to submit a revised plan.

On June 12, 2009, Shopping Neuquén S.A. and the Municipality executed a revised agreement by which Shopping Neuquén S.A. committed itself to presenting a new road project and to making those amendments that may be necessary to the general project. On October 19, 2009, the respective amendments were filed. The Municipality also questioned on certain matters, which were replied. On January 18, 2010, the Municipality requested changes to the plans, which were finally approved on April 8, 2010.



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**24. Shopping Neuquén project (continued)**

Shopping Neuquén S.A. submitted the working plans related to the first stage of the work (contemplating the construction of the shopping mall and the hypermarket) for which the respective permits were obtained. Shopping Neuquén S.A. started construction on July 5, 2010.

The first construction stage should be completed within a 22-month period as from July 2010.

In the case of failing to comply the conditions established in the agreement, the Municipality of Neuquén is entitled to terminate the agreement and carry out the actions that may be considered necessary for such respect, among them, to request the return of the Company's plots acquired to the Municipality of Neuquén.

**25. Hoteles Argentinos mortgage loan**

In March 2005, Credit Suisse First Boston ( CSFB ) acquired a loan for US\$11.1 million of Hoteles Argentinos S.A. ( HASA ), which had been in non-compliance since January 2002. In April 2006 HASA reduced the capital amount payable to US\$6.0 million. The balance accrued a 6 months LIBOR interest rate plus 7.0% being the last of US\$5.07 million due in March, 2010.

Jointly, a credit default swap was subscribed by the Company for 80% of the restructured debt value in order to protect CSFB in case of non-compliance with HASA's obligations. As compensation, the Company received a coupon on a periodical basis. Additionally, the Company has deposited as guarantee the amount of US\$1.2 million.

With the last installment of the loan received having been repaid on March 15, 2010, CSFB reimbursed the deposit to the Company. In connection with this matter, HASA borrowed funds from Standard Bank Argentina again, in the amount of Ps. 19,000, which will accrue interest at a fixed nominal 16.25% interest rate per annum, payable on a quarterly basis and with principal becoming due on March 15, 2011.

As a security interest for this transaction, the Company entered into a put option agreement with Standard Bank whereby the Bank receives the right to sell to the Company, which in turn agrees to purchase, 80% of the credit rights arising from the loan in the event of HASA's default.

**26. Treasury stock**

On August 26, 2008, the Company's board of directors decided to acquire proprietary shares under section 68, Law No. 17,811 and CNV regulations for a maximum amount of Ps. 30.0 million or 10,000,000 shares of common stock.

On October 10, 2008, the Company's Board of Directors decided to change the minimum price of the plan to repurchase treasury stock made public on August 26, 2008. Taking into account the atypical market behavior, it was decided to a floor of Ps. 2.13 subject to an Ps./US\$ exchange rate Ps. 3.2235 per share, which implies that changes in the exchange rate will in turn adjust the limit automatically.

Afterwards, on October 23, 2008 and due to a steep downtrend undergone by the market and worsened in turn by the general context of world markets, it was decided to set a Ps. 1 floor to a US\$/Ps. exchange rate of Ps. 3.24 per share.

Finally, on October 24, 2008, the Board of Directors has decided in defense of economic interests of the shareholders and consequently, to preserve the company, to change the maximum amount of shares subject to acquisition to up to 30,000,000 shares of common stock, face value of Ps. 1 per share and entitled to 1 vote per share, in shares or American Depositary Shares ( ADR's ) representing 10 shares each as provided by applicable regulations. As provided by Argentine Business Associations Law, the Board of Directors should divest the shares acquired within one year, unless extended by the shareholders' meeting.



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As of June 30, 2009, purchases of proprietary shares amounted to 2,935,641 ADRs and 643,590 shares of common stock paying an amount of US\$21 million and Ps. 1,745, respectively.

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**26. Treasury stock (continued)**

In accordance with the law of commercial companies, the board shall dispose of the shares acquired within a period of one year unless an extension is provided for in Assembly. On November 13, 2009, the Board of Directors seeking to comply with the mandate granted by the Meeting of Shareholders on October 29, 2009, resolved to start attributing and assigning on a prorate basis 25,000,000 proprietary treasury shares with a face value of Ps. 1 entitled to 1 vote each. Such assignment was made as from November 23, 2009, at 0.5301792784 shares per share with a face value of Ps. 1 each and 0.5301792784 shares per ADR. As upon making the attribution calculation, it yielded the need to distribute fractions of shares, they were settled in cash under the Buenos Aires Stock Exchange Regulations. Therefore, 754 shares have not been attributed and they remain in the Company's treasury together with previously existing 5,000,000 shares.

**27. Meeting of shareholders**

The General Ordinary and Extraordinary Shareholders' meeting held on October 29, 2009 approved the following:

1. Distributing cash dividends for Ps. 60 million
2. The prorated allocation among shareholders of shares previously repurchased by Cresud, for an amount of up to 25,000,000, deferring the treatment of the balance of 5,000,000 shares.
  1. The issuance of securities representing short-term debt ( VCP ) in the form of simple corporate bonds not convertible into shares, denominated in pesos, US dollars or any other currency with unsecured, special, floating and/or any other guarantee, including third party guarantee, either subordinated or not, for a maximum outstanding amount at any time that may not exceed the equivalent in Argentine Pesos of US\$30 million.

On November 27, 2009, it was held the Company's shareholders' meeting that approved, among others, the corporate reorganization consisting in the spin-off merger with IGSA, and the totality of the related documentation.

**28. Compliance with currently applicable environmental rules and regulations**

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

**29. Subsequent events**

The Company has evaluated subsequent events through the time that it filed these consolidated financial statements in the annual report on Form 20-F with the SEC on December 30, 2010.

**A. Cresud S.A.C.I.F. y A.**

*Issuance of Series III and IV non-convertible notes*

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On July 1, 2010, the Board of Directors approved the Price Supplement related to the issuance of Series III and Class IV non-convertible notes, with the Global Program to Issue non-convertible notes for a face value of up to US\$50 million. Such Program had been previously approved by the CNV by means of Resolution No. 15,972 of September 4, 2008.

Later, between July 6 and 16, 2010, the Second Series of non-convertible notes for a total value of Ps. 105,860, from a total reported amount of Ps. 70 million were subscribed.

Series III non-convertible notes, for a face value of Ps. 35.7 million and falling due 21 months after the issuance date will accrue interest at a variable rate (Badlar rate plus 400 basis points). These will be paid on a quarterly basis in arrears while amortization will be made in three consecutive payments in 15, 18 and 21 months from the issuance date.

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**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**29. Subsequent events (continued)**

**A. Cresud S.A.C.I.F. y A. (continued)**

Class IV non-convertible notes, for a face value of US\$17.8 million equivalent to Ps. 70.2 million converted at the exchange rate of 3.9351 and falling due 24 months after the issuance date will accrue interest at fixed annual rate of 7.75%. These will be paid on a quarterly basis in arrears while amortization will be made in four equal and consecutive payments in 15, 18, 21 and 24 months from the issuance date.

Finally, the Corporate Bonds were issued on July 21, 2010.

**Sale of La Juanita Farm**

On September 3, 2010, the title deed and conveyance of ownership related to selling the establishment La Juanita located in the district of Trenque Lauquen, Province of Buenos Aires was executed. The transaction was agreed upon at US\$18.0 million generating income of about US\$12.6 million (Ps. 49.6 million). From the agreed upon price, US\$4.5 million was collected on August 6, 2010, upon executing the agreement of purchase; US\$12.5 million was collected upon executing the title deed and the outstanding balance of US\$1.0 million, secured by a first degree mortgage, will be paid on January 10, 2011.

It is recorded that under the transaction, a loan for use agreement was executed in favor of the Company through January 10, 2011, on certain portion of the building, seeking to continue until such date with the productive activities carried out at the establishment.

**Executing the Addendum to the Agreement to Purchase of Shares from Tarpon Agro LLC and Tarpon Inwertimentos S.A. ( Tarpon ).**

On October 20, 2010 and on December 23, 2010 we and Tarpon executed two addenda to the Share Purchase Agreement dated as of April 28, 2010, under which we directly and indirectly acquired 9,581,750 shares of common stock of BrasilAgro, representing 16.40% of the outstanding stock. Consequently, we paid, on October 20, 2010 and December 23, 2010, R\$25.2 million and R\$ 50.8 million respectively, and the price remainder equivalent to R\$ 52.6 million should be paid on April 27, 2011, which is guaranteed by a security interest over 3,864,086 shares and 37,325 warrants from the First Issue. Considering the participation in BrasilAgro acquired above mentioned, the Company is now analyzing the current values of acquired assets and liabilities identifiable according to the provisions under Technical Resolution No. 21 caption 1.3.1.

Consequently, Cresud is either directly or indirectly the owner of 20,883,916 shares or 35.75% of the BrasilAgro s outstanding stock. Likewise, due to the transaction, Cresud owns 168,902 BrasilAgro s First Issuance Warrants and 168,902 BrasilAgro s Second Issuance Warrants.

**Meeting of Shareholders**

The Ordinary and Extraordinary Shareholders Meeting held on October 29, 2010, approved, among others issues, the following:

1. Annual report and financial statements ended June 30, 2010;
2. Defer treatment until the next Shareholders Meeting that may consider the fiscal year that will end on June 30, 2011, of the destination of proprietary portfolio stock;
3. Renewal for another period the delegations made in the Board by the Shareholders meeting from the previous period as regards paying a bonus to the Company s Managements of up to 1% of the outstanding capital stock; and

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4. Extending the amount of the Global Program to Issue Corporate Bonds in place for up to a further US\$100 million (or its equivalent in other currencies).

The Company's Ordinary and Extraordinary General Shareholders Meeting held on December 9, 2010 approved the distribution of cash dividends for Ps. 69.0 million.

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**29. Subsequent events (continued)**

**A. Cresud S.A.C.I.F. y A. (continued)**

*Sale of Class I Notes of IRSA*

By December 3, 2010, Cresud has sold in the secondary market, its Class I Notes of IRSA Inversiones y Representaciones Sociedad Anónima, fixed rate notes due 2017, for a nominal value of US\$33,152,000 to an average price of 100.09%. As a result of such sale, the Company received a total income, in principal and accrued interest, of US\$34,097,674.

It is important to clarify that as the Notes were issued pursuant to the Regulation S of the U.S. Securities Act, the transaction was made in accordance with the requirements specified in the above regulation.

*Investment in Cactus Argentina S.A.*

On December 23, 2010, to provide Cactus with funds in order to meet its working capital needs, we took part in a capital increase for US\$ 4.0 million. Therefore, we increased our interest in Cactus from 48% to 80%. According to the aforementioned, our partner Tyson as of the date hereof has a 20% interest in Cactus. As part of this transaction, we and Tyson decided to make certain amendments to the shareholders agreement and, in this context, Cresud granted to Tyson a put option with the right to sell to us its 20% interest in Cactus.

**B. IRSA Inversiones y Representaciones Sociedad Anónima**

*IRSA s Series II Notes*

On July 20, 2010, IRSA issued non-convertibles notes for a principal amount of US\$150 million ( Series 2 Notes ) under its Global Note Program for up to US\$400 million in nominal value, maturing on July 20, 2020. The issue price was 97.838% of the nominal value and accrue interest at a nominal rate of 11.5% per annum, payable semi-annually on January and June 20, each year, commencing on January 20, 2011.

*Acquisition of Unicity S.A ( Unicity )*

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

*Escrow Agreement - Metropolitan 885 Third Ave. LLC*

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



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**29. Subsequent events (continued)**

***B. IRSA Inversiones y Representaciones Sociedad Anónima (continued)***

*Acquisition of additional shares in BHSA*

On June 16, 2010, the Board of Directors of Banco Hipotecario made a preemptive sale offer of 36.0 million of its treasury shares. On July 26, 2010, in the framework of the offering, the Bank sold approximately 26.9 million of it. On August 3, 2010, the Bank applied the proceeds from the offering and the remaining offered Class D shares, to the cancellation of the StAR coupons maturing on that date.

Exercising its preemptive right, the Company took part in the offering and acquired 26,197,564 Class D shares totaling Ps. 36.2 million.

As a result of the transaction, the Company's ownership interest in Banco Hipotecario increased from 28.03% to 29.78% of BHSA's capital stock (without considering treasury shares).

*Acquisition of the building located at 183 Madison Avenue, New York, NY.*

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

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

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

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

*Option to acquire an ownership interest in Alto Palermo S.A. (APSA).*

On October 15, 2010 the exercise of the option discussed in Note 2.f).B. was consummated through payment of the price balance. As a result, IRSA became the holder of 94.89% of APSA's capital stock.

*Sale of Alto Palermo Notes*

On October 12, 2010 IRSA sold Alto Palermo's Series I Notes for a nominal value of US\$39.6 million that it had acquired in fiscal year 2009 for US\$38.1 million.

*Acquisition of Hersha's shares*



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On October 22, 2010 and through REIG, IRSA acquired 2,952,625 ordinary shares in Hersha Hospitality Trust ( Hersha ) at a price of US\$5.80 per share, totaling US\$17.1 million. Following this acquisition, IRSA s ownership interest in Hersha amounts to 10.7% of Hersha s outstanding capital. Besides, if the purchase option mentioned in Note 2.f).B were exercised and Hersha failed to issue new shares in favor of third parties, IRSA s ownership interest in Hersha would amount to 13.63%.

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**29. Subsequent events (continued)**

***B. IRSA Inversiones y Representaciones Sociedad Anónima (continued)***

*Acquisition of companies in Uruguay*

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

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

***C. Alto Palermo S.A. (APSA)***

*Sale of 80% equity interest in Tarshop*

On December 22, 2009, APSA's Board of Directors approved the sale of a 80% interest in Tarshop to Banco Hipotecario S.A. for a sale price of US\$26.8 million. The transaction was subject to the approval of the Banco Central de la República Argentina, among other things, which approval was obtained on August 30, 2010. APSA and Banco Hipotecario S.A. executed the closing documents on September 13, 2010.

In compliance with the conditions defined in the agreement in question, APSA committed itself to not competing for 5 years in the credit card and/or consumer loan business in which Tarshop has a presence.

*Barter agreement with TGLT S.A.*

On October 13, 2010, the Company and an unrelated third party, TGLT S.A. ( TGLT ), a real estate developer in Argentina, entered into an agreement to barter the Beruti 3351/59 plot of land acquired back in June 2008 (See Note 2.h) for monetary consideration and future units to be constructed by TGLT on the land. The transaction was subject to certain precedent conditions including the completion by TGLT of its initial public offering. The transaction was agreed upon at US\$18.8 million. TGLT plans to construct an apartment building with residential and commercial parking space. In consideration, TGLT may transfer the Company (i) a number of apartments to be determined representing 17.33% of the saleable square meters occupied by apartment units of the future building; (ii) a number of parking spaces to be determined representing 15.82% of the saleable square meters occupied by parking space of the future building; (iii) all spaces reserved for commercial parking in the future building and (iv) the amount of US\$10.7 million payable upon delivering the deeds of title on the land. TGLT completed its initial public offering in the Buenos Aires Stock Exchange on October 29, 2010 therefore; the precedent condition for the transaction was fulfilled on that date. TGLT paid the US\$10.7 million on November 5, 2010.

*Shopping Neuquén project*

On November 8, 2010, Shopping Neuquén was served notice of a resolution issued by the High Court of Neuquén, by which the pending fees borne by Shopping Neuquén were established. Such decision is not final and Shopping Neuquén has appealed it through the submission of an explanatory appeal on November 12, 2010, an appeal for annulment on November 17, 2010, and an extraordinary appeal on November 24, 2010.

*Acquisition of Soleil Factory shopping center business*

On July 1, 2010, the Company and INCSA executed the definitive agreement pursuant to which the business comprising of a building and other fixed assets, lease agreements, titles to the brand names and rights to build certain number of square meters was transferred to the Company. The transaction excludes any receivable or payable arising out of INCSA business prior to the transaction and a building which currently is being operated as a hypermarket within the same premises. INCSA will surrender the deed of title to APSA within 30 working days as from registration of title with regulatory authorities. The transaction was filed with the National Antitrust Commission. APSA is still in the process of determining the fair values of the net assets acquired for purposes of the purchase price allocation process.

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**29. Subsequent events (continued)**

***C. Alto Palermo S.A. (APSA) (continued)***

Furthermore, on December 28, 2007, the Company and INCSA had signed a letter of intent to acquire, build and manage a commercial center in a plot of land owned by INCSA, located in the City of San Miguel de Tucumán, Province of Tucumán. Since the acquisition of the Soleil Factory was completed on July 1, 2010, the Company must now commence the works on May 2, 2011. However, INCSA must comply with certain obligations prior to the commencement of the works, such as (i) delivery of the title deed of the plot of land and (ii) transfer of rights and permits on the architectural project to the Company.

***Paraná plot of land***

On August 12, 2010, the agreement of purchase was executed. The purchase price stood at US\$0.5 million to be paid as follows: i) US\$0.05 million was settled as prepayment on July 14, 2009, ii) US\$0.1 million was settled upon executing such agreement, and iii) US\$0.35 million will be paid upon executing the title deed.

The title deed, at the same time of surrendering ownership, will be executed within 60 days running as from: i) the date on which the Company obtain the municipal clearance, or ii) the date on which the seller obtain the lot subdivision, whichever later.

The Company will be the only party in charge of carrying out administrative formalities before the Municipality and/or other agency to obtain the municipal clearance for using the shopping mall. It will bear all costs and expenses related to obtaining the municipal clearance.

***Acquisition of shares of TGLT S.A.***

On November 4, 2010, APSA acquired 5,214,662 registered, nonendorsable shares of common stock, entitled to one vote per shares, issued by the company TGLT S.A. for a total amount equivalent to Ps. 47.1 million under the initial public offering of the latter.

**30. Differences between Argentine GAAP and US GAAP**

The Consolidated Financial Statements of the Company have been prepared in accordance with Argentine GAAP and the regulations of the CNV, which differ in certain significant aspects from US GAAP. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by US GAAP and Regulation S-X of the SEC.

As discussed in Notes 2.d), in order to comply with regulations of the CNV, the Company discontinued inflation accounting as from February 28, 2003. Since Argentine GAAP required companies to discontinue inflation adjustments as from October 1, 2003, the application of the CNV resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March 1 to September 30, 2003, such a departure did not have a material effect on the consolidated financial statements.

The following reconciliation to US GAAP does not include the reversal of the adjustments to the consolidated financial statements for the effects of inflation through February 28, 2003, because the application of this standard represents a comprehensive measure of the effects of price level changes in the Argentine economy.

The principal differences, other than inflation accounting, between Argentine GAAP and US GAAP are described below, together with an explanation, where appropriate, of the method used in the determination of the necessary adjustments.



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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)****I. Differences in measurement methods***Reconciliation of net income:*

|  | 2010               | Year ended June 30,<br>2009 | 2008              |
|--|--------------------|-----------------------------|-------------------|
|  | Ps. 185,406        | Ps. 124,616                 | Ps. 22,948        |
| <b>Net income under Argentine GAAP</b>   |                    |                             |                   |
| <b>US GAAP adjustments:</b>  |                    |                             |                   |
| Effect of US GAAP adjustments on equity investees (Note 30.I.a))   | (26,393)           | (88,774)                    | 4,156             |
| Valuation of inventories (Note 30.I.b))  | (52,344)           | 5,782                       | (5,669)           |
| Deferred income tax (Note 30.I.c))   | 55,068             | (105,928)                   | 3,274             |
| Elimination of gain on acquisition of non controlling interest (Note 30.I.d))  | 32                 | 32                          | 32                |
| Available-for-sale securities (Note 30.I.e))   | 14,885             | (6,946)                     | 20,523            |
| Accounting for convertible notes (Note 30.I.f))  |                    |                             | (253)             |
| Effect of US GAAP adjustments on management fee (Note 30.I.g))   | (888)              | 892                         | 726               |
| Reversal of gain recognized for assets held for sale (Note 30.I.h))  |                    | 885                         | (885)             |
| Accounting for warrants (Note 30.I.i))   | (23,812)           | 88,184                      | (28,437)          |
| Depreciation of fixed assets (Note 30.I.k))  | 536                | 587                         |                   |
| Pre-operating and organization expenses (Note 30.I.l))   | (7,991)            | (9,783)                     |                   |
| Accounting for IRSA Step Acquisition (Note 30.I.n))  | 39,852             | 71,433                      |                   |
| Securitization accounting (Note 30.I.o))   | (2,280)            | 5,543                       |                   |
| Present-value accounting (Note 30.I.p))  | (2,182)            | 12,578                      |                   |
| Reversal of previously recognized impairment losses (Note 30.I.q))   | 3,114              | 783                         |                   |
| Accounting for real estate barter transactions (Note 30.I.r))  | 735                | 9,272                       |                   |
| Differences in basis relating to purchase accounting (Note 30.I.ac))   | 58,470             |                             |                   |
| Reversal of loss (gain) from valuation of real estate inventories at net realizable value (Note 30.I.s))                   | (6,552)            | 7,778                       |                   |
| Software developed or obtained for internal use (Note 30.I.u))   | 49                 | 44                          |                   |
| Reversal of capitalized foreign exchange differences (Note 30.I.v))  | (1,984)            | (54,506)                    |                   |
| Debtors accounting for a modification of APSA convertible debt instruments (Note 30.I.w))                                  | (167)              | (111)                       |                   |
| Revenue recognition – deferred commissions (Note 30.I.x.1))  | (3,187)            | (3,005)                     |                   |
| Revenue recognition – scheduled rent increases (Note 30.I.x.2))  | 17,015             | 5,145                       |                   |
| Deferred revenues – insurance & fees (Note 30.I.x.3))  | 22,925             | (2,533)                     |                   |
| Amortization of fees related to Series II of APSA Non Convertible Notes (Note 30.I.z))                                     | (97)               | 53                          |                   |
| Derecognition of put option (Note 30.I.aa))  | (3,582)            | (40,334)                    |                   |
| Acquisition of non controlling interest in IRSA (Note 30.I.ad))  | (563)              |                             |                   |
| Non-controlling interest (Note 30.I.y) and 30.II.s))   | (72,666)           | 94,900                      |                   |
| <b>Net income under US GAAP attributable to Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria</b> | <b>Ps. 193,399</b> | <b>Ps. 116,587</b>          | <b>Ps. 16,415</b> |

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|  |                    |                    |                   |
|--|--------------------|--------------------|-------------------|
| Non-controlling interest (Note 30.I.y) and 30.II.s))                           | 257,510            | (690)              | 266               |
| <b>Net income under US GAAP</b>  | <b>Ps. 450,909</b> | <b>Ps. 115,897</b> | <b>Ps. 16,681</b> |
| <b>Earnings per share under US GAAP attributable to Cresud (Note 30.II.g):</b> |                    |                    |                   |
| Basic net income per common share  | Ps. 0.40           | Ps. 0.24           | Ps. 0.04          |
| Diluted net income per common share  | Ps. 0.38           | Ps. 0.12           | Ps. 0.04          |

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**30. Differences between Argentine GAAP and US GAAP (continued)****I. Differences in measurement methods (continued)**

*Reconciliation of shareholders' equity:*

|  | As of June 30,       |                      |
|--|----------------------|----------------------|
|  | 2010                 | 2009                 |
| <b>Total shareholders' equity under Argentine GAAP</b>   | <b>Ps. 1,968,193</b> | <b>Ps. 1,812,884</b> |
| <b>US GAAP adjustments:</b>  |                      |                      |
| Effect of US GAAP adjustments on equity investees (Note 30.I.a))   | (40,958)             | (202,904)            |
| Valuation of inventories (Note 30.I.b))  | (88,280)             | (35,936)             |
| Deferred income tax (Note 30.I.c))   | (216,960)            | (237,440)            |
| Elimination of gain on acquisition of non-controlling interest (Note 30.I.d))  | (1,009)              | (1,041)              |
| Debtors' accounting for a modification of APSA convertible debt instruments (Note 30.I.w))   | 483                  | 650                  |
| Accounting for warrants (Note 30.I.i))   | (104,750)            | (80,978)             |
| Effect of US GAAP adjustments on management fee (Note 30.I.g))   | 22,839               | 23,727               |
| Depreciation of fixed assets (Note 30.I.k))  | (7,832)              | (8,368)              |
| Pre-operating and organization expenses (Note 30.I.l))   | (24,944)             | (16,953)             |
| Accounting for IRSA Step Acquisition (Note 30.I.n))  | 296,978              | 257,126              |
| Differences in basis relating to purchase accounting (Note 30.I.ac))   | 69,651               |                      |
| Mortgage payable with no stated interest rate (Note 30.I.m))   | (2,029)              | (2,029)              |
| Present-value accounting (Note 30.I.p))  | 19,166               | 21,348               |
| Reversal of previously recognized impairment losses (Note 30.I.q))   | (102,972)            | (106,086)            |
| Accounting for real estate barter transactions (Note 30.I.r))  | (29,409)             | (30,144)             |
| Reversal of loss (gain) from valuation of real estate inventories at net realizable value (Note 30.I.s))                             | (18,719)             | (12,167)             |
| Appraisal revaluation of fixed assets (Note 30.I.t))   | (3,953)              | (3,953)              |
| Software developed or obtained for internal use (Note 30.I.u))   | (7)                  | (56)                 |
| Reversal of capitalized foreign exchange differences (Note 30.I.v))  | (69,304)             | (67,320)             |
| Revenue recognition - deferred commissions (Note 30.I.x.1))  | (25,084)             | (21,897)             |
| Revenue recognition - scheduled rent increases (Note 30.I.x.2))  | 37,023               | 20,008               |
| Deferred revenues - insurance & fees (Note 30.I.x.3))  | (12,603)             | (35,528)             |
| Amortization of fee related to Series II of APSA Non-Convertible Notes (Note 30.I.z))  | 182                  | 279                  |
| Derecognition of put option (Note 30.I.aa))  | (48,459)             | (44,877)             |
| Accounting for investment in Hersha Hospitality Trust (Note 30.I.ab))  | 111,444              |                      |
| Acquisition of non controlling interest in IRSA (Note 30.I.ad))  | 13,930               |                      |
| Non controlling interest on adjustments above  | 115,036              | 306,976              |
| <b>Shareholders' equity under US GAAP attributable to Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria</b> | <b>Ps. 1,857,653</b> | <b>Ps. 1,535,321</b> |
| Non-controlling interest (Note 30.I.y) and 30.II.s))   | 1,436,236            | 1,055,252            |
| <b>Shareholders' equity under US GAAP</b>  | <b>Ps. 3,293,889</b> | <b>Ps. 2,590,573</b> |





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**30. Differences between Argentine GAAP and US GAAP (continued)****I. Differences in measurement methods (continued)**

*Description of changes in shareholders' equity under US GAAP:*

|   | Year ended June 30,  |  |                  |                      |  |                  |
|---|----------------------|--|------------------|----------------------|--|------------------|
|   | Cresud               | 2010<br>Non<br>controlling<br>interest | Total            | Cresud               | 2009<br>Non<br>controlling<br>interest | Total            |
| <b>Shareholders' equity at the beginning of the year</b>                          | <b>Ps. 1,535,321</b> | <b>1,055,252</b>                       | <b>2,590,573</b> | <b>Ps. 1,515,649</b> | <b>1,160</b>                           | <b>1,516,809</b> |
| Distribution of cash dividends  | (60,000)             | (37,262)                               | (97,262)         | (20,000)             | (23,540)                               | (43,540)         |
| Purchase of treasury stock  |                      |  |                  | (72,725)             |  | (72,725)         |
| Exercise of warrants - par value  | 22                   |  | 22               | 7                    |  | 7                |
| Additional paid-in-capital-warrants   | 152                  |  | 152              | 34                   |  | 34               |
| Non-controlling shareholders' contribution  |                      | 79,629                                 | 79,629           |                      | 48,038                                 | 48,038           |
| Other comprehensive income (Note 30.II.(o))                                       | 144,495              | 108,092                                | 252,587          | (20,395)             | (24,033)                               | (44,428)         |
| Additional paid-in-capital-common Acquisition of non controlling interest of IRSA | 14,496               |  | 14,496           |                      |  |                  |
| Foreign currency translation  | 29,768               |  | 29,768           | 18,618               |  | 18,618           |
| Effect of consolidation with IRSA   |                      |  |                  |                      | 1,053,885                              | 1,053,885        |
| Acquisition of non controlling interest   |                      | (39,135)                               | (39,135)         |                      |  |                  |
| Sell of non controlling interest  |                      | 73                                     | 73               |                      | 432                                    | 432              |
| Non-controlling interest in Arcos   |                      | 12,077                                 | 12,077           |                      |  |                  |
| Cumulative translation differences  |                      |  |                  | (2,454)              |  | (2,454)          |
| Net income under US GAAP  | 193,399              | 257,510                                | 450,909          | 116,587              | (690)                                  | 115,897          |
| <b>Shareholders' equity as of the end of the year</b>                             | <b>Ps. 1,857,653</b> | <b>1,436,236</b>                       | <b>3,293,889</b> | <b>Ps. 1,535,321</b> | <b>1,055,252</b>                       | <b>2,590,573</b> |

*Description of reconciling items:*

**a) Effect of US GAAP adjustments on equity investees**

As of June 30, 2008, the equity investees of the Company are IRSA, Agro Uranga, Cactus and BrasilAgro.

As discussed in Note 2.b), during fiscal year ended June 30, 2009 the Company acquired an additional 11.57% equity interest in IRSA and started consolidating IRSA's accounts as from October 1, 2008. Accordingly, as of June 30, 2009, the investment in IRSA is no longer reflected as an equity investee of the Company.

As of June 30, 2010 and 2009, the equity investees of the Company are Cactus, Agro Uranga, EAASA and BrasilAgro and within the agricultural business, and BHSA, BACSA, Manibil and Metropolitan within the real estate business.

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The reconciling item includes the impact of the US GAAP adjustments to the financial statements of equity investees prepared under Argentine GAAP were a loss of Ps. 26.4 million, a loss of Ps. 88.8 million and a gain of Ps. 4.2 million for the years ended June 30, 2010, 2009 and 2008, respectively, net of Ps. 108.3 million, Ps. (27.9) million and Ps. (21.8) million of other comprehensive income adjustments for the years ended June 30, 2010, 2009 and 2008 (See Note 30.II.o)).

The US GAAP adjustments on the equity investees related to the agricultural business (Cactus, Agro Uranga, EAASA and BrasilAgro) were not significant for any of the years presented and they primarily relate to valuation of inventories.

The US GAAP adjustments on the equity investees related to the real estate business (BHSA, BACSA, Manibil and Metropolitan) were primarily related to: (i) troubled debt restructuring; (ii) loan loss reserves; (iii) loan origination fees and costs; (iv) securitization of mortgaged loans and (vi) impairment of fore closed assets, among others. As discussed in Note 2.f), the investment in Metropolitan was valued at zero and a liability was recognized related to the maximum amount committed to fund its operations.

During the years ended June 30, 2010 and 2009, the Company acquired additional shares in BHSA. Both acquisitions were accounted for under the purchase method of accounting under Argentine GAAP. The majority of the assets and liabilities on BHSA's balance sheet are financial assets carried at fair value, or are short-term in nature. The carrying value of these short-term assets approximates fair value. In both acquisitions, the fair value of BHSA's net assets exceeded the purchase price paid. When the fair value of the net assets acquired exceeds the

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**30. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***a) Effect of US GAAP adjustments on equity investees (continued)***

consideration paid, negative goodwill exists under Argentine GAAP. Under Argentine GAAP, non-financial assets were written down against the negative goodwill in both acquisitions. The remaining negative goodwill was recognized as a gain in the respective periods. Accordingly the Company recorded gains of Ps. 70.4 million and Ps. 133 million as a result of these transactions.

US GAAP requires that the difference between the cost of an investment and the amount of underlying equity in net assets of an investee should be accounted for as if the investee were a consolidated subsidiary. The difference at the date of purchasing the additional shares in BHSA between the cost of the investment and underlying equity in net assets was accounted for according to its nature. The Company applied the provisions of ASC N° 805 Business Combination (ASC No. 805), in assigning this difference. Under US GAAP authoritative literature, the concept of a bargain purchase (the purchase price was substantially lower than the fair value of the underlying net assets) does not apply to an equity method investment since the investor does not control the underlying assets of the investee and therefore would not be able to realize the gain by selling the underlying assets of the investee to unlock this gain. Accordingly, under US GAAP the reconciling item includes the reversal of the gains of Ps. 70.4 million and Ps. 133 million for the years ended June 30, 2010 and 2009, respectively. Under US GAAP these gains are deferred and will be recognized upon consolidation or selling of the shares of BHSA.

The US GAAP adjustment related to the Company's investment in IRSA as of June 30, 2008 and for the year then ended and for the period from July 1, 2008 through September 30, 2008 represented the net effect of (i) the different accounting treatment between Argentine GAAP and US GAAP given to the change in the method of accounting for the investment in IRSA from fair market value to the equity method of accounting in March 2002; (ii) the differences in accounting treatment between Argentine GAAP and US GAAP to the successive acquisitions of IRSA's shares by the Company; (iii) the impact of US GAAP adjustments on the financial statements of IRSA before application of the equity method, and (iv) differences in paid-in capital resulting from differences basis in the carrying amount of the investment. As discussed above, the Company started consolidating IRSA as from October 1, 2008. The effects of the US GAAP adjustments on the step acquisition of IRSA are included in the reconciling item titled Accounting for IRSA Step Acquisition .

These adjustments are further described below:

(i) On March 31, 2002, under Argentine GAAP, the Company changed the method of accounting for the investment in IRSA from fair market value to the equity method of accounting. This change resulted in the recognition of a negative goodwill under Argentine GAAP. Negative goodwill is being amortized under the straight-line method over a period of 20 years.

Under US GAAP, the financial statements of prior periods were retroactively adjusted as required by ASC No. 323 Investments-Equity method and Joint Ventures (ASC No. 323), to reflect the investment under the equity method of accounting in a manner consistent with the accounting for a step acquisition of a subsidiary. As a result, the Company recorded each acquisition of shares under the purchase method of accounting and allocated the amount paid to the net assets acquired and liabilities assumed at the acquisition date based on fair value. As the fair value of the net assets acquired and liabilities assumed exceeded the cost of the acquisition, the Company reduced the amounts that otherwise would have been assigned to the acquired long-lived assets on a pro-rata basis by Ps. 196.7 million.

The effect of this adjustment is primarily reflected in lower depreciation expense due to a lower fixed asset basis of IRSA and the reversal of the amortization of negative goodwill recognized under Argentine GAAP.

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(ii) In addition, this reconciling item also includes the different accounting treatment of certain acquisitions of IRSA shares by the Company, which occurred between the fiscal years 2005 and 2008. Certain acquisitions generated negative goodwill under Argentine GAAP. When negative goodwill existed, the Company reassessed the identification and valuing process of net assets acquired performed. If after reassessment, negative goodwill persisted, all intangible assets identified were subject to reduction. If after all intangible assets were

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***a) Effect of US GAAP adjustments on equity investees (continued)***

reduced to zero an amount of negative goodwill remained, it was amortized under the straight-line basis over the weighted average useful life of the assets acquired. Under US GAAP, all long-lived assets (including intangible assets) were subject to pro rata reduction. As such, since the basis for long-lived assets differed between Argentine GAAP and US GAAP, depreciation and amortization differences existed.

(iii) Through October 1, 2008, under both Argentine and US GAAP the Company's investment in IRSA was accounted for under the equity method of accounting. However, certain significant differences existed between Argentine GAAP and US GAAP amounts of shareholder's equity and net income reported by IRSA in its consolidated financial statements. As a result, the carrying value of the Company's investment in IRSA under US GAAP differed from the carrying value reported under Argentine GAAP. The principal differences between Argentine GAAP and US GAAP as they related to IRSA were related to, among others, (a) the impact of US GAAP adjustments on IRSA's equity investees, (principally IRSA's investment in BHSA) (b) the reversal of previously recognized impairment losses, (c) the reversal of gains from valuation of inventories at fair market value, (d) the accounting for real estate barter transactions, (e) the reversal of a gain recognized on troubled debt restructuring, (f) the accounting for convertible notes, (g) securitization accounting, (h) deferred income taxes, (i) minority interest, (j) revenue recognition issues related to scheduled rent increases and brokerage commissions and (k) Accounting for investment in Hersha Hospitality Trust.

(iv) In addition, during fiscal year 2008, as a result of the dilutive effect of warrants and conversion rights exercised by other shareholders, under Argentine GAAP the Company recorded the loss effect of the change in interest in IRSA amounting to Ps. 8.5 million, as paid-in capital within shareholder's equity.

This accounting treatment is consistent with SAB Topic 5H and as such, no difference exists between Argentine GAAP and US GAAP in accounting for this transaction. However, during fiscal year 2008, under US GAAP the change in interest in IRSA resulted in a loss effect of Ps. 2.0 million, as a result of the differences between Argentine GAAP and US GAAP in the carrying value of the investment as discussed above.

***b) Valuation of inventories***

Under Argentine GAAP, livestock held for sale is recorded at net realizable value. Livestock for dairy, breeding and/or developing is recorded at replacement cost as determined by agricultural appraisers.

Under US GAAP, dairy, breeding and developing livestock is recorded at the lower of cost or market, with costs removed from inventory on a first-in/ first-out basis. All direct and indirect costs of developing livestock, such as the purchase price, labor costs, feed, vaccines and veterinary fees are accumulated until the livestock reaches maturity or are sold. Dairy and breeding herd is depreciated using the straight-line method over the estimated useful life of five years.

As of June 30, 2010 the significant difference between Argentine and US GAAP is due to the increase of beef cattle prices.

***c) Deferred income tax***

The Company accounts for income taxes using the deferred tax method under both Argentine GAAP and US GAAP. Argentine GAAP is similar to the guidance in ASC No. 740, *Income Taxes*, (ASC No. 740). However, as discussed in Note 2.d, following CNV Resolutions 485 and 487, the Company elected to continue treating the differences between book basis and inflation-adjusted basis of non-monetary balance sheet items as

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permanent for deferred income tax calculation purposes.

Under US GAAP, the Company applies ASC No. 740-830 Foreign currency matters (ASC No. 740-830 ), which requires such differences to be treated as temporary differences in calculating deferred income taxes.

Under Argentine GAAP, the Company has provided a valuation allowance for a portion of the net deferred tax assets related to the consumer financing business, as the future realization of their tax benefits is not considered

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**30. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***c) Deferred income tax (continued)***

by management to be more likely than not. During the year ended June 30, 2010, due to a change in tax laws, the Company recognized higher tax loss carry forwards which in the aggregate amounted to Ps. 41.8 million. The Company recorded a valuation allowance of Ps. 52.9 million to provide for deferred tax assets of the consumer financing business, mainly related to tax loss carry forwards. The legal expiration period for these tax loss carry forwards is five years. In its assessment, the Company has considered the near-term projections of the consumer financing business segment after measures taken by the Company to streamline the operations.

Also, the Company is subject to a tax on minimum presumed income. Under Argentine GAAP, the Company considered the ultimate realization of these tax credits to be more likely than not based on current projections and its legal expiration period of 10 years. As such, the Company deferred this amount as other non-current receivables in the balance sheet.

ASC No. 740 prescribes more detailed and specific guidance related to the assessment of the need for a valuation allowance. US GAAP requires the weighting of positive and negative evidence in accordance with its objective verifiability. Furthermore, it indicates that a cumulative loss in recent years is a significant piece of negative evidence that is difficult to overcome thereby requiring positive evidence of sufficient quality and quantity to support a conclusion that, based on the weight of all available evidence, a valuation allowance is not needed. When assessing whether a company's deferred tax asset will be realized, a company's recent losses or near-term expected losses will generally carry more weight in the assessment than its prior historic profitability or its longer-term projected profitability (which is typically more subjective in nature). Therefore, the existence of a 3-year cumulative loss in a jurisdiction, particularly if it includes multiple periods of significant annual losses without recent evidence of turnaround, will effectively preclude consideration of future profitability in most instances as being objectively verifiable.

Based on the authoritative literature, the losses generated by the consumer financing business are mainly a result of loan loss reserves which would not be considered one time or non-recurring as they are directly related to the business. Furthermore, the long-term projected profitability is more subjective in nature.

Accordingly, under US GAAP, a full valuation allowance has been provided for the net deferred tax assets and tax credits related to tax on minimum presumed income related to the consumer financing business segment and the tax effects on US GAAP adjustments.

***d) Elimination of gain on acquisition of non controlling interest***

Under Argentine GAAP, the Company recorded, during fiscal year 1999, a gain on the acquisition of the minority interest of Agro Riego (subsequently merged with and into the Company). Under US GAAP, such excess was recorded as a reduction in the values of the underlying non-current assets of Agro Riego and is being amortized over the estimated useful lives of such assets which is approximately 42 years.

***e) Available-for-sale securities***

As of June 30, 2010 and 2009, the Company's available for sale securities include mutual funds, shares of public companies, mortgage bonds and government bonds. As of June 30, 2008, the Company's available for sale securities include mutual funds, mortgage bonds, government bonds and IRSA Non Convertible Notes.



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The Company's investments are considered available-for-sale as these securities could potentially be sold in response to needs for liquidity, changes in the availability of and the yield on alternative instruments or changes in funding sources or terms. Management determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates such designation as of each balance sheet date.

Under Argentine GAAP, available-for-sale securities are carried at market value, with unrealized gains and losses recorded in income. Under US GAAP, pursuant to ASC No. 320 Investments - Debt and Equity Securities (ASC No. 320), these investments are classified as available-for-sale securities and, accordingly, unrealized gains

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(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

*e) Available-for-sale securities (continued)*

and losses are excluded from income and reported as a separate component of shareholders' equity. ASC No. 320 also states that for individual available-for-sale securities, an enterprise shall determine whether a decline in fair value below the amortized cost basis is other than temporary. In such event, accumulated unrealized losses included in other comprehensive income shall be reclassified into the statement of income. See Note 30.II.o).

*f) Accounting for convertible notes*

In October 2002, the Company issued US\$50.0 million of Convertible Notes with non-detachable warrants to acquire additional shares of common stock. In accordance with the agreement, the Convertible Notes are convertible at any time, at the option of the holder, into a fixed number of common shares. Once converted, the holder has the right to acquire an additional equal number of shares at the exercise price of the warrant. Under Argentine GAAP, no proceeds were allocated to the conversion feature and non-detachable warrants associated with the Convertible Notes.

Under US GAAP, the Company applied ASC No. 470-20 Debt with conversion and other options (ASC No. 470-20), which addresses how a beneficial conversion amount should be measured when an entity issues a convertible instrument that, if converted, will result in the holder receiving common stock and other equity instruments of the issuer, such as warrants to acquire common stock of the issuer.

Under ASC No. 470-20, the intrinsic value of the conversion option should be computed based on a comparison of (a) the proceeds of the convertible instrument allocated to the common stock portion of the conversion option and (b) the fair value at the commitment date of the common stock to be received by the holder upon conversion. The excess of (b) over (a) is the intrinsic value of the embedded conversion option that should be recognized by the issuer at the issuance date for the convertible instrument. Under ASC No. 470-20, a discount resulting from recording a beneficial conversion option is required to be accreted from the date of issuance to the stated redemption date of the convertible instrument, regardless of when the earliest conversion date occurs. ASC No. 470-20 also states that the entire unamortized discount, if any, remaining at the date of conversion should be immediately recognized as interest expense. As a result of applying ASC No. 470-20, under US GAAP, the Company allocated Ps. 49.4 million of the proceeds received, representing the intrinsic value of the embedded beneficial conversion feature at the commitment date, to additional paid-in capital (Ps. 32.3 million net of income tax). The resulting debt discount was recognized as expense over the term of the Convertible Notes. Upon conversion, warrants are recognized as additional paid-in capital and any unamortized discount is immediately recognized as interest expense. Net discount amortization recognized during the year ended 2008 totaled Ps. 0.3 million. These amounts include Ps. 2.3 million of accelerated amortization recognized as a result of warrant conversions made during those years. As the Company's Convertible Notes are denominated in U.S. Dollars, the US GAAP adjustment also includes the elimination of exchange rate differences between the Argentine peso and the U.S. Dollar related to the debt discount. Foreign exchange losses reversed under US GAAP totaled Ps. (0.15) million during the years ended 2008. The Convertible Notes matured November 14, 2007. As of November 14, 2007, 89,126 Convertible Notes were pending conversion and were settled in cash. As of the same date, as of the same date, 132,982 warrants expired unexercised.

From 2003 through November 14, 2007, an amount of 49,910,874 Convertible Notes were converted into 98,288,372 shares of common stock increasing the Company's shareholders' equity of Ps. 152.1 million. During this same period, an amount of 49,867,018 old-warrants were exercised and consequently, 98,202,054 shares of common stock were issued for Ps. 182.9 million. As a result of the conversions and exercises of warrants, under US GAAP the Company has reclassified as of June 30, 2008 a net amount of Ps. 0.5 million from additional paid-in capital to additional paid-in capital of warrants.

*g) Effect of US GAAP adjustments on management fee*

As discussed in Note 30.II.n), the Company entered into a Management Agreement with CAMSA, pursuant to which CAMSA provides agricultural advisory services and certain other administration services to the Company.

The Company pays CAMSA an annual fee equivalent to 10% of the after-tax net income of the Company for these services. The reconciliation to US GAAP includes the effects of the US GAAP adjustments on management fee.

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**30. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

*h) Reversal of gain recognized for asset held for sale*

Under Argentine GAAP, long-lived assets classified as held for sale are recognized at net realizable value when (a) there is a market for the transaction and the net realizable value can be determined by reference to market-based transactions for similar assets and (b) the sales price is reasonably assured by contract.

Under US GAAP as ASC No. 360 Property, Plant, and Equipment (ASC No. 360), a long-lived asset could be classified as held for sale in the period in which all of the following criteria are met: (a) management, having the authority to approve the action, commits to a plan to sell the asset; (b) the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; (c) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated; (d) the sale of the asset is probable and transfer of the asset is expected to qualify for recognition as a completed sale, within one year; (e) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value; (f) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Long-lived assets classified as held for sale are measured at the lower of its carrying amount or fair value less costs to sell.

As of June 30, 2008, the Company classified 1,829 hectares out of El Recreo farm as held for sale under Argentine GAAP and recognized them at net realizable value. Therefore, a gain of Ps. 0.9 million was recorded as of June 30, 2008. The sale was completed in July 2008. Under US GAAP, the farm was also classified as an asset held for sale since the conditions for recognition were met. However, as required by ASC No. 360, the asset was valued at its carrying amount as of June 30, 2008. The gain was recognized under US GAAP during the year ended June 30, 2009.

*i) Accounting for Warrants*

In March 2008, the Company issued 180 million warrants as part of the issuance of common stock. Under Argentine GAAP, proceeds from the issuance were allocated to the shares and warrants issued based on the relative fair market value estimated upon subscription. The fair value of the warrants was calculated using the Black-Scholes method as of the date of issuance. Under Argentine GAAP, the warrants were considered an equity instrument and the portion of the proceeds allocated to the warrants was recorded as additional paid-in capital. The warrant agreement requires that the Company file, and use best efforts to cause to be declared and keep effective, a registration statement covering the issuance of the shares underlying the warrants. However, the warrant agreement fails to specify the remedies, if any, that would be available to warrant holders in the event there is no effective registration statement covering the issuance of shares underlying the warrants. Under US GAAP, the accounting of the warrants as a derivative liability is required under ASC No. 815-40 Derivatives and Hedging (ASC No. 815-40) (formerly EITF 00-19 Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock) due to the absence in the warrant agreement of provisions addressing the exercise of the warrants in the absence of an effective registration statement. Under ASC No. 815-40, the registration of the common stock underlying the warrants is not within the Company's control. In addition, under ASC No. 815-40, in the absence of explicit provisions to the contrary in the warrant agreement, the Company must assume that it could be required to settle the warrants on a net-cash basis, thereby necessitating the treatment of the potential settlement obligation as a liability. Under the provisions of ASC No. 815-40, a contract designated as a liability must be carried at full fair value on a company's balance sheet, with any changes in fair value recorded in the company's results of operations. Under US GAAP, the proceeds were allocated first to the warrants on a full fair value basis with the residual allocated to common stock. The fair value of the warrants was Ps. 115.2 million as of the date of issuance. The US GAAP adjustment to equity represents the reclassification of additional paid-in capital to liability for such amount. The US GAAP adjustment to income represents the change in the fair value of the warrants as of June 30, 2010 and 2009. Also, amounts of Ps. 0.04 million and Ps. 0.01 million of warrants were exercised as of June 30, 2010 and 2009. As such, these amounts were reclassified from liabilities to equity.



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**30. Differences between Argentine GAAP and US GAAP (continued)***I. Differences in measurement methods (continued)**j) Accounting for uncertainty in income taxes*

On July 1, 2007, the Company adopted ASC No. 740, *Income Taxes*, (ASC No. 740), formerly FIN No. 48 – an interpretation of FASB Statement No. 109 (FIN 48). ASC No. 740 addresses the accounting and disclosure of uncertain tax positions. ASC No. 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The difference between the tax benefit recognized in the financial statements for a position in accordance with ASC No. 740 and the tax benefit claimed in the tax return is referred to as an unrecognized tax benefit.

As of the adoption of ASC No. 740 at July 1, 2007, the Company did not have any liability for unrecognized tax benefits. Furthermore, the adoption of ASC No. 740 did not result in any net liability for unrecognized tax benefits.

The Company's principal taxable jurisdiction is Argentina. At any point in time, the Company may have tax audits underway at various stages of completion. The Company evaluates the tax positions and establishes liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite the Company's belief that the underlying tax positions are fully supportable. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law, and closing of statute of limitations. Such adjustments are reflected in the tax provision as appropriate.

*k) Depreciation of fixed assets*

Prior to 2007, certain office and apartment buildings of the Company were being depreciated over a useful life of 50 years under Argentine GAAP. For US GAAP purposes, these buildings were being depreciated over a useful life of 40 years. Accordingly, the US GAAP adjustment reflected higher depreciation charges for US GAAP purposes. As a result of this adjustment, the net book value of these assets for US GAAP purposes differs from the book value for Argentine GAAP purposes. In the year ended June 30, 2007, independent appraisers reassessed the appropriateness of the useful lives of the Company's office buildings and other properties. As a result of the work, the remaining useful lives of certain of these properties were reduced and no difference exists in the remaining useful life of these assets between Argentine GAAP and US GAAP. However, due to the different cost base of fixed assets for Argentine GAAP and US GAAP purposes, a US GAAP reconciling item for depreciation still exists.

*l) Pre-operating and organization expenses*

Under Argentine GAAP, the Company capitalized certain costs related to pre-opening activities and other start-up costs. These costs are amortized under the straight-line method generally over a period of three years. Under US GAAP, pursuant to ASC 720-15-25-1, such costs are charged to income as incurred. The US GAAP adjustment for the years ended June 30, 2010, 2009 and 2008 represents the net effect of (i) expensing such costs as incurred and (ii) reversal of amortization on costs capitalized under Argentine GAAP and expensed under US GAAP.

*m) Mortgage payable with no stated interest rate*

In 1991, IRSA obtained a non-interest bearing mortgage with a face value of US\$3,300 to acquire a property (Suipacha 652/64). Under Argentine GAAP, IRSA did not make any fair value adjustment for this non-interest bearing mortgage. Under US GAAP however, the non-interest bearing mortgage held by IRSA was recorded at the estimated market value of the note. IRSA used an interest rate of 12%, which approximated its weighted-average borrowing rate, in determining the present value of this debt. This mortgage was fully repaid in November

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1996. As a result, the carrying value of the acquired property was decreased by Ps. 2,000. This adjustment gives rise to differences in depreciation expense and is included in the line item "Accounting for IRSA Step Acquisition" in the US GAAP reconciliation.

### ***n) Accounting for IRSA Step Acquisition***

As discussed in Note 2.b), on October 1, 2008, the Company acquired an additional 11.57% equity interest in IRSA and started consolidating the subsidiary as from that date (the "IRSA Step Acquisition").

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**30. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***n) Accounting for IRSA Step Acquisition (continued)***

Under Argentine GAAP, the Company accounted for the IRSA Step Acquisition under the purchase method of accounting. Under the purchase method of accounting, the purchase price paid is allocated to the net assets acquired based on its fair value. The Company's previously held equity interest in IRSA (amounted to 42.13% as of the date of acquisition) was not re-measured to fair value at the date the controlling interest was acquired. Assets, including goodwill, and liabilities of the acquired business are recognized using a cost accumulation approach (i.e. for the previous equity interests acquired). Any outstanding minority interest is recorded at its carrying amount.

The IRSA Step Acquisition generated negative goodwill since the fair value of the net tangible and intangible assets acquired exceeded the cost of acquisition.

Under Argentine GAAP, when negative goodwill exists, any identifiable acquired intangible assets are not recognized. Negative goodwill is recognized as follows, as appropriate in the circumstances: (i) the portion of negative goodwill associated with future expected losses is recognized in income as losses are incurred; and/or (ii) the amount of negative goodwill exceeding the amount represented by the interest acquired over the non-monetary assets is recognized in income at acquisition date; and/or (iii) the amount of negative goodwill not exceeding the amount represented by the interest acquired over the non-monetary assets is deferred and amortized to income under the straight line method over the weighted average useful lives of the identifiable net assets of the acquired company, not in excess of 20 years. Consequently, under Argentine GAAP, intangible assets were assigned a zero value and negative goodwill was recognized and amortized under the straight-line method over 20 years.

Under US GAAP, the Company followed the provisions of ASC No. 805 ( ASC No. 805 ), Business Combinations , formerly SFAS No. 141. Under ASC No. 805, any excess of the value assigned to the net identifiable assets acquired over the cost of the acquired company is first allocated on a pro rata basis to reduce non current assets and then to earnings as extraordinary gain.

The purchase price allocation process for the IRSA Step Acquisition under US GAAP was the following:

- 1) Recognition of intangible assets identified during the purchase price allocation and which were assigned a zero value under Argentine GAAP;
- 2) Reduction of negative goodwill to zero by fully allocating it to (a) a reduction in the value of non-current assets allocated under Argentine GAAP (i.e. primarily fixed assets, inventories and undeveloped parcels of land); and (b) intangible assets;

This allocation process resulted in the change of the cost basis of the net assets of IRSA as of September 30, 2008 creating a new cost basis of these assets for Cresud after the Step Acquisition.

The purchase price allocation process for the IRSA Step Acquisition under US GAAP was the following:



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Recognition of intangible assets for approximately Ps. 33 million (basically in-place leases) identified during the purchase price allocation and which were assigned a zero value under Argentine GAAP.

The new cost bases give rise to the following reconciling items under US GAAP with their corresponding effects in the nine months period from October 1, 2008 through June 30, 2009:

- (a) Reversal of the amortization of negative goodwill recognized under Argentine GAAP;
- (b) Lower depreciation charges for non-current assets which fair values were reduced on a pro rata basis;
- (c) Amortization charges for intangible assets and liabilities which were assigned a zero value under Argentine GAAP;
- (d) Corresponding effects on deferred income taxes and minority interest (included separately in corresponding line items)

Under ASC No. 805, the new cost basis includes higher values resulting from the comparison between the fair values and the net book values determined under US GAAP at the percentage interest acquired. Once the new cost basis is determined, negative goodwill is reduced to zero on a pro rata basis as explained above. The US GAAP reconciling item to equity reflects the (i) adjustment to fair value from net book value, which was greater under US GAAP because the original net book value basis under US GAAP was lower than the Argentine GAAP original net book value basis, (ii) reduction of negative goodwill, and (iii) corresponding effect of the purchase price allocation process adjustments to income.

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**30. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

*n) Accounting for IRSA Step Acquisition (continued)*

Subsequent to October 1, 2008, IRSA sold to third parties certain of its assets (i.e. primarily buildings) for an aggregate consideration of Ps. 278.1 million. The gain on the sale of these assets was determined by comparison between their cost basis to the Company and the consideration received. These assets had a different cost basis between Argentine GAAP and US GAAP on the Company's books, generally resulting in a lower cost basis under US GAAP. Consequently, the reconciling item also includes the adjustment to account for a higher gain under US GAAP.

*o) Securitization accounting*

The Company, through its subsidiaries Tarshop and Metroshop, enters into ongoing revolving-period securitization programs transferring credit card receivables to trusts in exchange for cash and retained interests in the trusts (known as CPs). Part of the proceeds is retained by the trustee and maintained as a cash reserve to serve as collateral for the payment of amounts due on the TDFs. Cash reserves flow back to the Company on a monthly basis according to a schedule until all TDFs are fully paid.

Under Argentine GAAP, the Company recognizes a gain or loss on the sale of receivables when the carrying value of transferred credit card receivables differs from the amount of cash and CPs received. Results recognized on the sale of receivables are reported as a component of Net income (loss) from retained interest in securitized receivables in the accompanying Consolidated Statements of Operations. Cash reserves are stated at cost and are classified as guarantee deposits within the caption Other receivables and prepaid expenses, net in the accompanying Consolidated Balance Sheets. CPs are carried at their equity value based on financial statements issued by the trusts, less allowances for impairment if the carrying value exceeds their fair value and classified as investments in the accompanying Consolidated Balance Sheets. Certain expenses associated with the securitization of credit card receivables are capitalized and amortized over the term of the agreements.

Under US GAAP, the Company adopted ASC No. 860 Transfers and Servicing (ASC No. 860). ASC No. 860 requires an entity to recognize the financial and servicing assets it controls and the liabilities it has incurred and to derecognize financial assets when control has been surrendered. The proceeds of securitized financial assets are allocated to the assets sold, the servicing asset or liability and retained interest, based on their relative estimated fair values at the transfer date in determining the gain on the securitization transaction. ASC No. 860 also provides guidance on accounting for separately recognized servicing assets and servicing liabilities. In accordance with the provisions of ASC No. 860, separately recognized servicing assets and servicing liabilities must be initially measured at fair value, if practicable. Subsequent to initial recognition, the Company may use either the amortization method or the fair value measurement method to account for servicing assets and servicing liabilities within the scope of this Statement. As of June 30, 2010 and 2009, the Company has recorded a servicing liability of Ps. 0.7 million and Ps. 1.5 million, respectively. Following ASC No. 860, the Company elected the amortization method and assessed the increase in the obligation of the servicing liability based on fair value.

The retained interests in securitized credit card receivables are treated as an equity security classified as available-for-sale in accordance with ASC No. 320 Investments Debt and Equity Securities (ASC No. 320), and are carried at fair value. At the time of securitization, the retained interest is initially recorded at the basis allocated in accordance with ASC No. 860. This original cost basis is periodically adjusted to fair value, which is based on the discounted anticipated future cash flows on a cash out basis. The cash out method projects cash collections to be received only after all amounts owed to investors have been paid. Adjustments to fair value (net of related deferred income taxes) are recorded as a component of other comprehensive income. ASC No. 320 also states that for individual securities classified as available-for-sale an enterprise shall determine whether a decline in fair value below the amortized cost basis is other than temporary. In such event, accumulated unrealized losses included in other comprehensive income shall be reclassified into the statement of operations. Cash reserves are considered retained interests and as such they are considered in calculating the gain or loss on the sale of receivables under US GAAP.



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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)**

**I. Differences in measurement methods (continued)**

**o) Securitization accounting (continued)**

Provided below is an analysis of the securitization accounting adjustments, including a description of each significant component, where appropriate.

The shareholders' equity adjustments represent the difference in the valuation of the Company's retained interests in the trusts related to securitization programs that qualified for sale treatment under US GAAP. Under Argentine GAAP, retained interests in the trusts are carried at the lower of their equity value and their fair value. Under US GAAP those retained interests are considered available-for-sale securities in accordance with ASC No. 320 and, as a result, are carried at their estimated fair market value. The US GAAP adjustments affecting shareholders' equity at June 30, 2010 and 2009 are as follows:

|  | 2010        | 2009        |
|--|-------------|-------------|
| Equity value, net of allowances, as reported under Argentine GAAP  | Ps. 144,913 | Ps. 166,822 |
| Less: retained interests related to securitization programs that did not qualify as a sale under US GAAP                                   | (29,794)    | (38,900)    |
| Equity value reported under Argentine GAAP of retained interests related to securitization programs that qualified as a sale under US GAAP | Ps. 115,119 | Ps. 127,922 |
| Estimated fair value of retained interests related to securitization programs that qualified as a sale under US GAAP                       | 115,119     | 127,922     |
| <b>US GAAP adjustment</b>  | <b>Ps.</b>  | <b>Ps.</b>  |

- The US GAAP adjustments affecting net income as reported under Argentine GAAP for the years ended June 30, 2010 and 2009 are as follows:

|  | 2010               | 2009             |
|--|--------------------|------------------|
| Reversal of (gain) loss recognized under Argentine GAAP      | Ps. (6,374)        | Ps. 15,828       |
| Recognition of loss under US GAAP on the sale of receivables | 4,094              | 515              |
| Reclassification of unrealized losses (i)                    |                    | (11,291)         |
| <b>US GAAP adjustment</b>                                    | <b>Ps. (2,280)</b> | <b>Ps. 5,052</b> |

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(i) As of June 30, 2009, the Company determined that the decline in fair value below amortized cost is other-than-temporary for those interests in securitized receivables which were issued up to June 30, 2008, recognizing in consequence an impairment of Ps. 15.1 million. Regarding receivables transferred in connection with the Company's securitization programs that qualified for sale treatment under US GAAP, neither the Company nor the trustee have responsibility over any shortfall or failure in collecting the receivables which are the source of cash payment for the TDF holders. Furthermore, the agreements relating to the securitization stipulate that the rights of the beneficiaries (TDF holders) will not be affected by any financial or liquidity failure of either the trustee or the Company. The agreements also state that the transfer qualifies as a non-recourse transfer of receivables since if receivables are not collected in full, neither the trustee nor the Company is obligated to use its own cash flows to cover any potential shortfall or collection failure.

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

*o) Securitization accounting (continued)*

The following summarizes the changes in the balance of the Company's retained interests for the years ended June 30, 2010 and 2009:

|                                       | Cost        | Estimated Unrealized<br>(loss) gain | Fair value (i) |
|---------------------------------------|-------------|-------------------------------------|----------------|
|                                       | Ps.         | Ps.                                 | Ps.            |
| <b>Balance as of June 30, 2008</b>    |             |                                     |                |
| Effect of consolidation with IRSA     | 102,316     |                                     | 102,316        |
| Increase in retained interest         | 99,895      |                                     | 99,895         |
| Liquidation of retained interest      | (54,182)    |                                     | (54,182)       |
| Change in unrealized loss             |             | (5,053)                             | (5,053)        |
| Reclassification of unrealized losses | (15,054)    |                                     | (15,054)       |
| <b>Balance as of June 30, 2009</b>    | Ps. 132,975 | Ps. (5,053)                         | Ps. 127,922    |
| Increase in retained interest         | 56,724      |                                     | 56,724         |
| Liquidation of retained interest      | (71,807)    |                                     | (71,807)       |
| Change in unrealized gain             |             | 2,280                               | 2,280          |
| <b>Balance as of June 30, 2010</b>    | Ps. 117,892 | Ps. (2,773)                         | Ps. 115,119    |

- (i) Unrealized losses for the year ended June 30, 2009 related to those interests in securitized receivables which were issued up to June 30, 2008 were included in earnings (losses).

The key economic assumptions used in measuring the fair value of retained interests at the time of and subsequent to a securitization are the estimated cash flows and the discount rate. The estimated cash flows have been discounted at rates that include charges for losses. The valuation models use information deriving from or that can be observed with market data.

The following represents the sensitivity of the current fair value of retained interest in securitizations at June 30, 2010 to changes to key assumptions:

| Impact on fair value of a       |                                  |
|---------------------------------|----------------------------------|
| 5% interest<br>rate<br>increase | 10% interest<br>rate<br>increase |
|                                 |                                  |

|                                    |           |             |
|------------------------------------|-----------|-------------|
| Rates including charges for losses | Ps. (534) | Ps. (1,066) |
|------------------------------------|-----------|-------------|

The above sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

The Company's managed credit card receivables consist of retained interest in credit card receivable securitizations and investor's share of securitizations sold to unrelated parties without recourse. The Company records its retained interest in credit card receivable securitizations on the balance sheet.

***p) Present-value accounting***

As indicated in Note 3.t), under Argentine GAAP, certain other tax receivables and liabilities are measured at present-values as of year-end. Under US GAAP, present valuing or discounting of these assets and liabilities is precluded.

***q) Reversal of previously recognized impairment losses***

Under Argentine GAAP previously recognized impairment losses can be reversed. Amounts reversed in 2010 and 2009 amounted to Ps. 1.2 million, and Ps. 0.8 million. Under US GAAP, reversal of a previously recognized impairment loss is prohibited. When an impairment loss is recognized, the adjusted carrying amount of the asset becomes the new cost basis, which is depreciated over the remaining useful life of the asset. Previously impairment losses reversed under Argentine GAAP increased the asset cost giving rise to higher depreciation expense. These higher depreciation charges are reversed under US GAAP which for the years ended June 30, 2010 and 2009 amounted to Ps. 4.3 million and Ps. 1.6 million respectively.

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**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***q) Reversal of previously recognized impairment losses (continued)***

Therefore, the US GAAP adjustment represents the net effect of (i) a loss for the reversal of previously recognized impairment losses under Argentine GAAP and (ii) a gain for lower depreciation charges under US GAAP .

***r) Accounting for real estate barter transactions***

In the ordinary course of business, IRSA enters into certain non-monetary transactions with third parties pursuant to which IRSA sells parcels of land held for sale in the ordinary course of business in exchange for cash and/or other real estate properties. See Note 2.f. for details of the transactions.

Under Argentine GAAP, these transactions are recorded based on the fair value of the assets involved and, as a result, a gain or loss is recognized at the time of the exchange. Under Argentine GAAP, IRSA recorded gains of Ps. 1.9 million for the year ended June 30, 2009. No gain was recorded for the year ended June 30, 2010.

Under US GAAP, IRSA applied the provisions of ASC No. 845 ( ASC 845 ), Non-monetary Transactions . ASC No. 845 requires exchanges of non-monetary assets be measured based on the fair value of the assets exchanged and eliminates the narrow exception for non-monetary exchanges of similar productive assets and replaces it with a broader exception for exchanges of non-monetary assets that do not have commercial substance.

Under ASC No. 845 IRSA determined that all of its barter transactions have commercial substance and therefore the transactions must be measured at fair value.

In certain barter transactions, when IRSA does not receive a down payment or receives a down payment which is less than 10% of the sales price. IRSA follows the deposit method as prescribed under Accounting Standard Codification No. 360-20 ASC No. 360-20 , Property, Plant and Equipment-Real State . Under the deposit method IRSA does not recognize profit, nor records a receivable and continues to report the property and related liabilities in its balance sheet even if the liability has been assumed by the buyer. IRSA discloses that those items are subject to a sales contract. Therefore, under US GAAP, in these cases any gain recognized under Argentine GAAP is reversed.

For the year ended June 30, 2009, gains of Ps. 1.9 million, recorded under Argentine GAAP were reversed under US GAAP. No gain was recorded for the year ended June 30, 2010. However, the US GAAP adjustment reflects the effect of the reversal of the above mentioned gains and the recognition of a gain of Ps. 0.7 million and Ps. 11.2 million, for the years ended June 30, 2010 and 2009, respectively, related to the conclusion of barter transactions originated in prior years for which the related results have been previously recognized for Argentine GAAP purposes.

***s) Reversal of the gain from valuation of real estate inventories at net realizable value***

Under Argentine GAAP, inventories, for which the title has not yet been transferred but for which a down payment has been received fixing the sales price and the terms and conditions of the agreement provide reasonable assurance about the closing of the transaction and realization of gain, are carried at net realizable value as of year-end (these transactions are considered consummated for Argentine GAAP purposes). Under US GAAP, inventories are carried at cost. Therefore, the US GAAP adjustment represents the net effect of: (i) reversal of the gains recognized



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under Argentine GAAP of Ps. 6.4 million and Ps. 9.1 million, for the years ended June 30, 2010 and 2009, respectively, and (ii) the recognition under US GAAP of previously recognized gains (losses) under Argentine GAAP of Ps. (0.2) million and Ps. 16.9 million for the years ended June 30, 2010 and 2009 respectively, for which deeds of title were signed as of each the respective years.

### *t) Appraisal revaluation of fixed assets*

Under Argentine GAAP, APSA recognized a parcel of land acquired prior to June 30, 1986 at its appraised value as of such date.

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**30. Differences between Argentine GAAP and US GAAP (continued)**

*I. Differences in measurement methods (continued)*

*t) Appraisal revaluation of fixed assets (continued)*

This appraisal increased the carrying value of the land by Ps. 4.0 million, which was recorded against an appraisal revaluation reserve account in the shareholders' equity. Under Argentine GAAP, this appraisal revaluation reserve will be amortized to income once the land is disposed of or its value becomes impaired. Under US GAAP, this parcel of land was recorded at original cost and therefore this reserve has been reversed. Since land is not amortized, there is no impact to the statement of income.

*u) Software developed or obtained for internal use*

Under Argentine GAAP, the Company capitalizes certain costs related to software developed as obtained for internal use, which would be expensed under US GAAP pursuant to the provisions of ASC No. 350-40 Intangibles Goodwill and other internal-use software (ASC No. 350-40). The US GAAP adjustment for the year 2010, represents the effect net of (i) expensing such costs as incurred and (ii) the reversal of amortization expense previously capitalized costs under Argentine GAAP and expenses under US GAAP.

*v) Reversal of capitalized foreign exchange differences*

Under Argentine GAAP, the Company capitalized financial costs comprising of interest and foreign exchange differences for the years ended June 30, 2010 and 2009 related to the PAMSA and Horizons project. Under US GAAP, the Company applied the provisions of ASC No. 835-20, Interest-Capitalization of Interest (ASC No. 835-20), which requires interest capitalization on assets which have a period of time to get them ready for their intended use. Capitalization of foreign exchange differences is not allowed under ASC No. 835-20. The US GAAP reconciling item represents the effect of reversing the foreign exchange differences capitalized under Argentine GAAP for the years ended June 30, 2010 and 2009 for an amount of Ps. 2.0 million and Ps. 54.5 million, respectively.

*w) Debtors' accounting for a modification of APSA convertible debt instruments*

In August 2002 the Company's subsidiary APSA issued US\$50 million of Convertible Notes (the APSA Convertible Notes). Under US GAAP, the Company applied ASC No. 470-20, Debt Debt with Conversion and Other Options (ASC No. 470-20), formerly APB No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants, which requires that no portion of the proceeds be allocated to the conversion feature if the convertible debt securities are convertible into common stock of the issuer at a specified price at the option of the holder and are sold at a price or have a value at issuance not significantly in excess of the face amount. Under US GAAP, the Company applied the guidance in ASC No. 470-20 regarding Accounting for convertible securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios. ASC No. 470-20 requires that embedded beneficial conversion features present in convertible securities be valued separately at issuance when the non-detachable conversion feature is in-the-money at the commitment date. The embedded beneficial conversion feature should be recognized and measured by allocating to additional paid-in capital a portion of the proceeds equal to the intrinsic value of that feature. That amount is calculated at the commitment date as the difference between the conversion price and the fair value of the common stock or other securities into which the security is convertible, multiplied by the number of shares into which the security is convertible (intrinsic value). Under US GAAP, no proceeds were allocated to the embedded conversion feature since it was out-the-money at the commitment date (i.e. the intrinsic value at the commitment date was zero).

The terms of the APSA Convertible Notes were modified to extend the maturity date through July 19, 2014. Argentine GAAP requires that an exchange of debt instruments with substantially different terms be considered a debt extinguishment and that the old debt instrument be

derecognized. Argentine GAAP clarifies that from a debtor's perspective, an exchange of debt instruments between, or a modification of a debt instrument by, a debtor and a creditor shall be deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10 percent different from the present value of the remaining cash flows under the terms of the original instrument.

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**30. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***w) Debtor's accounting for a modification of APSA convertible debt instruments (continued)***

Fair value should be determined by the present value of the future cash flows to be paid under the terms of the new debt instrument discounted at a rate commensurate with the risks of the debt instrument and time value of money. If it is determined that the original and new debt instruments are not substantially different, then a new effective interest rate is to be determined based on the carrying amount of the original debt instrument and the revised cash flows. Based on the analysis performed, the Company concluded that the instruments were not substantially different and accordingly the old instrument was not derecognized.

Under US GAAP, in November 2006, the EITF reached a final consensus in ASC No. 470-50-40, *Debt Modifications and Extinguishments-Derecognition*, (ASC No. 470-50-40). ASC No. 570-50-40 reconsidered the original consensus in Issue 05-7 *Accounting for Modification to Conversion Options Embedded in Debt Instruments and Related Issues* that the change in fair value of an embedded conversion option should be included in the cash flow analysis under ASC No. 470-50 *Debt Modifications and Extinguishments*, (ASC No. 470-50) in determining whether a debt instrument has been modified or extinguished. This Issue considers the accounting for a modification of debt terms (or exchange in debt instruments) when a change in the fair value of an embedded conversion option has occurred or an embedded conversion option has been added or eliminated from the debt instrument.

The consensus stipulates that, in evaluating whether a convertible debt instrument has been modified or extinguished, three aspects of the modification (or exchange of debt instruments) must be considered.

1. **Change in cash flows:** If the change in cash flows as prescribed by the analysis under Issue 96-19 is greater than 10% of the carrying value of the original debt instrument, the modification (or exchange of debt instruments) should be accounted for as an extinguishment. This test would not include any changes in fair value to the embedded conversion option.
2. **Change in fair value of the embedded conversion option:** If the change in the fair value of the embedded conversion option is greater than 10% of the carrying value of the original debt instrument immediately before the change (or exchange of debt instruments), the modification (or exchange) should be accounted for as an extinguishment.
3. **Addition or removal of an embedded conversion option:** The addition or removal of a substantive conversion option would automatically result in extinguishment accounting. Whether an embedded conversion option is substantive would be assessed as of the modification date and would be based on the definition of substantive in ASC No. 470-20.

Any one of the three criteria needs to be met to account for the modification of the debt instrument (or exchange of debt instruments) as an extinguishment. When the result of the three-pronged evaluation above results in a conclusion that a convertible debt instrument has been modified (and not extinguished), the Task Force affirmed as a final consensus that any increase in the fair value of the embedded conversion option should reduce the carrying value of the debt instrument (with a corresponding increase to additional paid-in capital), but any decrease in the fair value of the embedded conversion option is ignored.

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Based on the analysis performed, neither of criteria 1, 2 or 3 above were met. Accordingly, the change of the debt instrument was not accounted for as an extinguishment. Thus, the increase in the fair value of the conversion option reduced the carrying value of the debt instrument with a corresponding increase to additional paid-in-capital. This resulted in an increase in interest expense prospectively, amounting to Ps. 0.2 million for year 2010.

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**30. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***x) Revenue recognition***

***x.1) Deferred commissions***

Under Argentine GAAP, lease commissions earned are recognized at the time a transaction is successfully completed. A transaction is considered successfully concluded when both parties have signed the related lease contract. Under US GAAP, lease commissions are deferred and amortized to income over the term of the respective leases.

***x.2) Scheduled rent increases***

Under Argentine GAAP, revenue from non-cancelable leases subject to rent escalation clauses is recognized when the escalated payment is due rather than recognizing the effects of the scheduled rent increases under the straight-line method over the lease term. Under US GAAP, the Company applied ASC No. 840, Leases (ASC No. 840), formerly SFAS No. 13, Accounting for leases and accordingly recognized escalated rental revenue under the straight-line method over the term of the leases.

In the determination of the US GAAP adjustment, the Company considered the definition of a lease term in ASC No. 840. All lease agreements are cancelable pursuant to Law 23,091 as amended by Law 24,808. This law provides that after an initial six-month period tenants may rescind commercial lease agreements upon 60 days written notice by incurring non-significant monetary penalties (cancellations are subject to one-and-a-half month's rent if rescinded during the first year of the lease and one month's rent if rescinded after the first year of the lease).

ASC No. 840 provides that a lease that is cancelable (a) only upon the occurrence of some remote contingency, (b) only with the permission of the lessor, (c) only if the lessee enters into a new lease with the same lessor or (d) only if the lessee incurs a penalty in such amount that continuation of the lease appears, at inception, reasonably assured shall be considered noncancelable for purposes of this definition.

Based on the provisions of ASC No. 840, the Company concluded that, even though the lease are cancelable, lessees would incur significant economic penalties if these agreements were to be rescinded prior to maturity. The Company considered that these economic penalties are of such an amount that continuation of the lease agreements by lessees appear to be reasonably assured at the inception of the respective agreements.

The Company reached this conclusion based on the factors mentioned in ASC No. 840, including (i) the offices and shopping centers geographical location and accessibility; (ii) the nature and tenure of tenants, (iii) limited availability of identical space in certain neighborhoods; (iv) the tenants' brand image and other competitive considerations; (v) tenants' significant expenses in renovation, maintenance and improvements.

The Company believes that all of the above mentioned factors represent significant non-contractual penalties for the lessees which support the Company's view that it is reasonably assured at the inception of lease agreements that such leases will not be rescinded prior to maturity even though they are cancelable as permitted by law.

***(x.3) Deferred revenues insurance & fees***

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Under Argentine GAAP, the Company, accounts for revenues from life and disability insurance and origination fees on an up-front basis. Under US GAAP, life and disability insurance and origination fees are recognized to income on a straight-line basis over the term of the respective receivables.

### *y) Non-controlling interest*

Effective July 1, 2009, the Company applies the provisions of ASC 810 Consolidation . Pursuant to ASC 810-10-45-15, non controlling interest is (i) reported as part of equity of the consolidated group; (ii) recorded separately from the parent's interests; and (iii) clearly identified and labeled to distinguish it from other components of the parent's equity. The Company has non controlling interests in more than one subsidiary. The Company determined that all of its non controlling interests should be reclassified to equity. This reclassification has been made retroactively for all periods presented.

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**30. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***y) Non-controlling interest (continued)***

The adjustment represents the effect of the foregoing US GAAP adjustments on the non controlling interests under Argentine GAAP.

For additional disclosures related to the non controlling interests see Note 30.II.s.

***z) Amortization of fees related to Series II of APSA Non Convertible Notes***

Under Argentine GAAP, fees and expenses relating to Series II of APSA Non Convertible Notes are amortized on a straight-line method over the term of the notes (5 years). Under US GAAP, following the ASC No. 310-20 ( ASC No. 310-20 ), Receivables Nonrefundable Fees and Other Costs , such costs are amortized over the same period using the effective interest method.

***aa) Derecognition of put option***

In July 2008, the Company acquired a 30% in Metropolitan. This transaction included a put right exercisable through July 2011 to sell 50% of the equity interest acquired for a price equal to the original amount paid plus interest. Under Argentine GAAP, the Company recorded the put option at fair value and adjusted it on a monthly basis with fair value increases or decreases against income. The fair value of the put option as of June 30, 2010 amounted to Ps. 48.5 million in its balance sheet. As described in Note 2.f. due to foreign currency translation procedures a cumulative translation adjustment ( CTA ) of Ps. 10.4 million was also generated for the recognition of the put option. Under US GAAP, the Company determined that the terms of the put option did not meet the definition of a derivative financial instrument pursuant to ASC No. 815 Derivatives and Hedgings ( ASC No. 815 ). Accordingly, the value of the put option was derecognized under US GAAP.

According to ASC No. 815, Derivatives and Hedgings (ASC No. 815), a financial instrument is a derivative financial instrument if it meets all three of the following characteristics:

- a. It has (i) one or more underlyings and (ii) one or more notional amounts or payment provisions or both.
- b. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- c. Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from the net settlement.

ASC No. 815 provide that a contract fits the description of net settlement if its settlement provisions meet one of the following criteria:

- (a) neither party is required to deliver an asset that is associated with the underlying and that has a principal amount, stated amount, face value, number of shares, or other denomination that is equal to the notional amount (or the notional amount plus a premium or minus a discount);
- (b) one of the parties is required to deliver an asset of the type described in the guidance but there is a market mechanism that facilitates net settlement;
- (c) one of the parties is required to deliver an asset of the type described in the guidance, but that asset is readily convertible to cash or is itself a derivative instrument.



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Characteristics a. and b. are met since underlying is the quantity of shares to sell under the put option agreement and there is no initial net investment.

Characteristic c. is not met since the Company is required to deliver an asset of the type described in the guidance but there is no market mechanism that facilitates net settlement nor the asset is readily convertible to cash or is itself a derivative instrument because shares of Metropolitan 885 Third Avenue LLC are not traded on public markets.

Consequently, under US GAAP the put option did not meet the definition of a derivative instrument.

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**30. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***ab) Accounting for investment in Hersha Hospitality Trust***

The Company acquired a 10.4% investment in Hersha as of June 30, 2010 (See Note 2.f.B). Under Argentine GAAP, this investment has been valued at cost. Under US GAAP, since the investment in Hersha represents an investment in equity securities with readily determinable fair values and not held for trading, the investment has been valued at fair value in accordance with ASC No. 320. Gains or losses resulting from changes in fair value are recognized in other comprehensive income in the shareholders' equity.

***ac) Differences in basis relating to purchase accounting***

Effective July 1, 2009, the Company applied the provisions of FASB Statement No. 141R Business Combinations (FAS 141R) or ASC No. 805 Business Combinations (ASC No. 805), for all business combinations for which the acquisition date is on or after the beginning of its fiscal year ended June 30, 2010, i.e. July 1, 2009. For all business combinations for which its acquisition date was prior to July 1, 2009, the Company applied the provisions of FAS 141 (see Note 30.I.n).

As discussed in Note 2.f.B, on November 27, 2009, the Company completed the acquisition of an 80% controlling interest in Arcos. Arcos is a company holder of a concession right to exploit the land and attached assets owned by the ONABE. The concession is for an initial term of sixteen years renewable at the option of the holder for an additional four year period. Under the concession, the Company is obligated to pay a monthly concession fee of Ps. 0.1 million to ONABE. The land and attached assets (mainly old warehouses and adjacent spaces) are capable of being reconverted into a shopping mall, cultural complex and other recreational facilities after incurring significant capital expenditures. Under Argentine GAAP, the Company determined that the transaction represented the acquisition of a business. Accordingly, the Company accounted for the acquisition under the purchase method of accounting. Under the purchase method of accounting, the Company allocated the purchase price to tangible and intangible assets and liabilities assumed based on the respective fair values. Transaction costs are considered part of the consideration transferred. The acquisition date fair value of the net assets acquired exceeded the cost of the acquisition. The holders of the rights from ONABE were individual persons who did not have the financial feasibility, expertise and scale to obtain the projected returns from the concessioned assets as well-established real estate market participants in the area have. Thus, they agreed to sell their rights to the Company for a fair amount of consideration although far below the fair value of the business. Under Argentine GAAP, the excess of the fair value of the net assets acquired over cost represents negative goodwill. When there is negative goodwill, Argentine GAAP requires a reassessment to determine all assets acquired, liabilities assumed, and consideration transferred. The Company performed a reassessment and has still concluded that it has negative goodwill. However, under Argentine GAAP, when negative goodwill exists, acquired intangible assets are reduced to absorb the negative goodwill even if they are assigned a zero value. Any remaining negative goodwill is accounted for as described in Note 3.g) In the acquisition of Arcos, the principal asset acquired was the concession right and since negative goodwill existed, this intangible was reduced by the amount of negative goodwill absorbing it completely. Therefore, no negative goodwill remained under Argentine GAAP. In addition, under Argentine GAAP, the minority interest was recognized at the proportionate share of the acquiree's identifiable net assets (the proportionate share method) at the acquisition date.

Under US GAAP, the Company applied the provisions of ASC No. 805 and also determined that this transaction qualifies as a business acquisition. Accordingly, the Company accounted for the acquisition under the purchase method of accounting and allocated the purchase price to tangible and intangible assets and liabilities assumed based on the respective fair values. Under ASC No. 805, the noncontrolling interest is recognized at fair value at the date of acquisition. Under ASC No. 805, any excess of the value assigned to the net identifiable assets acquired over the fair value of the consideration transferred and any previously held equity interest in the acquiree and any noncontrolling interest is a bargain purchase gain and should be recognized in earnings. Acquisition-related costs are considered separate transactions and should not be included as part of the consideration transferred, but rather expensed as incurred.

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As a result of the above explanation, the US GAAP adjustment for the acquisition of Arcos represents the net effect of (i) the recognition of a bargain purchase gain of Ps. 58.8 million; (ii) the recognition of the non-controlling interest at fair value for Ps. 12.1 million; and (iii) the charge expense of transaction costs for Ps. 0.4 million.

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)*****I. Differences in measurement methods (continued)******ac) Differences in basis relating to purchase accounting (continued)***

Pro forma results as if the acquisition had occurred as of the beginning of the comparative fiscal year have not been presented based on materiality grounds.

For disclosure purposes, under US GAAP the estimated fair values of assets acquired and liabilities assumed are summarized as follows (in thousands):

|  |            |
|--|------------|
| Cash and cash equivalents acquired     | Ps. 13     |
| Fair value of non-cash assets acquired | 103,120    |
| Fair value of liabilities assumed      | (8,124)    |
| <br>                                   |            |
| Fair value of net assets acquired      | Ps. 95,009 |
| <br>                                   |            |
| Minority interest                      | (12,077)   |
| <br>                                   |            |
| Purchase price                         | Ps. 24,108 |
| Seller financing                       | (14,213)   |
| Cash and cash equivalents acquired     | (13)       |
| Advance payments                       | (2,254)    |
| <br>                                   |            |
| Net cash paid for the acquisition      | Ps. 7,628  |

**Acquisition of Soleil Factory shopping center business**

On July 1, 2010, the Company and INCSA executed the definitive agreement pursuant to which the business comprising of a building and other fixed assets, lease agreements, titles to the brand names and rights to build certain number of square meters was transferred to the Company. The transaction excludes any receivable or payable arising out of INCSA business prior to the transaction and a building which currently is being operated as a hypermarket within the same premises. The Company is analyzing the current value of the identifiable assets and liabilities acquired, as established in the FAS 141 (R)

**Treatment of goodwill**

Effectively July 1, 2002, the Company does not amortize goodwill under US GAAP. ASC No. 350 requires the Company to periodically test for goodwill impairment, at least annually, or sooner if evidence of possible impairment arises. The Company performs its annual impairment testing as of June 30, using a two-step process that begins with an estimation of the fair values of the reporting units that have goodwill.

Step 1 of impairment testing consists of determining and comparing the fair value of a reporting unit to the carrying value of the reporting unit. If step 1 is failed for a reporting unit, indicating a potential impairment, the Company is required to complete step 2, which is a more detailed test to calculate the implied fair value of goodwill, and compare that value to the carrying value of the goodwill. If the carrying value of goodwill exceeds its implied fair value, an impairment loss is required to be recorded.

The Company performed step 1 impairment tests of recorded goodwill as of June 30, 2010. The step 1 tests indicated that the fair values of the reporting units, calculated primarily using discounted expected future cash flows, exceeded their carrying values as of the test dates. Accordingly, step 2 of the impairment tests was not required to be performed for those reporting units, and no impairment charges were necessary.

***ad) Acquisition of non controlling interest in IRSA***

During fiscal year 2010, the Company acquired an additional minority interest in IRSA OF 1.85% for US\$7.1 million. Under Argentine GAAP, the Company did not perform a purchase price allocation given the small percentage acquired. Therefore, The difference between the consideration paid and the carrying value of the minority interest acquired was treated as negative goodwill and amortized to income over a period of 20 years.

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***ad) Acquisition of non controlling interest in IRSA (continued)***

Under US GAAP, the Company applied the principles of ASC No. 810 Consolidation in accounting for changes in ownership interests. As per ASC No. 810-10-65, when an additional interest is obtained and control is maintained, the transaction is accounted for as an equity transaction. The Company does not recognize any additional acquisition adjustments to reflect the subsequent purchase of additional shares in the subsidiary if there is no change in control. Since under Argentine GAAP there were no additional acquisition adjustments recognized, there is no US GAAP adjustment in this regard. However, under US GAAP, the difference between the fair value of the consideration paid and the related carrying value of the noncontrolling interest acquired is recognized in the controlling interest's equity as a credit to additional paid in capita]. Therefore, no gain or loss is recognized in the statement of income and the carrying value of the noncontrolling interest is reclassified from noncontrolling interest to controlling interest's equity.

In addition, under Argentine GAAP, negative goodwill is being amortized under the straight-line method over a period of 20 years. Consequently, the US GAAP adjustment also reflects the reversal of the amortization of negative goodwill under Argentine GAAP.

***II. Additional disclosure requirements***

***a) Statement of income classification differences***

Should a US GAAP statement of income be presented, certain items shown in some line items of the statement of income under Argentine GAAP would have to be reclassified to affect other line items. The following reclassifications are intended to present Argentine GAAP numbers using a different criterion of classification under US GAAP. The numbers included below are not calculated under US GAAP.

***(i) Proportionate consolidation***

Under Argentine GAAP, the Company accounts for certain investments where it exercises joint control under the proportionate consolidation method.

Under US GAAP, since the Company does not exercise control over these investments, proportionate consolidation is not appropriate and the equity method of accounting is used for all periods presented as disclosed in Note 30.II.q).

***(ii) Adoption of RT No. 22 Agricultural Activities***

Effective July 1, 2006, under Argentine GAAP, the Company applied RT No. 22 Agricultural Activities which established specific measurement and disclosure standards for the Company's business. The adoption of this standard did not have an impact on the Company's financial position and results of operations. There was no change in the determination of total gross profit and operating income of the Company. Rather it expanded the Company's disclosures and changed the format of the Company's statement of income above gross profit. RT No. 22 requires that a change in fair value less estimated point-of-sale costs of a biological asset be included in net profit or loss for the period in which it arises. In agricultural activity, a change in physical attributes of a living animal or plant directly enhances or diminishes economic benefits to the enterprise. Prior to the adoption of RT No. 22, the production income was presented as a reduction in the cost of sales of the Company. Under US GAAP, the production income relating to their transformation and/or development directly affects the cost of these assets and is not shown separately. However, there would be no change in total gross profit.

*(iii) Unrealized gains or losses on inventories*

Under Argentine GAAP, unrealized gains or losses on inventories are segregated and shown in a separate line within operating income. Under US GAAP, these amounts would be included as part of cost of sales.

As a result of these differences in classification, gross profit under US GAAP would have been Ps. 974.8 million, Ps. 575.6 million and Ps. 83.3 million for the years ended June 30, 2010, 2009 and 2008, respectively.

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

*a) Statement of income classification differences (continued)*

***(iv) Gross vs. net presentation***

As part of the lease agreements, tenants are required to pay their proportionate share of common area maintenance expenses. The Company does not charge any mark up on reimbursable costs. These expenses are incurred and paid by the Company and then passed through to tenants as reimbursable costs.

Under Argentine GAAP, pass-through expenses, such as these reimbursable costs, are accounted for on a net basis and, as such, excluded from revenues and expenses in the consolidated financial statements. However, the total amount of expenses passed through to tenants by expense category with the corresponding offsetting amount have no impact in the consolidated costs of the Company. No amount is shown as revenues.

Under US GAAP, the Company accounts for pass-through revenue and expenses in accordance with ASC No. 605-45-15, Income Statement Characterization of Reimbursements Received for Out of Pocket Expenses Incurred and include these costs incurred as a component of revenue and as a component of operating expenses in the statement of income. These costs, which are pass-through expenses to tenants included in both revenues and expenses were Ps. 253.9 million and Ps. 171.4 million for the years ended June 30, 2010 and 2009, respectively. As these expenses are fully reimbursed, without mark-up, by the tenants, there is no impact on operating income, net income, EPS, cash flows or the balance sheet.

Should the US guidance be applied to the Argentine GAAP income statement, net revenues under Argentine GAAP would have been Ps. 2.1 million and Ps. 1.2 million for the years ended June 30, 2010 and 2009, respectively.

***(v) Operating income***

Under Argentine GAAP, the Company reflected management fees shareholders personal assets tax and others, financial results and allowance for doubtful accounts as non-operating expenses; under US GAAP, management fees shareholders personal assets tax and others and allowance for doubtful accounts would be included as operating expenses.

Should gains or losses on management fees, tax on shareholders personal assets tax, lawsuits contingencies, unrecoverable VAT receivable and others, financial results and allowance for doubtful accounts be reclassified out of and into operating income, respectively, operating income under Argentine GAAP would have been Ps. 552.2 million, Ps. 186.9 million and Ps. 37.3 million for the years ended June 30, 2010, 2009 and 2008, respectively.

***b) Balance Sheet classification differences***

Under Argentine GAAP, assets and liabilities are classified as current or non-current depending on their respective settlement dates. Under US GAAP, balance sheets of real companies generally do not present a classified balance sheet.

Under Argentina GAAP, warrants are included into a Shareholder's Equity. Under US GAAP, are classified as current or non-current liabilities depending on their respective settlement dates.



***Inventories***

Under Argentine GAAP, the Company has classified the livestock for dairy production and other purposes not related to its sale as non-current inventory. Under US GAAP, this amount would be recorded as property and equipment on the consolidated balance sheet.

***Proportional consolidation***

Under Argentine GAAP, the Company accounts for certain investments (the accounts of Cresca S.A., Metroshop S.A., Canteras Natal Crespo S.A., Liveck, Cyrsa, Baicom Networks S.A. and Puerto Retiro S.A. as of June 30, 2010 and 2009) where it exercises joint control under the proportionate consolidation method.

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

***b) Balance Sheet classification differences (continued)***

Under US GAAP, since the Company does not exercise control over these investments, proportionate consolidation is not appropriate and the equity method of accounting is used for all periods presented as disclosed in Note 30.II.q).

***Deferred taxes***

In addition, under Argentine GAAP the Company has classified the net deferred tax liability as of June 30, 2010 amounting to Ps. 182.5 million and the net deferred tax liability as of June 30, 2009 amounting to Ps. 119.2 million, as follows: Ps. 66.2 million and Ps. 78.3 million as of June 30, 2010 and 2009, respectively, as non-current other receivables; and Ps. 248.7 million and Ps. 197.5 million as of June 30, 2010 and 2009, respectively, as non-current taxes payable. Under US GAAP, the classification of deferred taxes is determined by the classification of the asset or liability for financial reporting to which the temporary difference is related. A temporary difference is related to an asset or liability if reduction of the asset or liability causes the temporary difference to reverse. For deferred tax balances not related to an asset or liability for financial reporting (e.g. tax loss carryforwards), the classification is based on the expected realization date. As of June 30, 2010 and 2009, Ps. 44.8 million and Ps. 51.9 million, respectively, would have been classified as current assets, and Ps. 148.6 million and Ps. 109.4 million respectively, would have been classified as non-current assets. As June 30, 2010 and 2009 Ps. 19.0 million and Ps. 8.1 million, respectively, would have been classified as current liabilities and Ps. 356.9 million and Ps. 272.4 million, respectively, would have been classified as non-current liabilities.

***Deferred debt costs***

Furthermore, under Argentine GAAP, deferred debt costs are shown as a deduction of the corresponding liability. Under US GAAP, issue costs should be reported as deferred charges of Ps. 8,633.

As these differences have no effect on net income or on shareholders' equity, no reconciling items are presented for US GAAP purposes.

***Treasury stock***

As described in Note 5.f), under AR GAAP the acquisition cost of treasury stock is debited from the equity account Reserve for new developments. AR GAAP also requires that a debit entry be made for the par value of the related capital stock account that was repurchased, regardless of whether the stock was retired. Under US GAAP the cost of treasury stock is also debited to an equity account, however the related capital stock account is not reduced until the treasury stock is retired. This classification difference has no impact on the total shareholders' equity that is reported.

***c) Disclosure about fair value of financial instruments***

Under Argentine GAAP, there are no specific rules regarding disclosure of fair value of financial instruments.

Under US GAAP, Accounting Standard Codification No. 815 Derivatives and Hedging (ASC No. 815) requires reporting entities to disclose certain information about financial instruments with off-balance sheet risk of accounting loss. Accounting Standard Codification No. 825, Financial Instruments (ASC No. 825), requires disclosure of fair value information about financial instruments whether or not recognized in the

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balance sheet, for which it is practicable to estimate fair value. Financial instruments include such items as cash and cash equivalents, accounts receivable and accounts payable and other instruments. ASC No. 825 excludes from its disclosure requirements lease contracts and various significant assets and liabilities that are not considered to be financial instruments. Statement of Financial Accounting Standard No. 119

Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments requires reporting entities to disclose certain information for derivative financial instruments. ASC No. 815 superseded Statement of Financial Accounting Standard No. 105 Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk and Statement of Financial Accounting Standard No. 119 Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments and amended SFAS No. 107 to include in SFAS No. 107 the disclosure requirements of credit risk concentrations from SFAS No. 105. See Note 30.II.e) for details of concentration of credit risk.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)**

**II. Additional disclosure requirements (continued)**

*c) Disclosure about fair value of financial instruments (continued)*

The Company adopted Accounting Standard Codification No. 820 Fair Value Measurements and Disclosures ( ASC No. 820 ) in the fiscal year ended June 30, 2009. In ASC No. 820, three levels of input, which are used to measure fair value, are as follows.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the assets or liabilities.

Level 3: Unobservable inputs for assets or liabilities.

Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and the relevant market information. Where available, quoted market prices are used. In other cases, fair values are based on estimates using other valuation techniques, such as discounting estimated future cash flows using a rate commensurate with the risks involved or other acceptable methods. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, prepayments, discount rates, and estimates of future cash flows, future expected loss experience, and other factors. Changes in assumptions could significantly affect these estimates. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair value, the Company's fair values should not be compared to those of other companies.

The following table summarizes the fair values of the assets measured at fair value on a recurring basis as of June 30, 2010:

|  | Level 1        | Level 2    | Level 3        | Total          |
|--|----------------|------------|----------------|----------------|
| <b>ASSETS</b>                          |                |            |                |                |
| Cash and banks                         | 80,919         |            |                | 80,919         |
| Other Investment, net (i)              | 153,895        |            |                | 153,895        |
| Other receivables (ii)                 |                | 512        |                | 512            |
| Other Investment, net (iii)            |                |            | 115,119        | 115,119        |
| Other non-current Investment, net (iv) | 315,997        |            |                | 315,997        |
| <b>Total</b>                           | <b>550,811</b> | <b>512</b> | <b>115,119</b> | <b>666,442</b> |
|  |                |            |                |                |
|  | Level 1        | Level 2    | Level 3        | Total          |
| <b>LIABILITIES</b>                     |                |            |                |                |
| Warrants                               | 104,749        |            |                | 104,749        |
| Other liabilities (ii)                 | 595            |            |                | 595            |

|              |                |                |
|--------------|----------------|----------------|
| <b>Total</b> | <b>105,344</b> | <b>105,344</b> |
|--------------|----------------|----------------|

- (i) Includes mutual funds, mortgage bonds issued by Banco Hipotecario S.A., shares of public companies and government bonds.
  - (ii) Corresponds to derivative financial instruments.
  - (iii) Corresponds to retained interests in securitized receivables
  - (iv) Corresponds to investment in equity securities in Hersha
- There were no liabilities measured at fair value on a recurring basis as of June 30, 2010.

The following is a description of the valuation methodologies used for the assets and liabilities measured at fair value, key inputs and significant assumptions:

**Cash equivalents:**

Cash equivalents represent highly liquid investments with original maturities of three months or less. Generally, quoted market prices are used to determine the fair value of these instruments.

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)*****II. Additional disclosure requirements (continued)****c) Disclosure about fair value of financial instruments (continued)***Marketable securities:**

Marketable securities and other securities investments include debt securities and equity securities. The Company uses quoted market prices for identical or similar assets or liabilities to measure fair value.

**Derivative financial instruments:**

The Company estimates the fair value of derivative financial instruments using industry-standard valuation models that requires observable inputs including interest rates and foreign exchange rates, and the contractual terms. In other certain cases when market data is not available, key inputs to the fair value measurement include quotes from counterparties, and other market data. The Company's derivative fair value measurements consider assumptions about counterparty and our own non-performance risk, using such as credit default probabilities.

**Retained interests in securitized receivables:**

Investments classified as Level 3 include retained interests in securitized financial receivables, which are measured at fair value using assumptions such as interest rate, projected finance charges related to the securitized assets, estimated net credit losses, prepayment assumptions, contractual interest paid to third-party investors and other factors.

The following table summarizes the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended June 30, 2010:

|  | <b>Retained interest<br/>in securitized<br/>receivables</b> |
|--|---|
| <b>Balance at beginning of year</b>                | <b>127,922</b>  |
| Insurance of retained interest in securities       | 56,724  |
| Liquidation of retained interest in securitization | (71,807)  |
| Total gains and losses                             |   |
| Included in other comprehensive income             | 2,280   |
| <b>Balance at end of year</b>                      | <b>115,119</b>  |

The following is a description of the valuation methodologies used for the assets and liabilities not measured at fair value, key inputs and significant assumptions:

**Mortgages and leases receivable, net:**

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The carrying amount of mortgages and leases receivables reported in the consolidated balance sheet approximates their fair value.

### **Accounts and notes receivable, net:**

Carrying amounts are considered to approximate fair value. All amounts that are assumed to be uncollectible within a reasonable time are written off and/or reserved.

### **Accounts and notes payable:**

The carrying amount of accounts and notes payable reported in the consolidated balance sheet approximates their fair value.

### **Short-term debt:**

The carrying amount of short-term debt reported in the consolidated balance sheet approximates fair value due to its short-term nature.

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***I. Additional disclosure requirements (continued)***

*c) Disclosure about fair value of financial instruments (continued)*

**Long-term debt:**

As of June 30, 2010 and 2009, except for the Company's Convertible Notes and Non-Convertible Notes as discussed below, the carrying amount of long-term debt reported in the consolidated balance sheet approximates their fair value.

The fair value of APSA Convertible and Non-Convertible Notes was Ps. 1.8 million and Ps. 550.2 at June 30, 2010 and 2009, respectively. Such fair value was determined based on the market price of the shares assuming full conversion of the notes at year-end.

The fair value of IRSA Notes was Ps. 445.5 million and Ps. 410.1 million at June 30, 2010 and 2009, respectively and was determined based on quoted market prices of the notes.

**Other receivables and other liabilities:**

The carrying amount of other receivables and other liabilities reported in the consolidated balance sheet approximates fair value due to their short-term nature.

*d) Additional disclosures about derivative financial instruments*

FASB issued ASC No. 815 Derivatives and Hedging, (ASC No. 815), formerly SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Standard No. 133, to enhance the current disclosure framework in SFAS 133. ASC No. 815 amends and expands the disclosures required by SFAS No. 133 so that they provide an enhanced understanding of (1) how and why an entity uses derivative instruments, (2) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (3) how derivative instruments affect an entity's financial position, financial performance, and cash flows.

The Company adopted ASC No. 815 in the fiscal year ended June 30, 2009. The Company employs derivative financial instruments, including foreign exchange forward contracts, to manage its exposure to fluctuations in foreign currency exchange rates. The Company does not use derivatives for speculation or trading.

**Undesignated derivative financial instruments**

The Company uses future contracts, put and call option contracts, and foreign currency future and forward contracts, to manage its exposure to various risks including commodity prices, foreign currency exchange rate fluctuations and interest rate fluctuations from an economic perspective, and for which the Company is unable or has elected not to apply hedge accounting. The Company does not use derivatives for speculation or trading.

**Fair value and gains or losses on derivative financial instruments**

The following table summarizes the fair values of derivative financial instruments as of June 30, 2010 and 2009:



## Derivatives not designated as hedging instruments under ASC No. 815

## Fair Value of Derivative Instruments

|   | Assets and Liability Derivatives<br>As of June 30 |            |                               |            |
|---|---|------------|-------------------------------|------------|
|   | 2010  |            | 2009                          |            |
|   | Balance Sheet Location                            | Fair Value | Balance Sheet Location        | Fair Value |
| Foreign exchange contracts  | Other receivables (Note 4.d))                     | 512        | Other receivables (Note 4.d)) | 124        |
|   | Other liabilities (Note 4.m))                     | (178)      | Other liabilities (Note 4.m)) |            |
| Crops derivatives   | Other receivables (Note 4.d))                     |            | Other receivables (Note 4.d)) | 742        |
|   | Other liabilities (Note 4.m))                     | (595)      | Other liabilities (Note 4.m)) | (543)      |
| Total derivatives not designated as hedging instruments under Statement 133 |   | Ps. (261)  |                               | Ps. 323    |

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)****II. Additional disclosure requirements (continued)***d) Additional disclosures about derivative financial instruments (continued)*

The Notional amounts are summarized in Note 7.

The following table summarizes the gains and losses on derivative financial instruments reported in the consolidated statement of income for the years ended June 30, 2010, 2009 and 2008:

**Derivatives not****designated as hedging****instruments under****Location of gain or (loss) recognized****statement 133****in income on derivative**

**Amount of gain or (loss) recognized in income  
on derivative  
Years ended June 30,**

|                            |  | <b>2010</b> | <b>2009</b> | <b>2008</b>  |
|----------------------------|--|-------------|-------------|--------------|
| Crops derivatives          | Unrealized gain (loss) on inventories<br>(Note 4.n)) | (713)       | 2,780       | (14,512)     |
| Foreign exchange contracts | Financial results, net (Note 4.p))                   | 5,412       | 32,104      | (70)         |
|                            |  | Ps. 4,699   | Ps. 34,884  | Ps. (14,582) |

The derivatives entered into by the Company do not contain credit risk related contingent features.

The Company executed derivative financial instruments with creditworthy financial institutions, its controlling shareholder, and all of these contracts are denominated in U.S. dollars. Derivative financial instruments involve, to varying degrees, market risk as instruments are subject to price fluctuations and elements of credit risk in the event the counterparty should default. In the unlikely event the counterparty fails to meet the contractual terms of a foreign currency instrument, the Company's risk is limited to the fair value of the instrument.

*e) Concentration of credit risk*

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, cash equivalents, accounts receivable, and short-term investments.

The Company places its cash and cash equivalents, investments, and other financial instruments with various high credit quality financial institutions, thus mitigating the amount of credit exposure to any one institution. The Company has not experienced any significant losses in such accounts.

**Agricultural Business**

The Company's accounts receivable are derived primarily from sales of crops to independent purchasers, live beef cattle to local meat processing companies and milk products to domestic dairy companies, as further described below. The Company performs credit evaluations of its customers and generally does not require collateral. The Company does not believe that significant credit risk exists as of June 30, 2010 and 2009 due to the diversity of its customer base. However, as of June 30, 2010 and 2009, ten customers account for more than 74% and 74.6% of the Company's consolidated revenues, respectively. Furthermore, only three customers, Cargill, Mastellone S.A. (Mastellone) and Molinos Río de la Plata S.A. as of June 30, 2010 and Cargill, Mastellone S.A. (Mastellone) and Monsanto S.A.I.C. as of June 30, 2009 account for more than 48 % and 46.45% of the Company's consolidated revenues, respectively.

Mastellone is the only customer of milk production of the Company. Mastellone is the largest dairy company in Argentina. Sales to Mastellone amounted to Ps. 24.3 million, Ps. 19.1 million and Ps. 17.5 million for the years ended June 30, 2010, 2009 and 2008, respectively, representing 11.1%, 10.1% and 11.8% of the Company's consolidated revenues, for those years, respectively. Although management believes that the Company will be able to continue to sell its milk production to Mastellone on favorable terms, there can be no assurance that the Company would be able to maintain this relationship. Although management believes that other large dairy

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

**II. Additional disclosure requirements (continued)**

*e) Concentration of credit risk (continued)*

producers would be willing and able to purchase the Company's milk production, there can be no assurance that the Company could timely locate alternative customers to sell its products at prices comparable to those paid by its current major customers. The Company negotiated with Mastellone the prices of raw milk on a monthly basis in accordance with domestic supply and demand. The prices of the milk are sell is mainly based on the percentage of fat and protein that it contains and the temperature at which it is cooled and obtain from milk also raises or drops based on the content of bacteria and somatic cells.

The Company sells crops production mainly to exporters and manufacturers that process the raw materials to produce meal and oil, products that are sent to the export markets. The Argentine crop market is characterized by a few purchasers and a great number of sellers. Although most of the purchasers are international companies with strong financial conditions, it cannot assure you that this situation will remain the same in the future or that this market will not get more concentrated in the future.

The Company may not be able to maintain or form new relationships with customers or others who provide products and services that are important to Company's business.

**Real Estate Business**

The Company's accounts receivable are primarily derived from leases and services from the Company's shopping center and office buildings customers and origination of consumer loans and credit card receivables. The Company is not dependent on any single customer. The Company has not experienced any significant losses resulting from non-performance of any counterpart to the lease contracts.

Consumer loan and credit card receivables arise primarily under open-end revolving credit accounts used to finance purchases of goods and services offered by the Company's shopping centers, hypermarkets and street stores, and financing and lending activities through the Company's subsidiaries Tarshop and Metroshop. These accounts have various billing and payment structures, including varying minimum payment levels and finance charge rates. The Company provides an allowance for uncollectible accounts based on impaired accounts, historical charge-off patterns and management judgment. Due to the economy recovery, customers experienced fewer delays in payments and also uncollectibility rates decreased during the year ended June 30, 2010. As of June 30, 2010, the allowance for doubtful accounts decreased Ps. 15.5 million, or 19.6% as compared to June 30, 2009 for Tarshop and Metroshop, respectively. Nevertheless, the Company continues closely monitoring the delays, delinquency and uncollectibility rates.

As of June 30, 2010, Tarshop sold receivables aggregating Ps. 960.9 million through securitization programs outstanding, for which the Company's credit risk exposure is contractually limited to the subordinated retained interests held by the Company representing Ps. 136.0 million and Ps. 4.7 million escrow reserves for losses and Metroshop sold receivables aggregating Ps. 235.8 million through securitization programs outstanding, for which the Company's credit risk exposure is contractually limited to the subordinated retained interests held by the Company representing Ps. 7.1 million and Ps. 0.7 million escrow reserves for losses. For the three months ended September 30, 2010, no additional impairment charge related to the retained interests in securitized receivables was recorded.

*f) Statement of cash flows classification differences*

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The statements of cash flows presented in the primary financial statements are prepared based on Argentine GAAP amounts. Under US GAAP, the Company should follow the guidance in ASC No. 230 Statement of Cash Flows (ASC No. 230).

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)****II. Additional disclosure requirements (continued)***f) Statement of cash flows classification differences (continued)*

Under ASC No. 230, the total amounts of cash and cash equivalents at the beginning and end of a period shown in the statement of cash flows are required to be the same amounts as similarly titled items shown on the face of the balance sheet as of the respective dates. Note 13 to the primary financial statements shows this reconciliation for cash and cash equivalents under Argentine GAAP. However, certain differences may exist between cash and cash equivalents under Argentine GAAP and US GAAP. As described in Note 13, under Argentine GAAP, the Company considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. In particular, investments in mutual funds are considered to be cash equivalents by reference to the frequency with which liquidity is available according to Argentine GAAP practice and guidance. Under US GAAP, the original maturity is determined by reference to the stated term of the underlying securities or the timeframe for exercising any put features to the issuer and not by reference to the frequency with which liquidity may be available through an auction, a put feature to a third party, or otherwise. Therefore, for US GAAP purposes, certain mutual funds were not considered to be cash equivalents. In addition, under Argentine GAAP, the Company consolidated on a pro rata basis the accounts of Metroshop, CYRSA, Liveck, Baicom Networks, Puerto Retiro and Cresca. Under US GAAP, proportionate consolidation is not appropriate since the Company did not exercise control over these investments. As a result, additional differences exist between the amounts of cash and cash equivalents reported in the primary statements of cash flows under Argentine GAAP than they would be reported under US GAAP.

The following table reconciles the amounts of cash and cash equivalents under Argentine GAAP with the amounts of cash and cash equivalents under US GAAP:

|   | <b>For the year ended June 30,</b> |                    |                    |
|---|------------------------------------|--------------------|--------------------|
|   | <b>2010</b>                        | <b>2009</b>        | <b>2008</b>        |
| Cash and cash equivalents as shown in the statements of cash flows under Argentine GAAP (Note 13) | Ps. 175,653                        | Ps. 211,676        | Ps. 521,086        |
| Less:   |                                    |                    |                    |
| Mutual funds not considered cash equivalents under US GAAP  | (28,758)                           | (7,399)            | (245,684)          |
| Deconsolidation of pro-rata investments under US GAAP   | (3,742)                            | (14,317)           |                    |
| <b>Total cash and cash equivalents under US GAAP</b>  | <b>Ps. 143,153</b>                 | <b>Ps. 189,960</b> | <b>Ps. 275,402</b> |

Under Argentine GAAP, the effects of exchange rates changes on cash and cash equivalents are not disclosed separately by presenting a fourth category as it is required by ASC No. 230. The effect of exchange rate changes on cash and cash equivalents for the fiscal years ended June 30, 2010, 2009 and 2008 were Ps. (0.03) million, Ps. (71.5) million and Ps. (1.7) million, respectively.

Due to the difference in definition of cash and cash equivalents, there may be a difference in the amount reported for purchases and sales of investments not considered to be cash equivalents under investing activities in a statement of cash flows under US GAAP as compared to the same titled line items under Argentine GAAP.

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Due to the deconsolidation of the pro rata investments under US GAAP, the cash flows from operating, investing and financing activities under US GAAP differ from the respective cash flows under Argentine GAAP, since each line item excludes the pro rata equity interest of the respective cash inflow or outflow.

In addition, certain differences exist in the classification of cash inflows or outflows as operating, investing or financing activities under US GAAP as compared to Argentine GAAP. These differences are:

- Payments for the acquisition of a non controlling interest are classified as investing activities under Argentine GAAP while classified as financing activities under US GAAP;
- Dividends collected are classified as investing activities under Argentine GAAP while classified as operating activities under US GAAP

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)**

**II. Additional disclosure requirements (continued)**

*f) Statement of cash flows classification differences (continued)*

Based on the foregoing, the following table shows the cash flows from operating, investing and financing activities as well as the effect of exchange rate changes on cash and cash equivalents that would be reported in a statement of cash flows:

|   | Year ended June 30, |                     |                    |
|---|---------------------|---------------------|--------------------|
|   | 2010                | 2009                | 2008               |
| Net cash provided by (used in) operating activities         | Ps. 125,158         | Ps. 338,821         | Ps. (34,675)       |
| Net cash used in investing activities                       | (490,170)           | (110,981)           | (691,282)          |
| Net cash provided by (used in) financing activities         | 318,232             | (241,766)           | 917,833            |
| Effects of exchange rate changes                            | (28)                | (71,516)            | (1,718)            |
| <b>Net (decrease) increase in cash and cash equivalents</b> | <b>Ps. (46,808)</b> | <b>Ps. (85,442)</b> | <b>Ps. 190,158</b> |

*g) Earnings per share*

As described in Note 3.ac), under Argentine GAAP the Company is required to disclose earnings per share information in accordance with RT 18 for all years presented. Note 12 to the consolidated financial statements disclose the computation of basic and diluted net income per common share under Argentine GAAP.

Guidance set forth in RT 18 is similar to the basic principles set forth in ASC No. 260, Earnings per Share, (ASC No. 260), formerly SFAS No. 128 Earnings per Share (SFAS No.128) although certain differences exist.

Under US GAAP, basic and diluted earnings per share are presented in conformity with ASC No. 260.

Under Argentine GAAP, the Company has considered the dilutive effects of outstanding warrants, using the if converted method as applicable. Under US GAAP, dilutive options or warrants that are issued during a period or that expire or are cancelled during a period must be included in the weighted average number of shares outstanding for purposes of computing diluted EPS for the period that they were outstanding. Additionally, dilutive options or warrants exercised during the period must be included in the weighted average number of shares outstanding for purposes of computing diluted EPS for the period prior to actual exercise. Thereafter, the shares issued will be included in the weighted average calculation of shares outstanding used for both basic and diluted EPS. Under US GAAP, the Company applied the treasury-stock method, and consequently, the weighted-average number of potential common stock during the years ended June 30, 2008 would have been 3,003,208 shares. Diluted net income per common share under Argentine GAAP for the year ended June 30, 2008, using the treasury-stock method, would have been Ps. 0.0615.

The following tables set forth the computation of basic and diluted net income per common share under US GAAP for all periods presented:



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|  | Year ended June 30, |             |            |
|--|---------------------|-------------|------------|
|  | 2010                | 2009        | 2008       |
| <b>Numerator:</b>  |                     |             |            |
| Net income attributable to Cresud                          | Ps. 193,399         | Ps. 116,587 | Ps. 16,415 |
| Plus (less): income (loss) impact of assumed conversions:  |                     |             |            |
| Warrants (i)   | 23,812              | (88,184)    |            |
| Interest expense on convertible debt                       |                     |             | 88         |
| Foreign currency exchange gain                             |                     |             | 137        |
| Income tax effects   | (8,334)             | 30,864      | (79)       |
| Management fee   | (1,548)             | 5,732       | (15)       |
| Net income attributable to Cresud plus assumed conversions | Ps. 207,329         | Ps. 64,999  | Ps. 16,546 |

- (i) For the year ended June 30, 2008, the computation of diluted earnings per share excludes the incremental shares from the assumed conversion of the warrants because their inclusion would be anti-dilutive.

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)****II. Additional disclosure requirements (continued)***g) Earnings per share (continued)*

|  | 2010        | Year ended June 30, |  | 2008        |
|--|-------------|---------------------|--|-------------|
|  |             | 2009                |  |             |
| <b>Denominator:</b>                                  |             |                     |  |             |
| Weighted-average number of shares outstanding        | 486,545,863 | 484,929,612         |  | 368,466,065 |
| Plus: incremental shares of assumed conversions:     |             |                     |  |             |
| Convertible Notes                                    |             |                     |  | 1,650,056   |
| Old-warrants (i)                                     |             |                     |  | 1,353,152   |
| Warrants (i)   | 62,355,168  | 59,236,162          |  | 16,970,575  |
| Adjusted weighted-average number of shares           | 548,901,031 | 544,165,774         |  | 388,439,848 |
| <b>Basic and diluted EPS attributable to Cresud:</b> |             |                     |  |             |
| Basic net income per common share                    | Ps. 0.40    | Ps. 0.24            |  | Ps. 0.04    |
| Diluted net income per common share                  | 0.38        | 0.12                |  | 0.04        |

(i) Potential common shares related to these instruments have been calculated using the treasury-stock method as required by US GAAP.

*h) Risks and uncertainties*

The Company is subject to certain business risks arising in connection with its operations which include, among others:

Risks associated with Argentine operations: A substantial part of the Company's operations and properties are located in Argentina. As a result, the Company financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing in Argentina.

***Agricultural Business***

Fresh produce is vulnerable to adverse weather conditions including windstorms, floods, drought and temperature extremes, which are quite common but difficult to predict. Fresh produce is also vulnerable to crop and beef cattle diseases and pests. These factors may result in lower sales volume and increased costs, but may also restrict supplies and lead to an increase in prices for fresh produce.

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The Company's earnings are sensitive to fluctuations in the volatile market prices for its products. Sales prices for crops are based on the market prices quoted in the Argentine grain exchanges, which largely reflect world commodity prices. Beef cattle prices are based on the major Argentine auction markets for cattle and are primarily determined by domestic supply and demand. Milk prices are also determined on the basis of domestic supply and demand.

As with any agribusiness enterprise, the Company's business operations are predominantly seasonal in nature. The harvest and sale of crop (corn, soybean and sunflower) generally occurs from February to June. The harvest of wheat generally occurs from December to January. Other segments of the Company's business, such as its cattle and milk sales, and its forestry activities, tend to be more successive than seasonal in nature.

### ***Real Estate Business***

The Company is subject to certain business risks arising in connection with its operations which include, among others:

Risks associated with Argentine operations. A substantial part of the Company's operations and properties are located in Argentina. As a result, the Company financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing in Argentina.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

*h) Risks and uncertainties (continued)*

Risks associated with office and other buildings leases: The Company's lease revenues from its real estate operations may be adversely affected by (i) local or national economic conditions in the areas in which the properties are located, (ii) oversupply of office space or a reduction in demand for such space, (iii) increased competition from other real estate operators, (iv) changes in the ability of the Company or the tenants to provide for adequate maintenance and/or insurance, (v) increases in operating expenses, (vi) adverse changes in the regional or national economy, (vii) the bankruptcy or insolvency of, or a downturn in the business of, any of its major tenants, and/or (viii) the possibility that such tenants will not renew their leases as they expire. Unfavorable economic conditions could also result in the inability of tenants in certain sectors to meet their lease obligations and otherwise could adversely affect the Company's ability to attract and retain desirable tenants.

Risks associated with development properties activities: Include (i) the potential abandonment of development opportunities; (ii) construction costs may exceed the Company's original estimates, possibly making a project uneconomical; (iii) occupancy rates and rents at a newly completed project may be insufficient to make the project profitable; (iv) the Company's inability to obtain financing on favorable terms for the development of the project; (v) construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs; and (vi) the Company's inability to obtain, or the delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations; (vii) preconstruction buyers may default on their purchase contracts or units in new buildings may remain unsold upon completion of constructions. (viii) sales prices for residential units may be insufficient to cover development cost.

Risks associated with the hotel industry. The success of the Company's operated hotels will depend, in large part, upon the Company's ability to compete in areas such as access, location, quality of accommodations, room rate structure, quality and scope of food and beverage facilities and other services and amenities. The Company's hotels may face additional competition if other companies decide to build new hotels or improve their existing hotels such that they are more attractive to potential guests. In addition, the profitability of the Company's hotels depends on (i) the Company's ability to form successful relationships with international operators to run the hotels; (ii) changes in travel patterns, including seasonal changes; and (iii) taxes and governmental regulations which influence or determine wages, prices, interest rates, construction procedures and costs.

Shopping center operating risks: The development, administration and profitability of shopping centers are impacted by various factors including: the accessibility and the attractiveness of the area where the shopping center is located, the intrinsic attractiveness of the shopping center, the flow of people and the level of sales of each shopping center rental unit, increasing competition from internet sales, the amount of rent collected from each shopping center rental unit and the fluctuations in occupancy levels in the shopping centers. In the event that there is an increase in operational costs, caused by inflation or other factors, it could have a material adverse effect on the Company if its tenants are unable to pay their higher rent obligations due to the increase in expenses.

Since May 28, 1997, Law No. 24,808 provides that tenants may rescind commercial lease agreements after the initial six months upon not less than sixty days written notice, subject to penalties of only one-and-a-half months rent if the tenant rescinds during the first year of the lease, and one-month rent if the tenant rescinds after the first year of the lease. The exercise of such rescission rights could materially and adversely affect the Company.

The Company's property is currently and will continue to be subject to risks incident to the ownership and operation of commercial real estate and residential development properties. The Company's lease sales from its real estate operations may be adversely affected by (i) local or national economic conditions in the areas in which the properties are located; (ii) oversupply of retail space or a reduction in demand for retail

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space; (iii) increased competition from other real estate operators; (iv) changes in the ability of the Company or the tenants to provide for adequate maintenance and/or insurance; (v) increases in operating expenses; and/or (vi) adverse changes in the regional or national economy. Other risks include the inability to collect rent due to bankruptcy or insolvency of tenants or otherwise, the need to periodically renovate, repair and release space and the costs thereof and the ability of a tenant to provide adequate maintenance and insurance. In addition, the failure to sell the property to be constructed (General Paz Project, Caballito Project, Coto Residential Project and Rosario Project), could have a material adverse effect on the Company.

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

*h) Risks and uncertainties (continued)*

An economic downturn in the areas in which the shopping centers are located might adversely affect the Company's sales (through bankruptcy of tenants and reduction in the shopping center sales due to lower variable income). Increases in operating costs due to inflation and other factors may result in some tenants being unable or unwilling to pay rent or expense increases. In addition, the Company has several tenants occupying space in more than one shopping center and, as a result, if any of such tenants should experience financial difficulties and cease paying rent, the Company's operating results could be adversely affected. Furthermore, as leases on properties expire, the Company may be unable to find new tenants or tenants may enter into new leases on terms that are less favorable to the Company. The failure to lease such properties could have a material adverse effect on the Company.

**Credit card operating risks:** Credit card operations are subject to federal legislation and regulation. From time to time, such legislation, as well as competitive conditions, may affect, among other things, credit card finance charges. While the Company cannot predict the effect of future competitive conditions and legislation or the measures the Company might take in response thereto, a significant reduction in the finance charges imposed by Tarshop would have an adverse effect on the Company. In addition, adverse changes in general Argentine economic conditions, including, but not limited to changes in regulations affecting capital market access, market volatility, higher interest rates and increases in delinquencies, charge-offs and personal bankruptcies have a negative effect on the Company.

*i) Severance indemnities*

Under Argentine law and labor agreements, the Company is required to make minimum severance payments to its dismissed employees without cause and employees leaving its employment in certain other circumstances. Under Argentine GAAP, severance payments are expensed as incurred. Under US GAAP, the Company follows the guidelines established by ASC No. 712 ( ASC No. 712 ) Compensation Nonretirement Post-employment Benefits formerly SFAS No. 112, Employers Accounting for Post-employment Benefits , and ASC No. 710 ( ASC No. 710 ) formerly SFAS No. 43, Accounting for Compensated Absences , which requires the accrual of severance costs if they relate to services already rendered, are related to rights that accumulate or vest, are probable of payment and are reasonably estimable. While the Company expects to make severance payments in the future, it is impossible to estimate the number of employees that will be dismissed without proper cause in the future, if any, and accordingly the Company has not recorded such liability.

*j) Operating leases*

This note discloses operating leases information of the Company and its controlled and jointly controlled subsidiaries:

*- Operating lease information:*

**Leases and services from office and other buildings**

The Company enters into cancelable commercial leases with its tenants for terms ranging from three to five years, with most leases having terms of no more than 5 years. Tenants are charged a base rent on a monthly basis. No contingent rentals was recorded for the year ended June 30, 2010.

Leases and services from shopping center operations

The Company enters into cancelable commercial leases with its tenants for terms ranging from three to ten years, with most leases having terms of no more than five years. Tenants are generally charged a rent, which consists of the higher of (i) the base rent and (ii) the percentage rent (which generally ranges between 4% and 10% of the tenants sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant's base rent generally increases between 7% and 12% each year during the term of the lease. Included in lease revenues for the years ended June 30, 2010 and 2009 were contingent rentals of Ps. 95.6 million and Ps. 70.9 million, respectively.

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)****II. Additional disclosure requirements (continued)***j) Operating leases (continued)*

Even though the leases are cancelable by law, the Company considered them to be non-cancelable for these purposes. See

Note 30.I.(x.2) for more information as to how the Company considered this definition.

Minimum future rentals on non-cancelable leases as of June 30, 2010 for each of the five succeeding fiscal years are as follows:

|                 |             |
|-----------------|-------------|
| 2011            | Ps. 231,297 |
| 2012            | 171,450     |
| 2013            | 109,511     |
| 2014            | 43,069      |
| 2015            | 22,348      |
| Thereafter 2016 | 56,896      |
|                 | Ps. 634,571 |

**Farmland leases**

The Company has obligations under cancelable operating leases, primarily for farmland as well as its office facilities. Generally, land leases have initial terms of one or two year. Certain agricultural land leases provide for contingent increases in minimum rentals based on production targets. Lease payments under a portion of the Company's operating leases are based on crop-sharing agreements. Under crop-sharing agreements, leases are paid in kind based upon an agreed-upon percentage of the crops harvested. Land leases expense forms part of the total cost of production of the Company. Substantially all of the leases provide that the Company pays taxes, maintenance, insurance and certain other operating expenses applicable to the leased assets.

Total rent expense, including rents related to land leases, was Ps. 38.7 million, Ps. 53.7 million and Ps. 23.1 million for the years ended June 30, 2010, 2009 and 2008, respectively.

*k) Equity investments*

As of June 30, 2010 and 2009, the equity investees of the Company are Cactus, BrasilAgro and Agro Uranga within the agricultural business, and the equity investees related to the real estate business of the Company are BHSA, BACSA, Manibil, Hersha and Metropolitan.

As of June 30, 2008, the Company's equity investees are Cactus, BrasilAgro and Agro Uranga within the agricultural business and IRSA related to the real estate business of the Company. As discussed in Note 2.b), during fiscal year the Company acquired an additional 11.57% equity interest in IRSA and started consolidating IRSA's accounts as from October 1, 2008. Accordingly, as of June 30, 2010 and 2009, the investment



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in IRSA is no longer reflected as an equity investee.

Under Argentine GAAP, the Company's gain in equity investees for the years ended June 30, 2010, 2009 and 2008 were Ps. 127.1 million, Ps. 49.2 million and Ps. 38.4 million, respectively. Under Argentine GAAP, the Company's share of the net assets of the equity investees as of June 30, 2010 and 2009 were Ps. 1,390.4 million and Ps. 834.5 million, respectively. As discussed in Note 2.f), the equity investment in Metropolitan was valued at zero and a financial liability of US\$1.5 million was recognized representing the maximum commitment to fund Metropolitan's operations.

The table below shows summarized financial information of the Company's significant equity investees on a 100% basis.

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)****II. Additional disclosure requirements (continued)***k) Equity investments (continued)*

| <b>Metropolitan (i)</b> | <b>2010</b>   | <b>2009</b> |
|-------------------------|---------------|-------------|
| Total assets            | Ps. 850,393   | 868,750     |
| Total liabilities       | Ps. 1,423,866 | 1,410,383   |
| Shareholders' equity    | Ps. (573,473) | (541,633)   |
| Revenues                | Ps. 231,195   | 227,066     |
| Net loss                | Ps. (12,505)  | (775,702)   |

Summarized financial information in accordance with Central Bank's policies which prescribe the reporting and disclosure requirements for banks and financial institutions in Argentina ( Argentine Banking GAAP ) of BHSA a significant equity investee (on a 100% basis) is as follows:

| <b>BHSA</b>              | <b>2010</b>    | <b>2009</b>    |
|--------------------------|----------------|----------------|
| Current assets           | Ps. (ii)       | Ps. (ii)       |
| Non-current assets       | Ps. (ii)       | Ps. (ii)       |
| Total assets             | Ps. 11,284,071 | Ps. 11,909,440 |
| Current liabilities      | Ps. (ii)       | Ps. (ii)       |
| Non-current liabilities  | Ps. (ii)       | Ps. (ii)       |
| Total liabilities        | Ps. 8,422,405  | Ps. 9,209,822  |
| Non-controlling interest | Ps. 37,133     | Ps. 36,881     |
| Shareholders' equity     | Ps. 2,861,666  | Ps. 2,662,737  |

|                   | <b>For the year ended June 30,</b> |               |              |
|-------------------|------------------------------------|---------------|--------------|
|                   | <b>2010</b>                        | <b>2009</b>   | <b>2008</b>  |
| Revenues          | Ps. 1,222,309                      | Ps. 1,016,159 | Ps. 696,591  |
| Gross profit      | 560,719                            | 400,851       | 145,898      |
| Net income (loss) | Ps. 198,929                        | Ps. 50,463    | Ps. (59,562) |

(i) Balance sheet of real estate companies are unclassified

(ii) Balance sheets of banking entities are unclassified

*l) Investments in debt and equity securities*

In accordance with ASC No. 320 ( ASC No. 320 ), Investments - Debt and Equity Securities , formerly SFAS No. 115 Accounting for Certain Investments in Debt and Equity Securities , the Company has classified mutual funds, its investments in IRSA Non-Convertible Notes, its investments in mortgage and government bonds as available-for-sale securities. The following are additional disclosure requirements in accordance with ASC No. 320:

*Available-for-sale securities*

The Company has classified the following investments in marketable securities as available for sale and, as such, the securities are carried at fair value. Unrealized gains and losses determined to be temporary are recorded as other comprehensive income, net of related deferred taxes, until realized. Unrealized losses determined to be other than temporary are recognized in the period the determination is made. As of the date of these financial statements, the Company has not determined any unrealized losses to be other than temporary.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)****II. Additional disclosure requirements (continued)***1) Investments in debt and equity securities (continued)*

The cost and estimated fair values of marketable securities available for sale as of June 30, 2010, 2009 and 2008 were as follows:

| Instrument                     | Cost           | 2010            |                 | Fair value     |
|--------------------------------|----------------|-----------------|-----------------|----------------|
|                                |                | Unrealized gain | Unrealized loss |                |
| Mutual Funds                   | 114,345        | 975             |                 | 115,320        |
| Dolphin Fund (ii)              | 38,097         |                 | (4,696)         | 33,401         |
| Shares of public companies(ii) | 4,240          |                 | (166)           | 4,074          |
| Mortgage bonds                 | 823            | 95              |                 | 918            |
| Government bonds (i)           | 143            | 39              |                 | 182            |
| <b>Total</b>                   | <b>157,648</b> | <b>1,109</b>    | <b>(4,862)</b>  | <b>153,895</b> |

| Instrument                 | Cost           | 2009            |                 | Fair value     |
|----------------------------|----------------|-----------------|-----------------|----------------|
|                            |                | Unrealized gain | Unrealized loss |                |
| Mutual Funds (ii)          | 118,700        | 1,933           |                 | 120,633        |
| Dolphin Fund               | 22,751         | 7,466           |                 | 30,217         |
| Shares of public companies | 20,061         | 1,542           |                 | 21,603         |
| Mortgage bonds             | 981            | 217             |                 | 1,198          |
| Government bonds (i)       | 14,223         |                 | (26)            | 14,197         |
| <b>Total</b>               | <b>176,716</b> | <b>11,158</b>   | <b>(26)</b>     | <b>187,848</b> |

| Instrument                      | Cost           | 2008            |                 | Fair value     |
|---------------------------------|----------------|-----------------|-----------------|----------------|
|                                 |                | Unrealized gain | Unrealized loss |                |
| Mutual Funds (ii)               | 492,134        |                 | (18,843)        | 473,291        |
| Mortgage bonds                  | 619            | 4               |                 | 623            |
| Government bonds (ii)           | 94             |                 | (1)             | 93             |
| IRSA Non-Convertible Notes (ii) | 12,683         |                 | (1,398)         | 11,285         |
| <b>Total</b>                    | <b>505,530</b> | <b>4</b>        | <b>(20,242)</b> | <b>485,292</b> |

(i) New cost basis includes an other-than-temporary impairment of Ps. 2.0 million as of June 30, 2009.

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(ii) Unrealized loss position for less than 12 months.

Gross loss of Ps. 3.5 million and a gross gain of Ps. 51.7 million and Ps. 3.2 for the years ended June 30, 2010, 2009 and 2008, respectively, were realized on those sales.

In evaluating whether a security was other than temporarily impaired, the Company considered the severity and length of time impaired for each security in a loss position and other qualitative data.

As of June 30, 2008, mutual funds, government bonds and IRSA Non-Convertible Notes have been in a continuous unrealized loss position for less than 12 months. These unrealized losses are not deemed to be other than temporarily impaired. The Company has the ability and intent to hold these securities for reasonable period of time to allow for recovery of value.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)****II. Additional disclosure requirements (continued)***l) Investments in debt and equity securities (continued)*

The information and the reconciliation item regarding the investment in Hersha Hospitality Trust, an available for sale security for US GAAP purposes, has been included separately below.

***Accounting for the investment in Hersha Hospitality Trust***

IRSA has a 10.9% investment in Hersha Hospitality Trust as of June 30, 2010 (See Note 2.f.B). Under Argentine GAAP, this investment has been valued at cost. Under US GAAP, since the investment in Hersha represents an investment in an equity security with a readily determinable fair values and not held for trading, the investment has been valued at fair value in accordance with ASC No. 320. Gains or losses resulting from changes in fair value are recognized in other comprehensive income in the shareholders' equity.

The cost and estimated fair values of Hersha Hospitality Trust at June 30, 2010 were as follows:

|                          | Amortized<br>Cost<br>Basis | Fair<br>Value | Gross<br>unrealized<br>Gain | Gross<br>unrealized<br>Loss |
|--------------------------|----------------------------|---------------|-----------------------------|-----------------------------|
| <b>June 30, 2010</b>     |                            |               |                             |                             |
| Hersha Hospitality Trust | Ps. 204,553                | Ps. 315,997   | Ps. 111,444                 | Ps.                         |
|                          | Ps. 204,553                | Ps. 315,997   | Ps. 111,444                 | Ps.                         |

*m) Maturities of long-term debt*

Aggregate annual maturities during the next years (excluding current portion of Ps. 1,053,736 and capitalized costs of issuance of debt of Ps. 8,633 - See Note 30.II.b)), as of June 30, 2010, are as follows:

|                 |             |
|-----------------|-------------|
| 2012            | Ps. 36,548  |
| 2013            | 69,549      |
| Thereafter 2015 | 755,702     |
|                 | Ps. 861,799 |

*n) Disclosure of related parties transactions*

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Pursuant to ASC No. 850 Related Party Disclosures ( ASC No. 850 ), the Company provides the following additional disclosures of transactions with related parties. This section should be read in conjunction with Note 8 to the Consolidated Financial Statements.

- Consulting agreement: Pursuant to the terms of a consulting agreement with Consultores Asset

Management S.A. ( CAMSA ) CAMSA provides the Company advisory services on matters related to capital investments in all aspects of the agriculture business. A shareholder and director of the Company is the owner of 85% of the capital stock of CAMSA, while Cresud's first vice Chairman of the Board holds the other 15% of its capital stock. The Company pays CAMSA an annual fee equivalent to 10% of the after-tax net income for these services. Fees totaled Ps. 20.6 million, Ps. 13.6 million and Ps. 2.2 million for the years ended June 30, 2010, 2009 and 2008, respectively.

- Acquisitions: During the year ended June 30, 2010 and 2009, Cresud acquired 10,667,870 and 78,181,444 additional shares of IRSA, respectively. Consequently, Cresud's share in IRSA as of June 30, 2010 amounts approximately to 57.49%. Therefore, as from October 2008 Cresud exercises control on the Company as it holds the necessary votes to form the social will in the ordinary meetings of shareholders.

During fiscal year 2010, the Company, through its subsidiary, IRSA, acquired additional shares of Banco Hipotecario for Ps. 118.7 million, of which as of June 30, 2010, Ps. 112.6 million were paid.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

*n) Disclosure of related parties transactions (continued)*

- **Donations:** For the years ended June 30, 2010, 2009 and 2008, the Company made unconditional promises to give money to two not-for-profit organizations, namely *Fundación IRSA* and *Museo de los Niños*, amounting Ps. 5.6 million and Ps. 1.7 million as of June 30, 2010 and 2009 respectively. The Company made no donations to *Fundación IRSA* during fiscal year ended June, 30 2008. Unconditional promises are paid in the subsequent year. A director and shareholder of the Company is the President of these organizations.

- **Lease agreements:** Our principal executive offices are located at Bolívar 108, in the City of Buenos Aires. In the past we subleased a portion of our headquarters from *Consultores Assets Management S.A.* (formerly *Dolphin Fund Management*) pursuant to two lease agreements dated June 30, 1997. As of November 25, 2003 Eduardo Elsztain is the owner of 100% of its capital stock. *Consultores Assets Management S.A.* leased such offices both from *Elsztain e Hijos S.C.A.*, a company controlled by relatives of Eduardo S. Elsztain, our chairman, and also from *Hamonet S.A.*, a company controlled by Fernando A. Elsztain, our director, and certain of his relatives.

- **Mutual investment fund:** The Company has investments in *Dolphin Fund Plc*, an open ended investment fund which is related to the Company's directors. These investments are carried at market value as of year-end, with unrealized gains reported in earnings within Financial results, net in the accompanying consolidated statements of income.

The Company recognized net gain of Ps. 3.2 million for the year ended June 30, 2010.

- **Corporate services:** In view of the fact that the Company, *IRSA* and *APSA* have operating areas with certain similarities, the *IRSA's* 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 the Company, *IRSA* and *APSA*, which was subsequently amended on August 23, 2007, August 14, 2008 and November 27, 2009.

The Framework Agreement for the Exchange of Corporate Services executed by and between the Company, *IRSA* 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, Internal Audit, Planning and Development, Development of Works, Real Estate, Hotels and Tourism, and Risks and Processes.

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

On March 12, 2010 we entered into a new amendment to the Service Sharing Agreement within the Company, *IRSA* and *APSA* so as to simplify the issues arising from the consolidation of the Financial Statements resulting from the increase of *Cresud's* interest in *IRSA*. In this regard, the



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IRSA's Board of Directors has deemed it convenient and advisable for achieving such simplification, to transfer labor contracts, like those of APSA, to Cresud. Effective since January 1, 2010, labor costs of such employees were transferred to our payroll, which will continue to be distributed pursuant to the conditions of the Shared Services Agreement. In the future, and in order to follow the policy of making the most efficient distribution of corporate resources among the different areas, this agreement may be extended to other areas share by the Company, IRSA and APSA.

It should be noted that, notwithstanding this procedure, the Company, IRSA and APSA maintain total independence in their strategic and commercial decisions, and that the allocation of costs and income is performed

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)**

**II. Additional disclosure requirements (continued)**

*n) Disclosure of related parties transactions (continued)*

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

- Legal services: During the years ended June 30, 2010, 2009 and 2008, the Company paid the law firm Zang, Bergel & Viñes an aggregate amount of approximately Ps. 4.9 million, Ps. 5.5 million and Ps. 1.0 million, respectively, for legal services. Certain directors or alternative directors of the Company are partners of the law firm and an alternate director of the Company is off counsel of the law firm.

*o) Comprehensive income*

ASC No. 220 Comprehensive Income ( ASC No. 220 ) establishes guidelines for the reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general purpose Financial Statements. ASC No. 220 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a Financial Statement that is displayed with the same prominence as other Financial Statements. Accumulated other comprehensive income is presented below, net of income tax benefit/expense:

|  | Year ended June 30, 2010 |                                 |             |
|--|--------------------------|---------------------------------|-------------|
|  | Cresud                   | Non-<br>controlling<br>interest | Total       |
| Net income under US GAAP   | Ps. 193,399              | Ps. 257,510                     | Ps. 450,909 |
| Changes in other comprehensive income items of equity investees  |                          |                                 |             |
| Foreign currency translation in the investee   | 108,256                  | 80,080                          | 188,336     |
| Unrealized holding gain (loss) on available-for-sale securities outstanding at the end of the year (i) | 29,768                   |                                 | 29,768      |
| Unrealized loss on retained interest in transferred mortgage and credit card receivables (ii)          | 35,699                   | 27,067                          | 62,766      |
|  | 540                      | 945                             | 1,485       |
| Comprehensive income   | Ps. 367,662              | Ps. 365,602                     | Ps. 733,264 |

- (i) Net of income taxes of Ps. (34,189).
- (ii) Net of income taxes of Ps. (796).

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)**

**II. Additional disclosure requirements (continued)**

*o) Comprehensive income (continued)*

|  | Year ended June 30, 2009 |                                 |             |
|--|--------------------------|---------------------------------|-------------|
|  | Cresud                   | Non-<br>controlling<br>interest | Total       |
| Net income (loss) under US GAAP  | Ps. 116,587              | Ps. (690)                       | Ps. 115,897 |
| Changes in other comprehensive income items of equity investees  | (27,938)                 | (17,719)                        | (45,657)    |
| Foreign currency translation in the investee   | 18,618                   |                                 | 18,618      |
| Unrealized holding gain (loss) on available-for-sale securities outstanding at the end of the year (i) | 8,650                    | (4,136)                         | 4,514       |
| Unrealized loss on retained interest in transferred mortgage and credit card receivables (ii)          | (1,107)                  | (2,178)                         | (3,285)     |
| Comprehensive income (loss)  | Ps. 114,811              | Ps. (24,723)                    | Ps. 90,088  |

(i) Net of income taxes of Ps. (2,432).

(ii) Net of income taxes of Ps. 1,769.

|   | Year ended June 30, 2008 |                                 |            |
|---|--------------------------|---------------------------------|------------|
|   | Cresud                   | Non-<br>controlling<br>interest | Total      |
| Net income under US GAAP  | Ps. 16,415               | Ps. 266                         | Ps. 16,681 |
| Changes in other comprehensive income items of equity investees                                 | (21,790)                 |                                 | (21,790)   |
| Foreign currency translation in the investee  | 16,465                   |                                 | 16,465     |
| Reclassification of IRSA's Convertible Notes from Held-to-Maturity to Available-for-Sales       | (169,983)                |                                 | (169,983)  |
| Unrealized holding loss on available-for-sale securities outstanding at the end of the year (i) | (13,340)                 |                                 | (13,340)   |

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Comprehensive (loss) income Ps. (172,233) Ps. 266 Ps. (171,967)

(i) Net of income taxes of Ps. 7,183

|   | As of June 30, 2010 |                          |             |
|---|---------------------|--------------------------|-------------|
|   | Cresud              | Non-controlling interest | Total       |
| Changes in other comprehensive income items of equity investees   | Ps. 82,477          | 62,361                   | Ps. 144,838 |
| Foreign currency translation in the investee  | 66,449              |                          | 66,449      |
| Unrealized holding gain on available-for-sale securities outstanding at the end of the year (net of income tax) | 31,194              | 22,931                   | 54,125      |
| Unrealized loss on retained interest in transferred mortgage and credit card receivables                        | (567)               | (1,232)                  | (1,799)     |
| Accumulated other comprehensive income  | Ps. 179,553         | Ps. 84,060               | Ps. 263,613 |

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)**

**II. Additional disclosure requirements (continued)**

*o) Comprehensive income (continued)*

|   | As of June 30, 2009 |                                 |              |
|---|---------------------|---------------------------------|--------------|
|   | Cresud              | Non-<br>controlling<br>interest | Total        |
| Changes in other comprehensive income items of equity investees   | Ps. (25,779)        | (17,719)                        | Ps. (43,498) |
| Foreign currency translation in the investee  | 36,681              |                                 | 36,681       |
| Unrealized holding loss on available-for-sale securities outstanding at the end of the year (net of income tax) | (4,505)             | (4,137)                         | (8,642)      |
| Unrealized loss on retained interest in transferred mortgage and credit card receivables                        | (1,107)             | (2,178)                         | (3,285)      |
| Accumulated other comprehensive income (loss)   | Ps. 5,290           | Ps. (24,034)                    | Ps. (18,744) |

|   | As of June 30, 2008 |                                 |           |
|---|---------------------|---------------------------------|-----------|
|   | Cresud              | Non-<br>controlling<br>interest | Total     |
| Changes in other comprehensive income items of equity investees   | Ps. 2,159           |                                 | Ps. 2,159 |
| Foreign currency translation in the investee  | 18,063              |                                 | 18,063    |
| Unrealized holding loss on available-for-sale securities outstanding at the end of the year (net of income tax) | (13,156)            |                                 | (13,156)  |
| Accumulated other comprehensive income  | Ps. 7,066           | Ps.                             | Ps. 7,066 |

For the year ended June 30, 2010, several accounting standards were effective for the Company. The Company provides below a description of those standards which are relevant to the Company's business only and the impact of their adoption if any.

*p) Recently issued accounting standards*

*Financial Accounting Standard No. 141 (Revised 2007), Business Combinations ( FAS No. 141(R) ) or Accounting Standards Codification ( ASC ) 805, Business Combinations*

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The Company adopted FAS No. 141(R), or ASC No. 805, on July 1, 2009, the first day of the 2010 fiscal year. This topic significantly changed the accounting for business combinations. Under this topic, an acquiring entity is required to recognize all the assets acquired and all the liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Transaction costs are no longer included in the measurement of the business acquired. Instead, these costs are expensed as they are incurred. This topic also includes a substantial number of new disclosure requirements. It applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which for the Company was the beginning of the 2010 fiscal year. The adoption of this topic did have a material impact on the consolidated financial statements. See Notes 30.II.c. and 30.II.d. for details.

*Financial Accounting Standards No. 157, Fair Value Measurements ( FAS No. 157 ) or ASC No. 820, Fair Value Measurements and Disclosures*

The Company adopted FAS No. 157 or ASC No. 820, on July 1, 2008, the first day of the 2009 fiscal year. FASB Staff Position ( FSP ) FAS No. 157-2, Effective Date of Financial Accounting Standards Board ( FASB ) Statement No. 157 ( FSP FAS No. 157-2 ), or ASC No. 820-10, amended ASC No. 820 by delaying its effective date, by one year, for non-financial assets and non-financial liabilities, except for items that are recognized or

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

*p) Recently issued accounting standards (continued)*

disclosed at fair value in the financial statements on a recurring basis. In accordance with ASC No. 820-10, the Company adopted the provisions of ASC No. 820 to non-financial assets and non-financial liabilities on July 1, 2009, the first day of the 2010 fiscal year. The adoption did not have a material impact on the consolidated financial statements.

*Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements-an Amendment of ARB No. 51 ( FAS No. 160 ) or ASC No. 810-10-65-1, Consolidation - Transition*

The Company adopted FAS No. 160 or ASC No. 810-10-65-1, on July 1, 2009, the first day of the 2010 fiscal year. This topic establishes new accounting and reporting standards for noncontrolling interests, previously known as minority interests, in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of noncontrolling interests as equity in the consolidated financial statements separate from the parent's equity. The amount of net income or loss attributable to the noncontrolling interests is included in consolidated net income on the face of the income statement. This topic clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income attributable to the Company when a subsidiary is deconsolidated. Such gain or loss is measured using the fair value of the noncontrolling equity investment on the deconsolidation date. This topic also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interests. This topic is applied prospectively for fiscal years and interim periods within those fiscal years, beginning with the current fiscal year, except for the presentation and disclosure requirements, which are applied retrospectively for all periods presented. The adoption of this topic did not have a material impact on the consolidated financial statements.

*FSP FAS No. 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies ( FSP FAS No. 141(R)-1 ) or new accounting guidance within ASC No. 805, Business Combinations*

The Company adopted FSP FAS No. 141(R)-1, or ASC No. 805, on July 1, 2009, the first day of the 2010 fiscal year. This topic applies to all assets acquired and all liabilities assumed in a business combination that arise from contingencies. This topic states that the acquirer will recognize such an asset or liability if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If it cannot be determined during the measurement period, then the asset or liability should be recognized at the acquisition date if the following criteria, consistent with the guidelines for accounting for contingencies, are met: (1) information available before the end of the measurement period indicates that it is probable that an asset existed or that a liability had been incurred at the acquisition date, and (2) the amount of the asset or liability can be reasonably estimated. The adoption of this topic did not have a material impact on the consolidated financial statements.

*FSP FAS No. 142-3, Determination of the Useful Life of Intangible Assets ( FSP FAS No. 142-3 ) or ASC No. 350-30-50-4*

The Company adopted FSP FAS No. 142-3, or ASC No. 350-30-50-4, on July 1, 2009, the first day of the 2010 fiscal year. This topic amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FAS No. 142, Goodwill and Other Intangible Assets ( FAS No. 142 ). This topic is intended to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure the fair value of the asset. This topic requires an entity to disclose information related to the extent to which the expected future cash flows associated with the asset are affected by the entity's intent and/or ability to renew or extend the arrangement. The adoption of this topic did not have a material impact on the consolidated financial



statements.

*EITF Issue 08-6, Equity Method Investment Accounting Considerations ( EITF 08-6 ) or new accounting guidance within ASC No. 323, Investments-Equity Method and Joint Ventures*

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

*p) Recently issued accounting standards (continued)*

The Company adopted Emerging Issues Task Force ( EITF ) 08-6, or ASC No. 323, on July 1, 2009, the first day of the 2010 fiscal year concurrently with the adoption of ASC No. 805 and ASC No. 820-10-65-1. The intent of this topic is to clarify the accounting for certain transactions and impairment considerations related to equity method investments as modified by the provisions of ASC No. 805 and ASC No. 820-10-65-1. The adoption of this topic did not have a material impact on the consolidated financial statements.

*Financial Accounting Standards No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a Replacement of FASB Statement No. 162 ( FAS No. 168 ) or ASC No. 105, Generally Accepted Accounting Principles*

The Company adopted FAS No. 168, or ASC No. 105, in the second quarter of the 2010 fiscal year. This topic is the source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in accordance with generally accepted accounting principles. The adoption of this topic did not have a material impact on the consolidated financial statements.

*Accounting Standards Update No. 2009-05 Fair Value Measurements and Disclosures (Topic 820) Measuring Liabilities at Fair Value ( ASU No. 2009-5 )*

The Company adopted ASU No. 2009-5, which amends ASU Subtopic 820-10, Fair Value Measurements and Disclosures-Overall for the fair value measurement of liabilities, in the second quarter of the 2010 fiscal year. ASU No. 2009-5 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value utilizing one or more of the following techniques: (1) a valuation technique that uses the quoted market price of an identical liability or similar liabilities when traded as assets; or (2) another valuation technique that is consistent with the principles of Topic 820, such as a present value technique. The adoption of ASU No. 2009-5 did not have a material impact on the consolidated financial statements.

*Accounting Standards Update No. 2010-09 Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements ( ASU No. 2010-09 )*

On February 25, 2010, the FASB issued ASU No. 2010-09 Subsequent Events Topic 855 Amendments to Certain Recognition and Disclosure Requirements, effective immediately. The amendments in the ASU remove the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. The FASB believes these amendments remove potential conflicts with the SEC's literature. The adoption of this ASU did not have a material impact on the consolidated financial statements.

*Accounting Standards Update No. 2010-02 Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary - a Scope Clarification ( ASU No. 2010-02 )*

In January 2010, the FASB issued ASU No. 2010-02, Accounting and Reporting for Decreases in Ownership of a Subsidiary a Scope Clarification. This update provides amendments to ASC No. 810-10, Consolidation Overall (formerly SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements) to clarify the scope of the decrease in ownership provisions of ASC No. 810-10 and related guidance. ASU 2010-02 also clarifies that the decrease in ownership guidance does not apply to certain transactions even if they involve businesses. ASU

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2010-02 expands the disclosures required for a business combinations achieved in stages and deconsolidation activity within the scope of ASC No. 810-10. ASU 2010-02 is effective for both interim and annual periods ending on or after December 15, 2009. The amendments are to be applied retrospectively to the first period that an entity adopted ASU 810-10, Consolidation Overall. The adoption of this statement did not have an impact on the consolidated financial statements relative to noncontrolling interests.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

***p) Recently issued accounting standards (continued)***

*Accounting Standards Update No. 2009-06 Income Taxes (Topic 740): Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities ( ASU No. 2009-06 )*

In September 2009, the FASB issued ASU 2009-06, Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities. This ASU includes guidance on the application of FIN 48 by pass-through entities and tax-exempt not-for-profit entities, and eliminates certain disclosures for nonpublic entities. For entities that are currently applying the standards for accounting for uncertainty in income taxes, the guidance and disclosure amendments are effective for financial statements issued for interim and annual periods ending after September 15, 2009. For those entities that have deferred the application of accounting for uncertainty in income taxes, the guidance and disclosure amendments are effective for annual financial statements for years beginning after December 15, 2008. The adoption of ASU No. 2009-09 did not have a material impact on the consolidated financial statements.

*Accounting Standards Update No. 2009-01 Generally Accepted Accounting Principles (Topic 105): Amendments based on Statements of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles ( ASU No. 2009-01 )*

In June 2009, the FASB issued ASU No. 2009-01, Topic 105 - Generally Accepted Accounting Principles - amendments based on Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. This ASU reflected the issuance of FASB Statement No. 168. This ASU amends the FASB Accounting Standards Codification for the issuance of FASB Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. This ASU includes Statement 168 in its entirety, including the accounting standards update instructions contained in Appendix B of the Statement. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. The Codification is effective for interim and annual periods ending after September 15, 2009, and as of the effective date, all existing accounting standard documents will be superseded. The adoption of the Codification resulted in modifications of accounting and reporting references with codification in ASC.

*Accounting Standards Update No. 2009-02 Omnibus Update - Amendments to Various Topics for Technical Corrections ( ASU No. 2009-02 )*

In June 2009, the FASB issued ASU No. 2009-02, Omnibus Update - Amendments to Various Topics for Technical Corrections. This omnibus ASU detailed amendments to various topics for technical corrections and was effective upon issuance. The adoption of ASU No. 2009-02 did not have a material impact on the consolidated financial statements.

*Accounting Standards Update No. 2009-03 SEC Update - Amendments to Various Topics Containing SEC Staff Accounting Bulletins ( ASU No. 2009-03 )*

In August 2009, the FASB issued ASU No. 2009-03, SEC Update - Amendments to Various Topics Containing SEC Staff Accounting Bulletins. This ASU updated cross-references to Codification text and was effective upon issuance. The adoption of ASU 2009-03 did not have a material impact on the consolidated financial statements.

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*Accounting Standards Update No. 2009-04 Accounting for Redeemable Equity Instruments - Amendment to Section 480-10-S99 ( ASU No. 2009-04 )*

In August 2009, the FASB issued ASU No. 2009-04, Accounting for Redeemable Equity Instruments - Amendment to Section 480-10-S99. This ASU represents an update to Section 480-10-S99, Distinguishing Liabilities from Equity, per Emerging Issues Task Force Topic D-98, Classification and Measurement of Redeemable Securities. The ASU was effective upon issuance. The adoption of ASU No. 2009-04 did not have a material impact on the consolidated financial statements.

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

*p) Recently issued accounting standards (continued)*

*Accounting Standards Update No. 2009-07 Technical Corrections to SEC Paragraphs ( ASU No. 2009-07 )*

In September 2009, the FASB issued ASU No. 2009-07, Technical Corrections to SEC Paragraphs. This Accounting Standards Update corrected SEC paragraphs in response to comment letters and was effective upon issuance. The adoption of ASU No. 2009-07 did not have material impact on the consolidated financial statements.

*Accounting Standards Update No. 2009-08 Earnings Per Share Amendments to Section 260-10-S99 ( ASU No. 2009-08 )*

In September 2009, the FASB issued ASU No. 2009-08, Earnings Per Share Amendments to Section 260-10-S99. This ASU represents technical corrections to Topic 260-10-S99, Earnings per Share, based on EITF Topic D-53, Computation of Earnings Per Share for a Period that Includes a Redemption or an Induced Conversion of a Portion of a Class of Preferred Stock and EITF Topic D-42, The Effect of the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock. The ASU was effective upon issuance. The adoption of ASU No. 2009-08 did not have material impact on the consolidated financial statements.

*Accounting Standards Update No. 2009-09 Accounting for Investments - Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees ( ASU No. 2009-09 )*

In September 2009, the FASB issued ASU No. 2009-09, Accounting for Investments-Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees. This ASU represents a correction to Section 323-10-S99-4, Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee. Section 323-10-S99-4 was originally entered into the Codification incorrectly. The ASU was effective upon issuance. The adoption of ASU No. 2009-09 did not have material impact on the consolidated financial statements.

*Accounting Standards Update No. 2009-10 Financial Services - Brokers and Dealers: Investments - Other, Amendment to Subtopic 940-325 ( ASU No. 2009-10 )*

In September 2009, the FASB issued ASU No. 2009-10, Financial Services-Brokers and Dealers: Investments-Other, Amendment to Subtopic 940-325. This ASU codifies the Observer comment in paragraph 17 of EITF 02-3, Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management. The ASU was effective upon issuance. The adoption of ASU No. 2009-10 did not have material impact on the consolidated financial statements.

*Financial Statement of Position (FSP) on Accounting Professional Board (APB) 14-1 Debt with Conversion and Other Options or ASC No. 470 Debt Debt with Conversion and Other Options*

In May 2008, the FASB issued revised guidance on Convertible Debt Instruments. The revised guidance which is now part of ASC No. 470-20 (formerly Staff Position No. Accounting Principles Board 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)). ASC No. 470-20 requires that the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) be separately accounted for in a manner that reflects an issuer's nonconvertible debt borrowing rate. ASC No. 470-20 was effective for the Company on July 1, 2009, the first day of the 2010 fiscal

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year. The adoption of ASC No. 470-20 did not have an impact on the consolidated financial statements.

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

*p) Recently issued accounting standards (continued)*

***Future Adoption of Recently Issued Accounting Standards***

Financial Accounting Standards No. 166, Accounting for Transfers of Financial Assets, an Amendment of FASB Statement No. 140 ( FAS No. 166 ) or Accounting Standards Update No. 2009-16, Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets ( ASU 2009-16 ) and Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46(R) ( FAS No. 167 ) or Accounting Standards Update No. 2009-17, Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities ( ASU 2009-17 ).

FAS No. 166, or ASU 2009-16, amends FAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, by: eliminating the concept of a qualifying special-purpose entity ( QSPE ); clarifying and amending the derecognition criteria for a transfer to be accounted for as a sale; amending and clarifying the unit of account eligible for sale accounting; and requiring that a transferor initially measure at fair value and recognize all assets obtained (for example beneficial interests) and liabilities incurred as a result of a transfer of an entire financial asset or group of financial assets accounted for as a sale. Additionally, on and after the effective date, existing QSPEs (as defined under previous accounting standards) must be evaluated for consolidation by reporting entities in accordance with the applicable consolidation guidance. The topic requires enhanced disclosures about, among other things, a transferor's continuing involvement with transfers of financial assets accounted for as sales, the risks inherent in the transferred financial assets that have been retained, and the nature and financial effect of restrictions on the transferor's assets that continue to be reported in the statement of financial position. The topic will be effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009, which for the Company would be July 1, 2010, the first day of our 2011 fiscal year. The Company is currently assessing the impact that the adoption of ASU 2009-16 may have on the consolidated financial statements.

FAS No. 167, or ASU 2009-17, changes the consolidation guidance applicable to a variable interest entity ( VIE ). It also amends the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This standard also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. Previously, the guidance required reconsideration of whether an enterprise was the primary beneficiary of a VIE only when specific events had occurred. QSPEs, which were previously exempt from the application of this standard, will be subject to the provisions of this standard when it becomes effective. The topic also requires enhanced disclosures about an enterprise's involvement with a VIE. The topic will be effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009, which for the Company would be July 1, 2010, the first day of our 2011 fiscal year. The Company is currently assessing the impact that the adoption of ASU 2009-17 may have on the consolidated financial statements.

*Accounting Standards Update No. 2010-06 Improving Disclosures about Fair Value Measurements (Topic 820) ( ASU No. 2010-6 )*

In January 2010, the Financial Accounting Standards Board ( FASB ) issued ASU No. 2010-06, Improving Disclosures about Fair Value Measurements . ASU No. 2010-06 requires additional disclosures about fair value measurements including transfers in and out of Levels 1 and 2 and a higher level of disaggregation for the different types of financial instruments. For the reconciliation of Level 3 fair value measurements, information about purchases, sales, issuances and settlements are presented separately. This standard is effective for interim and annual reporting periods beginning after December 15, 2009 with the exception of revised Level 3 disclosure requirements which are effective for interim and



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annual reporting periods beginning after December 15, 2010. Comparative disclosures are not required in the year of adoption. The Company will adopt the provisions of the standard on July 1, 2010, the first day of the 2011 fiscal year for the Level 1 and 2 disclosures, and on July 1, 2011 or the first day of the 2012 fiscal year for the Level 3 disclosures.

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

*p) Recently issued accounting standards (continued)*

*Accounting Standards Update No. 2009-13 Revenue Recognition: Multiple-Deliverable Revenue Arrangements- a Consensus of the FASB Emerging Issues Task Force (Topic 605) ( ASU No. 2009-13 )*

In October 2009, the FASB issued ASU No. 2009-13, Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements (a consensus of the FASB Emerging Issues Task Force) which amends ASC No. 605-25, Revenue Recognition: Multiple-Element Arrangements. ASU No. 2009-13 addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how to allocate consideration to each unit of accounting in the arrangement. This ASU replaces all references to fair value as the measurement criteria with the term selling price and establishes a hierarchy for determining the selling price of a deliverable. ASU No. 2009-13 also eliminates the use of the residual value method for determining the allocation of arrangement consideration. Additionally, ASU No. 2009-13 requires expanded disclosures. These provisions are to be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted. The Company will adopt the provisions of these amendments on July 1, 2010, the first day of the 2011 fiscal year and is currently evaluating the impact of these amendments to its consolidated financial statements.

*Accounting Standards Update No. 2010-11 Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives ( ASU No. 2010-11 )*

In March 2010, the FASB issued ASU No. 2010-11, Derivatives and Hedging (Topic 815) - Scope Exception Related to Embedded Credit Derivatives. ASU No. 2010-11 clarifies that the only form of an embedded credit derivative that is exempt from embedded derivative bifurcation requirements are those that relate to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. The provisions of ASU 2010-11 will be effective on July 1, 2010, the first day of the 2011 fiscal year and are not expected to have a significant impact on the Company's consolidated financial statements.

*Accounting Standards Update No. 2010-10 Consolidation (Topic 810): Amendments for Certain Investment Funds ( ASU No. 2010-10 )*

In February 2010, the FASB issued ASU No. 2010-10, Consolidation (Topic 810). The amendments to the consolidation requirements of Topic 810 resulting from the issuance of Statement 167 are deferred for a reporting entity's interest in an entity (1) that has all the attributes of an investment company or (2) for which it is industry practice to apply measurement principles for financial reporting purposes that are consistent with those followed by investment companies. An entity that qualifies for the deferral will continue to be assessed under the overall guidance on the consolidation of variable interest entities in Subtopic 810-10 (before the Statement 167 amendments) or other applicable consolidation guidance, such as the guidance for the consolidation of partnerships in Subtopic 810-20. The deferral is primarily the result of differing consolidation conclusions reached by the International Accounting Standards Board (IASB) for certain investment funds when compared with the conclusions reached under Statement 167. The deferral is effective as of the beginning of a reporting entity's first annual period that begins after November 15, 2009, and for interim periods within that first annual reporting period, which coincides with the effective date of Statement 167. Early application is not permitted. The provisions of ASU No. 2010-10 are effective for the Company on July 1, 2010, the first day of the 2011 fiscal year. The Company expects the adoption of ASU No. 2010-10 will not have a material impact on the consolidated financial statements.

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*Accounting Standards Update No. 2010-20 Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses ( ASU No. 2010-20 )*

In July 2010, the FASB issued ASU No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which requires new and expanded financial statement disclosures. An entity is required to provide qualitative and quantitative disclosures about the allowance for credit losses, credit quality, impaired loans, modifications, and nonaccrual and past due financing receivables. In addition, the disclosures must be disaggregated by portfolio segment or class of financing receivable based on how a company

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**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

*p) Recently issued accounting standards (continued)*

develops its allowance for credit losses and how it manages its credit exposure. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010, which will be on June 30, 2011 for the Company. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010, which will be on July 1, 2011, the first day of the 2012 fiscal year.

*Accounting Standards Update No. 2010-17 Revenue Recognition-Milestone Method (Topic 605): Milestone Method of Revenue Recognition- A Consensus of the FASB Emerging Issues Task Force) ( ASU No. 2010-17 )*

In April 2010, the FASB issued ASU No. 2010-17, Revenue Recognition - Milestone Method (Topic 605): Milestone Method of Revenue Recognition. This ASU codifies the consensus reached in EITF Issue No. 08-9, Milestone Method of Revenue Recognition. The amendments to the Codification provide guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. Consideration that is contingent on achievement of a milestone in its entirety may be recognized as revenue in the period in which the milestone is achieved only if the milestone is judged to meet certain criteria to be considered substantive. Milestones should be considered substantive in their entirety and may not be bifurcated. An arrangement may contain both substantive and nonsubstantive milestones, and each milestone should be evaluated individually to determine if it is substantive. ASU 2010-17 is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted. If a vendor elects early adoption and the period of adoption is not the beginning of the entity's fiscal year, the entity should apply 2010-17 retrospectively from the beginning of the year of adoption. Vendors may also elect to adopt the amendments in this ASU retrospectively for all prior periods. The ASU is effective as from July 1, 2010, the first day of the 2011 fiscal year. The Company does not expect the provisions of ASU 2010-17 to have a material effect on the consolidated financial statements.

*Accounting Standards Update No. 2010-08 Technical Corrections to Various Topics ( ASU No. 2010-08 )*

In February 2010, the FASB issued ASU No. 2010-08 - Technical Corrections to Various Topics. This update's purpose is to eliminate GAAP inconsistencies, update outdated provisions, and provide needed clarifications. The ASU is effective as from July 1, 2010, the first day of the 2011 fiscal year and the adoption of ASU No. 2010-08 will not have a material impact on the consolidated financial statements.

In August 2010, the FASB issued ASU No. 2010-22, Accounting for Various Topics - Technical Corrections to SEC Paragraphs - An announcement made by the staff of the U.S. Securities and Exchange Commission. This ASU amends various SEC paragraphs based on external comments received and the issuance of SAB 112, which amends or rescinds portions of certain SAB topics. The ASU was effective upon issuance. The Company does not expect the provisions of ASU No. 2010-22 to have a material impact on the consolidated financial statements.

*Accounting Standards Update No. 2010-21 Accounting for Technical Amendments to Various SEC Rules and Schedules Amendments to SEC Paragraphs Pursuant to Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies ( ASU No. 2010-21 )*

In August 2010, the FASB issued ASU No. 2010-22, Accounting for Technical Amendments to Various SEC Rules and Schedules Amendments to SEC Paragraphs Pursuant to Release No. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies. The ASU was effective upon issuance. The Company does not expect the provisions of ASU No. 2010-21 to have a material

impact on the consolidated financial statements.

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)****II. Additional disclosure requirements (continued)***q) Pro-rata consolidation of jointly controlled companies*

As discussed in Note 2.c), the Company accounted for its investments in Cresca S.A., Canteras Natal Crespo S.A., Metroshop S.A., Puerto Retiro S.A., Liveck, Baicom Networks S.A. and CYRSA, under the proportionate consolidation method under Argentine GAAP.

Accordingly, the Company deconsolidated jointly controlled companies and prospectively applied the equity method of accounting for these investments. Under US GAAP, since the Company did not exercise control over the subsidiaries, proportionate consolidation was not appropriate and the equity method of accounting was used for all periods presented as disclosed in Note 30.

Presented below is the consolidated condensed information of the Company as of June 30, 2010 and 2009 considering these companies as an equity investee (see Note 2.c):

|                          | As reported      | As of and for the year ended June 30, 2010 |                                    | As adjusted      |
|--------------------------|------------------|--|------------------------------------|------------------|
|                          |                  | Eliminations of<br>companies accounts      | Inclusion as an equity<br>investee |                  |
| Current assets           | Ps. 1,453,381    | Ps. (267,240)                              | Ps.                                | Ps. 1,186,141    |
| Non-current assets       | 5,384,507        | (86,058)                                   | 152,493                            | 5,450,942        |
| <b>Total assets</b>      | <b>6,837,888</b> | <b>(353,298)</b>                           | <b>152,493</b>                     | <b>6,637,083</b> |
| Current liabilities      | 1,928,717        | (157,814)                                  |                                    | 1,770,903        |
| Non-current liabilities  | 1,315,970        | (48,528)                                   | 6,363                              | 1,273,805        |
| <b>Total liabilities</b> | <b>3,244,687</b> | <b>(206,342)</b>                           | <b>6,363</b>                       | <b>3,044,708</b> |
| Non-controlling interest | 1,625,008        | (826)                                      |                                    | 1,624,182        |
| Shareholders equity      | 1,968,193        | (146,130)                                  | 146,130                            | 1,968,193        |
| Revenues                 | 1,882,355        | (269)                                      |                                    | 1,882,086        |
| Gross profit             | 888,221          | 488  |                                    | 888,709          |
| Net income               | Ps. 185,406      | Ps. (9,591)                                | Ps. 9,591                          | Ps. 185,406      |

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)****II. Additional disclosure requirements (continued)***q) Pro-rata consolidation of jointly controlled companies (continued)*

|   | As reported  | As of and for the year ended June 30, 2010 |                                    | As adjusted  |
|---|--------------|--|------------------------------------|--------------|
|   |              | Eliminations of<br>companies accounts      | Inclusion as an equity<br>investee |              |
| Cash and cash equivalents as of the beginning of the year | Ps. 211,676  | Ps. (14,317)                               | Ps.                                | Ps. 197,359  |
| Cash and cash equivalents as of the end of the year       | 175,653      | (10,575)                                   |                                    | 165,078      |
| Net (decrease) increase in cash and cash equivalents      | (36,023)     | 3,742                                      |                                    | (32,281)     |
| Cash Flows From Operating Activities                      | 167,609      | 48,965                                     |                                    | 216,574      |
| Cash Flows From Investing Activities                      | (523,439)    | (45,223)                                   |                                    | (568,662)    |
| Cash Flows From Financing Activities                      | 319,807      |  |                                    | 319,807      |
| Net (decrease) increase in cash and cash equivalents      | Ps. (36,023) | Ps. 3,742                                  | Ps.                                | Ps. (32,281) |

|                          | As reported   | As of and for the year ended June 30, 2009 |                                       | As adjusted   |
|--------------------------|---------------|--|---------------------------------------|---------------|
|                          |               | Eliminations of<br>companies<br>accounts   | Inclusion as an<br>equity<br>investee |               |
| Current assets           | Ps. 1,157,655 | Ps. (40,964)                               | Ps.                                   | Ps. 1,116,691 |
| Non-current assets       | 4,818,401     | (163,462)                                  | 69,976                                | 4,724,915     |
| Total assets             | 5,976,056     | (204,426)                                  | 69,976                                | 5,841,606     |
| Current liabilities      | 1,313,912     | (14,718)                                   | 1,803                                 | 1,300,997     |
| Non-current liabilities  | 1,413,278     | (121,176)                                  |                                       | 1,292,102     |
| Total liabilities        | 2,727,190     | (135,894)                                  | 1,803                                 | 2,593,099     |
| Non-controlling interest | 1,435,982     | (3,852)                                    | 3,493                                 | 1,435,623     |
| Shareholders equity      | 1,812,884     | (64,680)                                   | 64,680                                | 1,812,884     |
| Revenues                 | 1,427,175     | (14,697)                                   |                                       | 1,412,478     |
| Gross profit             | 575,983       | (5,393)                                    |                                       | 570,590       |
| Net income               | Ps. 124,616   | Ps. 21,707                                 | Ps. (21,707)                          | Ps. 124,616   |

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|   | As of and for the year ended June 30, 2009 |  |                                       |               |
|---|--|--|---------------------------------------|---------------|
|   | As reported                                | Eliminations of<br>companies<br>accounts | Inclusion as an<br>equity<br>investee | As adjusted   |
| Cash and cash equivalents as of the beginning of the year | Ps. 521,086                                | Ps. (14,749)                             | Ps.                                   | Ps. 506,337   |
| Cash and cash equivalents as of the end of the year       | 211,676                                    | (14,317)                                 |                                       | 197,359       |
| Net (decrease) increase in cash and cash equivalents      | (309,410)                                  | 432                                      |                                       | (308,978)     |
| Cash Flows From Operating Activities                      | 248,412                                    | 15,654                                   |                                       | 264,066       |
| Cash Flows From Investing Activities                      | (316,055)                                  | (15,222)                                 |                                       | (331,277)     |
| Cash Flows From Financing Activities                      | (241,767)                                  |  |                                       | (241,767)     |
| Net (decrease) increase in cash and cash equivalents      | Ps. (309,410)                              | Ps. 432                                  | Ps.                                   | Ps. (308,978) |

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)*****II. Additional disclosure requirements (continued)****r) Business combinations****1) Fair values of assets and liabilities acquired***

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of acquisition for each transaction (in millions):

|                            | <b>IRSA<br/>2009</b> |
|----------------------------|----------------------|
| Working capital deficiency | (20.8)               |
| Inventories                | 9.1                  |
| Non-Current investments    | 56.7                 |
| Long term debt             | (167.0)              |
| Non-controlling interest   | (27.8)               |
| Fixed assets               | 161.2                |
| Intangible assets          | 23.3                 |
| Deferred income tax        | 114.1                |
| <b>Net assets acquired</b> | <b>148.8</b>         |

***2) Acquisition of IRSA***

The following schedule presents 2009 and 2008 supplemental unaudited pro forma information as if the transaction of IRSA had occurred on July 1, 2008. The unaudited pro forma information is presented based on information available, is intended for informational purposes only and is not necessarily indicative of and does not purport to represent what the Company's future financial condition or operating results will be after giving effect to the transactions and does not reflect actions that may be undertaken by management in integrating this business. In addition, this information does not reflect financial and operating benefits the Company expects to realize as a result of the transactions.

The following table summarizes the unaudited pro forma income statement information of the Company for the fiscal years ended 2009 and 2008:

|   | <b>Year ended June 30,</b> |               |
|---|----------------------------|---------------|
|   | <b>2009</b>                | <b>2008</b>   |
| Revenues                                | Ps. 1,632,479              | Ps. 1,429,664 |
| Net income                              | 116,020                    | 34,622        |
| Earnings per share under Argentine GAAP | 0.24                       | 0.09          |

*s) Presentation of Non-controlling interests*

Under Argentine GAAP, the portion of equity in a subsidiary not attributable directly or indirectly to a parent is known as minority interest and is classified as a separate component between the liability and equity sections of the balance sheet (mezzanine section). Net income or loss for the period excludes earnings attributable to the minority interest. For purposes of earnings per share calculations, net income excludes earnings attributable to the minority interest. Therefore, no adjustments to income available to common shareholders are necessary for earnings attributable to the minority interest.

Under US GAAP, the Company adopted ASC No. 810 Consolidation ( ASC No. 810 ) effective July 1, 2009. ASC No. 810 establishes new accounting and reporting standards for the non-controlling interest, previously known as minority interest, in a subsidiary and for the deconsolidation of a subsidiary. This statement clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as a separate component within equity in the consolidated financial statements. Additionally, consolidated net income is to be reported with separate disclosure of the amounts attributable to the parent and the non-controlling interests. The Company retroactively restated the amounts shown as consolidated shareholders equity, consolidated statement of income, consolidated statement of cash flows and consolidated statements of comprehensive income as required by ASC No 810.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**30. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

*s) Presentation of Non-controlling interests (continued)*

The Company has non-controlling interests in more than one subsidiary. Accordingly, the Company aggregated its various non-controlling interests in the consolidated financial statements. The adoption of ASC No. 810 resulted in a Ps. 1.509 million reclassification of non-controlling interests from the mezzanine section to shareholders equity on the June 30, 2010 consolidated balance sheet. Net income for the year ended June 30, 2010 was increased by Ps. 112 million as a result of the adoption. Prior to the adoption of ASC No. 810 non-controlling interests were deductions to income in arriving at net income. Under ASC No. 810, non-controlling interests are a deduction from net income used to arrive at net income attributable to Cresud Sociedad Anónima Comercial, Inmobiliaria, Financiera y Agropecuaria. For purposes of earnings per share calculations, net income includes earnings attributable to the minority interest. Therefore, an adjustment to income available to common shareholders is necessary for earnings attributable to the non-controlling interest to determine income attributable to common shareholders of the controlling interest.

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)**

**II. Additional disclosure requirements (continued)**

*(i) Investments in real estate and accumulated depreciation*

The following is a summary of the Company's investments in real estate as of June 30, 2010 prepared in accordance with SEC Regulation S-X 12-28.

| Description                       | Land    | Buildings and improvements | Improvements Sales | Total buildings and improvements | Impairment | Total   | Net carrying value as of June 30 | Date of construction | Date acquired              | Life on which depreciation in latest income statements is computed |                          |
|-----------------------------------|---------|----------------------------|--------------------|----------------------------------|------------|---------|----------------------------------|----------------------|----------------------------|--|--------------------------|
|                                   |         |                            |                    |                                  |            |         |                                  |                      |                            |  | Accumulated depreciation |
| Alto Palermo Park                 | 474     | 196                        | (11)               | 185                              |            | 659     | 113                              | 546                  | June 1996                  | November 1997  | 23                       |
| Av. de Mayo 595                   | 679     | 7,206                      |                    | 7,206                            |            | 7,885   | 2,849                            | 5,036                | July 1992                  | March 1992   | 19                       |
| Av. Madero 942                    |         |                            |                    |                                  |            |         |                                  |                      | N/A                        | July 1994-August 1994  | 10                       |
| Bouchard 551                      | 88,097  | 84,186                     |                    | 84,186                           |            | 172,283 | 10,087                           | 162,196              |                            | March, 2007  |                          |
| Bouchard 710                      | 39,466  | 59,072                     |                    | 59,072                           |            | 98,538  | 7,199                            | 91,339               |                            | May, 2005  | 28                       |
| Constitución 1111                 | 256     | 1,081                      |                    | 1,081                            |            | 1,337   | 440                              | 897                  | September 1994-March 1995  | June 1994  | 18                       |
| Constitución 1159                 | 7,966   | 796                        |                    | 796                              | (3,335)    | 5,427   |                                  | 5,427                |                            | January 1994   | 50                       |
| Costeros Dique IV                 | 4,260   | 23,310                     |                    | 23,310                           |            | 27,570  | 4,226                            | 23,344               | N/A                        | June 2001  | 28                       |
| Costeros Dique II Edificios A y B |         | 21,184                     | (21,184)           |                                  |            |         |                                  |                      | September 1998             | March 1997   | 28                       |
| Dock del Plata                    | 474     | 458                        |                    | 458                              |            | 932     | 68                               | 864                  | N/A                        | November, 2006   | 24                       |
| Intercontinental Plaza Hotel      | 8,671   | 111,998                    | (17)               | 111,981                          |            | 120,652 | 15,879                           | 104,773              | June 1996                  | November, 1997   | 24                       |
| Intercontinental Hotel Libertador | 8,672   | 59,930                     | (17)               | 59,913                           |            | 68,585  | 10,321                           | 58,264               |                            |  |                          |
| Hotel Llao Llao                   | 3,027   | 76,906                     | 2,213              | 79,119                           |            | 82,146  | 45,184                           | 36,962               | October 1973-December 1997 | March 1998   | 16                       |
| Terreno Catalinas Norte           | 24,973  | 82,163                     | 498                | 82,661                           |            | 107,634 | 19,916                           | 87,718               |                            |  | 15                       |
| Libertador 498                    | 100,804 | (100,804)                  | 100,804            |                                  |            | 100,804 |                                  | 100,804              | N/A                        | March 1999   | 27                       |
| Libertador 602                    | 4,041   | 35,567                     | (16,000)           | 19,567                           |            | 23,608  | 5,685                            | 17,923               | N/A                        | December 1995  | 22                       |
| Store Cruceros                    |         | 3,485                      | (3,485)            |                                  |            |         |                                  |                      | N/A                        | May 1996   | 22                       |
| Madero 1020                       | 70      | 445                        | (45)               | 400                              |            | 470     | 145                              | 325                  | N/A                        | December 1995  | 10                       |

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|                |        |        |        |        |        |        |           |                |    |
|----------------|--------|--------|--------|--------|--------|--------|-----------|----------------|----|
| Maipú 1300     | 10,293 | 52,620 | 52,620 | 62,913 | 14,429 | 48,484 | N/A       | September 1995 | 23 |
| Rivadavia 2768 | 76     | 446    | 446    | 522    | 117    | 405    | June 1995 | November 1993  | 22 |

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)****II. Additional disclosure requirements (continued)**(i) *Investments in real estate and accumulated depreciation (continued)*

|      | Land    | Buildings and improvement | Improvements | Sales   | Total buildings and improvements | Impairment | Total   | Accumulated depreciation | Net carrying value as of June 30 | Date of construction            | Date acquired   |
|------|---------|---------------------------|--------------|---------|----------------------------------|------------|---------|--------------------------|----------------------------------|---------------------------------|---|
|      | 12,496  |                           |              |         |                                  |            | 12,496  |                          | 12,496                           | N/A                             |   |
|      | 96      | 389                       |              |         | 389                              | (197)      | 288     | 91                       | 197                              | March 1995                      | December 1994-<br>August 1994-<br>July 1994                 |
|      | 2,547   | 21,882                    |              |         | 21,882                           |            | 24,429  | 6,074                    | 18,355                           | April-June 1994                 | November 1991   |
| 65   | 77,251  | 80,813                    |              |         | 80,813                           |            | 158,064 | 7,587                    | 150,477                          | N/A                             | August 2007   |
|      | 3,010   | 2,065                     |              |         | 2,065                            |            | 5,075   | 280                      | 4,795                            | N/A                             | December 2008   |
| a    | 109,065 | 121,317                   |              |         | 121,317                          |            | 230,382 | 10,517                   | 219,865                          | N/A                             | May 2008  |
|      | 3,660   | 69,029                    |              | (106)   | 68,923                           |            | 72,583  | 2,636                    | 69,947                           | April 2009                      | N/A   |
|      | 9,752   | 274,482                   | 97           |         | 274,579                          |            | 284,331 | 100,405                  | 183,926                          | November 1998                   | N/A   |
|      | 8,694   | 34,116                    | 379,057      |         | 413,173                          |            | 421,867 | 295,552                  | 126,315                          | October 1990                    | November 1997-<br>March 1998                                |
| da   | 18,089  | 186,188                   | 2,331        |         | 188,519                          |            | 206,608 | 124,934                  | 81,674                           | October 1995                    | November 1997-<br>December 1997                             |
|      | 11,268  | 138,340                   | 1,795        |         | 140,135                          |            | 151,403 | 61,857                   | 89,546                           | June 1992                       | June 1997<br>March 1995-<br>September 1996-<br>January 2000 |
|      | 357     | 45,929                    | 631          |         | 46,560                           |            | 46,917  | 22,559                   | 24,358                           | September 1994                  |   |
|      |         | 56,053                    | 2            |         | 56,055                           |            | 56,055  | 40,400                   | 15,655                           | November 1993-<br>December 1993 | November 1997   |
|      | 8,419   | 148,771                   | 718          |         | 149,489                          |            | 157,908 | 80,419                   | 77,489                           | September 1988                  | October 1998  |
| ario | 25,686  | 66,170                    | 576          |         | 66,746                           |            | 92,432  | 13,883                   | 78,549                           | November 2004                   | N/A   |
|      | 10,546  | 111,297                   |              | (2,991) | 108,306                          |            | 118,852 | 37,482                   | 81,370                           | June 1994                       | December 2004   |

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|     |             |               |             |              |               |             |               |               |               |                    |                |
|-----|-------------|---------------|-------------|--------------|---------------|-------------|---------------|---------------|---------------|--------------------|----------------|
| can | 3,046       | 10,585        | 262         |              | 10,847        |             | 13,893        | 566           | 13,327        | Under construction | September 1999 |
|     | 123,568     | 443,005       | 39,025      |              | 482,030       |             | 605,598       | 15,670        | 589,928       | July 2009          | November, 2006 |
|     | 5,009       | 83,258        | 4,118       |              | 87,376        |             | 92,385        | 30,873        | 61,512        | March, 1990        | December, 2006 |
|     | 43,675      | 1,456         |             | (1,234)      | 222           |             | 43,897        | 13,549        | 30,348        | N/A                | N/A            |
|     | Ps. 778,533 | Ps. 2,415,390 | Ps. 532,127 | Ps. (45,090) | Ps. 2,902,427 | Ps. (3,532) | Ps. 3,677,428 | Ps. 1,001,992 | Ps. 2,675,436 |                    |                |

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)**

*II. Additional disclosure requirements (continued)*

*(i) Investments in real estate and accumulated depreciation (continued)*

|  | Year ended June 30, |               |      |
|--|---------------------|---------------|------|
|  | 2010                | 2009          | 2008 |
| Balance, beginning of the year                         | Ps. 3,411,553       | Ps.           | Ps.  |
| Additions during the year:                             |                     |               |      |
| Effect of consolidation with IRSA                      | 3,196               | 3,247,410     |      |
| Acquisition  | 100,804             |               |      |
| Improvements   | 51,848              | 4,372         |      |
| Recovery of impairment                                 | 359                 | 1,083         |      |
| Transfers from work-in-progress leasehold improvements |                     | 257,545       |      |
|  | 3,567,760           | 3,510,410     |      |
| Deductions during the year:                            |                     |               |      |
| Sales  | (54,996)            | (98,857)      |      |
|  | (54,996)            | (98,857)      |      |
| Balance, end of the year                               | Ps. 3,512,764       | Ps. 3,411,553 | Ps.  |



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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**30. Differences between Argentine GAAP and US GAAP (continued)-**

**II. Additional disclosure requirements (continued)**

*(u) Mortgage receivable on real estate*

The following is a summary of the Company's mortgage receivable on real estate as of June 30, 2010 prepared in accordance with SEC S-X 12-29.

| Col. A.<br>Description                      | Col. B.<br>Interest Rate | Col. C.<br>Final maturity date | Col. D.<br>Periodic payment term | Col. E.<br>Prior liens | Col. F.<br>Face amount of mortgages | Col. G.<br>Carrying amount of mortgages | Col. H.<br>Principal amount of loans subject to delinquent principal or interest |
|---|--------------------------|--------------------------------|----------------------------------|------------------------|-------------------------------------|---|--|
| Customer A                                  | 14%                      | December 2012                  | Semi-annual                      | None                   | Ps. 30,680                          | Ps. 26,537                              | None   |
| Customer B                                  | 10%                      | August 2012                    | Monthly                          | None                   | 3,856                               | 3,860                                   | None   |
| Customer C                                  | 6%                       | June 2011                      | Monthly                          | None                   | 3,113                               | 2,485                                   | None   |
| Mortgage receivables Ps. 30,000-Ps. 49,999  | 14-17%                   | September 2009<br>January 2011 | Monthly                          | None                   | 57                                  | 73                                      | None   |
| Mortgage receivables Ps. 50,000 -Ps.69,999  | 14-16%                   | May 2009<br>April 2010         | Monthly                          | None                   | 282                                 | 340                                     | None   |
| Mortgage receivables Ps. 70,000-Ps.99,999   | 12 14%                   | June 2009<br>April 2015        | Monthly                          | None                   | 220                                 | 254                                     | None   |
| Mortgage receivables Ps. 120,000-Ps.139,999 | 14%                      | June 2014                      | Monthly                          | None                   | 128                                 | 50                                      | None   |
| Mortgage receivables Ps. 360,000-Ps.379,999 | 12%                      | November 2012                  | Monthly                          | None                   | 361                                 | 314                                     | None   |
|   |                          |                                |                                  |                        | Ps. 38,697                          | Ps. 33,913                              |  |

**Table of Contents****Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Notes to the Consolidated Financial Statements (continued)****(Amounts in thousands of Argentine Pesos, except as otherwise indicated)****30. Differences between Argentine GAAP and US GAAP (continued)*****II. Additional disclosure requirements (continued)******(u) Mortgage receivable on real estate (continued)***

The summary of activity in mortgage receivables is as follows:

|                             | <b>Year ended June 30,</b> |             |             |
|-----------------------------|----------------------------|-------------|-------------|
|                             | <b>2010</b>                | <b>2009</b> | <b>2008</b> |
| Balance, beginning of year  | Ps. 10,449                 | Ps. 1,343   | Ps. 1,749   |
| Additions during the year:  |                            |             |             |
| New mortgage loans          | 37,669                     | 9,392       | 328         |
| Deductions during the year: |                            |             |             |
| Collections of principal    | (14,205)                   | (286)       | (734)       |
| Balance, end of year        | Ps. 33,913                 | Ps. 10,449  | Ps. 1,343   |

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

**(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

**31. Other financial statement information**

The accompanying tables present additional statement disclosures required under Argentine GAAP. This information is not a required part of the financial statements under US GAAP; however, these tables include information necessary to comply with the valuation and qualifying accounts schedule requirements of the Securities and Exchange Commission.

- a. Property and equipment
  
- b. Intangible assets
  
- c. Allowances and provisions
  
- d. Cost of sales
  
- e. Cost of production
  
- f. Foreign currency assets and liabilities
  
- g. Other expenses

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**Table of Contents****Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**31. Other financial statements information (continued)***a) Property and equipment*

| Principal account               | Current year                   |                            |                             |                          |                                      |                                 |                  |                                    |            |  | Net carrying value as of June 30, 2009 |
|---------------------------------|--------------------------------|----------------------------|-----------------------------|--------------------------|--------------------------------------|---------------------------------|------------------|------------------------------------|------------|--|--|
|                                 | Value at the beginning of year | Additions and/or transfers | Deductions and/or transfers | Value at the end of year | Accumulated at the beginning of year | Decrease (increase) of the year | Current year (3) | Accumulated at the end of the year | Impairment | Net carrying value as of June 30, 2010 |  |
|                                 | Ps.                            | Ps.                        | Ps.                         | Ps.                      | Ps.                                  | Ps.                             |                  | Ps.                                | Ps.        | Ps.                                    | Ps.                                    |
| Arms                            | 323,655                        | 7,687                      | 1,537                       | 329,805                  |                                      |                                 |                  |                                    |            |  |  |
| Wire fences                     | 10,242                         | 654                        | 1,060                       | 9,836                    | 1,694                                | 630                             | 321              | 1,385                              |            | 329,805                                | 323,655                                |
| Watering troughs                | 7,506                          | 1,199                      | 632                         | 8,073                    | 1,782                                | 277                             | 385              | 1,890                              |            | 8,451                                  | 8,548                                  |
| Alfalfa fields and meadows      | 8,351                          | 2,134                      | 1,230                       | 9,255                    | 3,529                                | 853                             | 1,392            | 4,068                              |            | 6,183                                  | 5,724                                  |
| Buildings and constructions     | 40,297                         | 800                        | 1,651                       | 39,446                   | 4,639                                | 89                              | 835              | 5,385                              |            | 5,187                                  | 4,822                                  |
| Machinery and equipment         | 27,676                         | 1,562                      | 29                          | 29,209                   | 22,502                               | 19                              | 1,685            | 24,168                             |            | 34,061                                 | 35,658                                 |
| Trucks and vehicles             | 5,637                          | 1,132                      | 623                         | 6,146                    | 2,935                                | 382                             | 793              | 3,346                              |            | 5,041                                  | 6,133                                  |
| Tools                           | 293                            | 19                         | 3                           | 309                      | 170                                  | 3                               | 15               | 182                                |            | 2,800                                  | 2,703                                  |
| Furniture and fixtures          | 79,540                         | 3,073                      | 963                         | 81,650                   | 57,589                               | 267                             | 6,354            | 63,676                             |            | 127                                    | 123                                    |
| Feeders and troughs             | 55                             | 183                        |                             | 238                      | 2                                    |                                 | 9                | 11                                 |            | 17,974                                 | 21,951                                 |
| Corrals and feeding lanes       | 1,333                          | 251                        | 53                          | 1,531                    | 238                                  | 45                              | 48               | 241                                |            | 227                                    | 53                                     |
| Roads                           | 3,131                          | 100                        | 127                         | 3,104                    | 1,208                                | 111                             | 247              | 1,344                              |            | 227                                    | 53                                     |
| Facilities                      | 203,653                        | 1,998                      | 262                         | 205,389                  | 92,115                               | 220                             | 14,280           | 106,175                            |            | 1,290                                  | 1,095                                  |
| Computer equipment              | 61,013                         | 2,145                      | 389                         | 62,769                   | 50,431                               | 276                             | 6,269            | 56,424                             |            | 1,760                                  | 1,923                                  |
| Oil plants                      | 1,277                          | 73                         |                             | 1,350                    | 613                                  |                                 | 78               | 691                                |            | 99,214                                 | 111,538                                |
| Constructions in progress       | 10,397                         | 21,160                     | 8,552                       | 23,005                   |                                      |                                 |                  |                                    |            | 6,345                                  | 9,617                                  |
| Advances to suppliers           | 28,963                         | 6,194                      | 1,078                       | 34,079                   |                                      |                                 |                  |                                    |            | 659                                    | 664                                    |
| Forest products - costs         | 95                             | 35                         | 83                          | 47                       |                                      |                                 |                  |                                    |            | 23,005                                 | 10,397                                 |
| Forest products - raw materials | 4,320                          |                            |                             | 4,320                    | 288                                  |                                 | 144              | 432                                |            | 34,079                                 | 28,963                                 |
| Improvements to third parties   | 47,711                         | 11,596                     |                             | 59,307                   | 20,483                               |                                 | 4,176            | 24,659                             |            | 47                                     | 95                                     |
| Buildings                       | 256,195                        | 2,711                      | 17                          | 258,889                  | 65,909                               |                                 | 10,037           | 75,946                             |            | 3,888                                  | 4,032                                  |
| Hotels                          |                                |                            |                             |                          |                                      |                                 |                  |                                    |            | 3,888                                  | 4,032                                  |

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|                           |               |                   |             |               |                   |            |             |               |           |               |               |
|---------------------------|---------------|-------------------|-------------|---------------|-------------------|------------|-------------|---------------|-----------|---------------|---------------|
| Office buildings          | 1,076,096     | 813               | 66,297      | 1,010,612     | 82,788            | 11,087     | 25,154      | 96,855        | 226       | 913,531       | 993,267       |
| Other Fixed assets        | 21,928        | 100,804           | 11          | 122,721       | 122               | 9          |             | 113           | 3,335     | 119,273       | 18,201        |
| Commercial real estate    | 6,413         |                   |             | 6,413         | 585               |            | 136         | 721           |           | 5,692         | 5,828         |
| Leasing                   |               |                   |             |               |                   |            |             |               |           |               |               |
| Intangibles               | 2,207,765     | 50,126            | 3,192       | 2,254,699     | 741,892           | 2,962      | 92,126      | 831,056       |           | 1,423,643     | 1,465,870     |
| Other                     | 45,085        | 1,456             | 1,234       | 45,307        | 13,224            | (15)       | 1,720       | 14,959        |           | 30,348        | 31,624        |
| Total as of June 30, 2010 | Ps. 4,478,627 | 217,905           | 89,023      | 4,607,509     | 1,164,738         | 17,215     | 166,204     | 1,313,727     | 3,561     | Ps. 3,290,221 |               |
| Total as of June 30, 2009 | Ps. 299,444   | Ps. (1) 4,454,719 | Ps. 275,536 | Ps. 4,478,627 | Ps. (2) 1,068,806 | Ps. 21,192 | Ps. 117,124 | Ps. 1,164,738 | Ps. 3,891 |               | Ps. 3,309,990 |

- (1) Includes Ps. 4,077.8 million effect of consolidation with IRSA and its subsidiaries and Ps. 190.7 million of higher values as of June 30, 2009.
- (2) Includes Ps. 1,034.3 million effect of consolidation with IRSA and its subsidiaries and Ps. 1.7 million of higher values as of June 30, 2009.
- (3) The allocation of annual depreciation charges in the consolidated statements of income is included in Other expenses (Note 31.g)) except for Ps. 2,068 and Ps. 1,310 for the year ended June 30, 2010 and 2009, respectively, passed-through to tenants

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**31. Other financial statement information (continued)***b) Intangible assets*

| Principal Account                               | Value at the beginning of year | Additions and/or transfers | Deductions and/or transfers | Value at the end of year | Amortization                         |                             | Accumulated at the end of year | Accumulated carrying value as of June 30, 2010 | Net carrying value as of June 30, 2010 | Net carrying value as of June 30, 2009 |
|---|--------------------------------|----------------------------|-----------------------------|--------------------------|--------------------------------------|-----------------------------|--------------------------------|--|--|--|
|   |                                |                            |                             |                          | Accumulated at the beginning of year | Deductions and/or transfers |                                |  |  |  |
| Concession rights                               | Ps. 23,582                     | Ps. 20,873                 | Ps. 44,455                  | Ps. 44,455               | Ps. 1,506                            | Ps. 1,467                   | 2,973                          | Ps. 41,482                                     | Ps. 22,076                             |  |
| Saving expenses of contracts in acquired leases | 18,299                         |                            | 51                          | 18,248                   | 4,530                                | 51                          | 3,203                          | 7,682  | 10,566                                 | 13,769                                 |
| Pre-operating expenses                          | 33,265                         | 12,945                     |                             | 46,210                   | 17,111                               | 438                         | 5,434                          | 22,107   | 24,103                                 | 16,154                                 |
| Tarshop s customers                             | 2,798                          |                            |                             | 2,798                    | 327                                  |                             | 292                            | 619  | 2,179                                  | 2,471                                  |
| Non-compete agreement                           |                                | 12,174                     |                             | 12,174                   |                                      |                             | 3,044                          | 3,044  | 9,130                                  |  |
| Licences  |                                | 75                         |                             | 75                       |                                      |                             | 25                             | 25   | 50                                     |  |
| Trademarks                                      | 1,292                          | 400                        |                             | 1,692                    | 575                                  |                             | 42                             | 617  | 1,075                                  | 717                                    |
| Total as of June 30, 2010                       | Ps. 79,236                     | 46,467                     | 51                          | 125,652                  | 24,049                               | 489                         | 13,507                         | 37,067   | Ps. 88,585                             |  |
| Total as of June 30, 2009                       | Ps. 23,582                     | Ps. (1) 55,654             | Ps. 79,236                  | Ps. 79,236               | Ps. (2) 19,924                       | Ps. 4,125                   | 24,049                         |  |  | Ps. 55,187                             |

(1) Includes Ps. 39.9 million effect of consolidation with IRSA and it's subsidiaries and Ps. 14.2 million of higher values as of June 30, 2009.

(2) Includes Ps. 18.7 million effect of consolidation with IRSA and it's subsidiaries and Ps. 0.4 million of higher values as of June 30, 2009.

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**31. Other financial statement information (continued)***c) Allowances and provisions*

| Items   | Opening Balances |         | Increases for the year (1) |         | Decreases for the year (2) |           | Closing Balances |         |
|---|------------------|---------|----------------------------|---------|----------------------------|-----------|------------------|---------|
| <b>2010</b>   |                  |         |                            |         |                            |           |                  |         |
| Deducted from assets                                  |                  |         |                            |         |                            |           |                  |         |
| Current   |                  |         |                            |         |                            |           |                  |         |
| Allowance for doubtful accounts                       | Ps.              | 129,479 | Ps.                        | 30,571  | Ps.                        | (45,195)  | Ps.              | 114,855 |
| Allowance for impairment of current investments       | Ps.              | 10,198  | Ps.                        |         | Ps.                        | (2,775)   | Ps.              | 7,423   |
| Total deducted from current assets                    | Ps.              | 139,677 | Ps.                        | 30,571  | Ps.                        | (47,970)  | Ps.              | 122,278 |
| Non-current   |                  |         |                            |         |                            |           |                  |         |
| Allowance for doubtful accounts                       | Ps.              | 2,708   | Ps.                        |         | Ps.                        | (1,458)   | Ps.              | 1,250   |
| Allowance for impairment of non-current investments   | Ps.              | 1,841   | Ps.                        | 1,771   | Ps.                        | (2,497)   | Ps.              | 1,115   |
| Allowance for impairment of non-current inventories   | Ps.              | 1,029   | Ps.                        | 870     | Ps.                        | (1,742)   | Ps.              | 157     |
| Allowance for doubtful mortgage                       | Ps.              | 2,208   | Ps.                        |         | Ps.                        |           | Ps.              | 2,208   |
| Allowance for impairment of intangible assets         | Ps.              |         | Ps.                        |         | Ps.                        |           | Ps.              |         |
| Allowance for impairment of undeveloped plots of land | Ps.              | 50      | Ps.                        |         | Ps.                        |           | Ps.              | 50      |
| Allowance for impairment of fixed assets              | Ps.              | 3,891   | Ps.                        | 31      | Ps.                        | (361)     | Ps.              | 3,561   |
| Total deducted from non-current assets                | Ps.              | 11,727  | Ps.                        | 2,672   | Ps.                        | (6,058)   | Ps.              | 8,341   |
| Included in liabilities                               |                  |         |                            |         |                            |           |                  |         |
| Current   |                  |         |                            |         |                            |           |                  |         |
| Provision for lawsuits and contingencies              | Ps.              | 4,051   | Ps.                        | 2,095   | Ps.                        | (3,256)   | Ps.              | 2,890   |
| Total included in current liabilities                 | Ps.              | 4,051   | Ps.                        | 2,095   | Ps.                        | (3,256)   | Ps.              | 2,890   |
| Non-current   |                  |         |                            |         |                            |           |                  |         |
| Provision for lawsuits and contingencies              | Ps.              | 5,823   | Ps.                        | 4,817   | Ps.                        | (932)     | Ps.              | 9,708   |
| Total included in non-current liabilities             | Ps.              | 5,823   | Ps.                        | 4,817   | Ps.                        | (932)     | Ps.              | 9,708   |
| <b>2009</b>   |                  |         |                            |         |                            |           |                  |         |
| Deducted from assets                                  |                  |         |                            |         |                            |           |                  |         |
| Current   |                  |         |                            |         |                            |           |                  |         |
| Allowance for doubtful accounts                       | Ps.              | 381     | Ps.                        | 231,730 | Ps.                        | (102,632) | Ps.              | 129,479 |
| Allowance for impairment of current investments       | Ps.              |         | Ps.                        | 13,669  | Ps.                        | (3,471)   | Ps.              | 10,198  |
| Total deducted from current assets                    | Ps.              | 381     | Ps.                        | 245,399 | Ps.                        | (106,103) | Ps.              | 139,677 |
| Non-current   |                  |         |                            |         |                            |           |                  |         |
| Allowance for doubtful accounts                       | Ps.              |         | Ps.                        | 2,708   | Ps.                        |           | Ps.              | 2,708   |

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|   |     |       |     |        |     |         |     |        |
|---|-----|-------|-----|--------|-----|---------|-----|--------|
| Allowance for impairment of non-current investments   | Ps. |       | Ps. | 7,464  | Ps. | (5,623) | Ps. | 1,841  |
| Allowance for impairment of non-current inventories   | Ps. |       | Ps. | 1,179  | Ps. | (150)   | Ps. | 1,029  |
| Allowance for doubtful mortgage                       | Ps. |       | Ps. | 2,208  | Ps. |         | Ps. | 2,208  |
| Allowance for impairment of intangible assets         | Ps. |       | Ps. |        | Ps. |         | Ps. |        |
| Allowance for impairment of undeveloped plots of land | Ps. |       | Ps. | 360    | Ps. | (310)   | Ps. | 50     |
| Allowance for impairment of fixed assets              | Ps. |       | Ps. | 4,971  | Ps. | (1,080) | Ps. | 3,891  |
| <b>Total deducted from non-current assets</b>         | Ps. |       | Ps. | 18,890 | Ps. | (7,163) | Ps. | 11,727 |
| Included in liabilities                               |     |       |     |        |     |         |     |        |
| Current   |     |       |     |        |     |         |     |        |
| Provision for lawsuits and contingencies              | Ps. |       | Ps. | 8,059  | Ps. | (4,008) | Ps. | 4,051  |
| <b>Total included in current liabilities</b>          | Ps. |       | Ps. | 8,059  | Ps. | (4,008) | Ps. | 4,051  |
| Non-current   |     |       |     |        |     |         |     |        |
| Provision for lawsuits and contingencies              | Ps. | 1,803 | Ps. | 9,737  | Ps. | (5,717) | Ps. | 5,823  |
| <b>Total included in non-current liabilities</b>      | Ps. | 1,803 | Ps. | 9,737  | Ps. | (5,717) | Ps. | 5,823  |

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**Table of Contents****Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Notes to the Consolidated Financial Statements (continued)****(Amounts in thousands of Argentine Pesos, except as otherwise indicated)**

| <b>2008</b>                               |           |            |          |           |
|---|-----------|------------|----------|-----------|
| Deducted from assets                      |           |            |          |           |
| Allowance for doubtful accounts           | Ps. 372   | Ps. 78     | Ps. (69) | Ps. 381   |
| Total deducted from assets                | Ps. 372   | Ps. 78     | Ps. (69) | Ps. 381   |
| Included in non-current liabilities       |           |            |          |           |
| Provision for lawsuits and contingencies  | Ps. 1,748 | Ps. (2) 55 | Ps.      | Ps. 1,803 |
| Total included in non-current liabilities | Ps. 1,748 | Ps. 55     | Ps.      | Ps. 1,803 |

- (1) Includes Allowances deducted from assets for Ps. 264,156, and Allowances included in liabilities for Ps. 15,837 for IRSA Consolidation effect as of June 30, 2009, respectively.
- (2) Includes Allowances deducted from assets for Ps. (113,267), and Allowances included in liabilities for Ps (7,706) for IRSA Consolidation effect, as of June 30, 2009, respectively.

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**31. Other financial statement information (continued)***d) Cost of sales*

|  | For the year ended June 30, |               |             |
|--|-----------------------------|---------------|-------------|
|  | 2010                        | 2009          | 2008        |
| <b><u>Agricultural business:</u></b>                             |                             |               |             |
| I. Cost of sales – crops, beef cattle, milk, feed lot and others |                             |               |             |
| Inventories at the beginning of the year                         | Ps. 135,357                 | Ps. 145,415   | Ps. 100,765 |
| Unrealized gain on inventories - Beef cattle                     | 80,021                      | (122)         | 6,729       |
| Unrealized gain on inventories - Crops                           | (390)                       | (4,784)       | (877)       |
| Conversion differences   | (71)                        | 86            |             |
| Production income (1)  | 213,451                     | 169,089       | 156,300     |
| Transfer of inventory to property and equipment                  | (1,521)                     | (859)         | (714)       |
| Transfer of inventory to cost of sales                           | (7,812)                     |               |             |
| Transfer of unharvested crops to expenses                        |                             | (6,177)       | (6,869)     |
| Purchases  | 44,071                      | 24,300        | 21,547      |
| Operating expenses (Note 31.g))                                  | 16,146                      | 13,141        | 9,530       |
| Inventories at the end of the year                               | (194,424)                   | (135,357)     | (145,415)   |
| <br>   |                             |               |             |
| Cost of sales- crops, beef cattle, milk, feed lot and others     | Ps. 284,828                 | Ps. 204,732   | Ps. 140,996 |
| <br>   |                             |               |             |
| II. Cost of farms  |                             |               |             |
| Stock at the beginning of the year (farms held for sale)         | Ps. 4,825                   | Ps. 94        | Ps. 3,006   |
| <br>   |                             |               |             |
| Cost of farms  | Ps. 4,825                   | Ps. 94        | Ps. 3,006   |
| <br>   |                             |               |             |
| <b><u>Real estate business:</u></b>                              |                             |               |             |
| III. Cost of sales and development of properties                 |                             |               |             |
| Stock at the beginning of the year                               | Ps. 187,116                 | Ps.           | Ps.         |
| Effect of consolidation with IRSA                                | Ps.                         | Ps. 194,994   | Ps.         |
| Operating expenses (Note 31.g))                                  | Ps. 14,004                  | Ps. 8,127     | Ps.         |
| Transfers from fixed assets                                      | Ps. 73,409                  | Ps. 29,037    | Ps.         |
| Tranfers from undeveloped parcels of land                        | Ps. 7,789                   | Ps.           | Ps.         |
| Capitalized interest   | Ps. 1,932                   | Ps.           | Ps.         |
| Sale of business   | Ps. 21,902                  | Ps.           | Ps.         |
| Purchases and Adjustment to purchase price of inventory          | Ps. 84,103                  | Ps. 116,446   | Ps.         |
| Gain from valuation of inventories at fair market value          | Ps. 33,831                  | Ps. 9,041     | Ps.         |
| Stock at the end of the year                                     | Ps. (324,193)               | Ps. (187,116) | Ps.         |
| <br>   |                             |               |             |
| Cost of sales and development of properties                      | Ps. 99,893                  | Ps. 170,529   | Ps.         |

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| IV. Cost of lease and service offices , shopping centers, hotels, consumer financing and others |             |             |     |
|---|-------------|-------------|-----|
| Stock at the beginning of the year  | Ps. 2,676   | Ps.         | Ps. |
| Effect of consolidation with IRSA   | Ps.         | Ps. 3,393   | Ps. |
| Purchases   | Ps. 465     | Ps. (625)   | Ps. |
| Operating expenses (Note 31.g))   | Ps. 402,631 | Ps. 265,302 | Ps. |
| Stock at the end of the year  | Ps. (3,141) | Ps. (2,676) | Ps. |
| <br>  |             |             |     |
| Cost of lease and service offices, shopping centers, hotels, consumer financing and others      | Ps. 402,631 | Ps. 265,394 | Ps. |

- (1) Includes income from change in value of cattle Ps. 20,8 million as of June 2010, Ps. 18.1 million as of June 2009 and Ps. 23.9 million as of June 30, 2008; includes income from change in value of grains Ps. 167,9 million as of June 2010, Ps. 131.5 million as of June 30, 2009, Ps. 114.7 million as of June 30, 2008; and includes income from change in value of milk Ps. 24,8 million as of June 2010, Ps. 19.5 million as of June 30, 2009 and Ps. 17.7 million as of June 30, 2008.

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**Table of Contents****Cresud Sociedad Anónima Comercial, Inmobiliaria,****Financiera y Agropecuaria and Subsidiaries****Notes to the Consolidated Financial Statements (continued)****(Amounts in thousands of Argentine Pesos, except as otherwise indicated)****31. Other financial statement information (continued)***e) Cost of production*

|   | <b>2010</b>        | <b>2009</b>        | <b>2008</b>        |
|---|--------------------|--------------------|--------------------|
| Inventories at the beginning of the year        | Ps. 52,776         | Ps. 42,223         | Ps. 20,041         |
| Unrealized gain on inventories - Beef cattle    | 4,328              | (723)              | 1,806              |
| Unrealized gain on inventories - Crops          | 1,954              | 1,511              | 4,511              |
| Transfer of inventory to property and equipment | (1,044)            | (1,354)            | (1,200)            |
| Transfer of inventory to cost of production     |                    | (13,915)           |                    |
| Transfer of unharvested crops to expenses       | (82,050)           | (72,132)           | (40,163)           |
| Purchases                                       | 102,636            | 94,073             | 54,189             |
| Production                                      | 4,270              | 3,423              | 3,521              |
| Operating expenses (Note 31.g))                 | 202,069            | 210,113            | 115,268            |
| Inventories at the end of the year              | (82,982)           | (52,776)           | (42,223)           |
| <b>Cost of production</b>                       | <b>Ps. 201,957</b> | <b>Ps. 210,443</b> | <b>Ps. 115,750</b> |

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**31. Other financial statement information (continued)***f) Foreign currency assets and liabilities*

| Item  | June 30, 2010                       |                           |                                | June 30, 2009                       |                                |  |
|---|-------------------------------------|---------------------------|--------------------------------|-------------------------------------|--------------------------------|--|
|   | Type and amount of foreign currency | Current exchange rate Ps. | Amount in local currency Pesos | Type and amount of foreign currency | Amount in local currency Pesos |  |
| <b>ASSETS</b>                                 |                                     |                           |                                |                                     |                                |  |
| <b>Current Assets</b>                         |                                     |                           |                                |                                     |                                |  |
| Cash and banks                                |                                     |                           |                                |                                     |                                |  |
| Cash and banks in dollars                     | US\$ 10,568                         | 3.891                     | 41,122                         | US\$ 12,339                         | Ps. 46,358                     |  |
| Cash and banks in Brazilian Reais             | R\$ 5                               | 2.116                     | 11                             | R\$ 5                               | 9                              |  |
| Cash and banks in Euros                       | 366                                 | 4.7688                    | 1,744                          | 464                                 | 2,444                          |  |
| Cash and banks in guaraníes                   | Gs. 23,834                          | 0.008032                  | 191                            | Gs. 913,593                         | 674                            |  |
| Cash and banks in pesos bolivianos            | Bs. 6,059                           | 0.54695                   | 3,314                          | Bs. 4,330                           | 2,290                          |  |
| Cash and banks in pesos uruguayos             | UYU 6                               | 0,162                     | 1                              | UYU 6                               | 1                              |  |
| Cash and banks in libras                      | GBP 2                               | 5,819                     | 14                             | GBP 1                               | 6                              |  |
| Collections to be deposited                   | US\$ 34                             | 3,891                     | 134                            | US\$ 13                             | 49                             |  |
| Investments                                   |                                     |                           |                                |                                     |                                |  |
| Mutual funds (US\$)                           | US\$ 31,821                         | 3.891                     | 123,814                        | US\$ 34,364                         | 129,106                        |  |
| Mutual funds (EUR)                            | 11                                  | 4.769                     | 53                             | 1,400                               | 7,375                          |  |
| Pro 2012 bonds                                | US\$                                | 3.891                     |                                | US\$ 4                              | 15                             |  |
| Public Shares                                 | US\$ 618                            | 3.891                     | 2,405                          | US\$ 5,750                          | 21,603                         |  |
| Public Shares                                 | 291                                 | 4.769                     | 1,386                          |                                     |                                |  |
| Government bonds                              | US\$ 4                              | 3.891                     | 16                             | US\$                                |                                |  |
| Trade accounts receivable                     |                                     |                           |                                |                                     |                                |  |
| Trade accounts receivable in dollars          | US\$ 18,195                         | 3.891                     | 70,797                         | US\$ 3,807                          | 14,303                         |  |
| Trade accounts receivable in pesos bolivianos | Bs. 93                              | 0.54695                   | 51                             | Bs. 9,125                           | 4,825                          |  |
| Trade accounts receivable in pesos uruguayos  | UYU 352                             | 0.162                     | 57                             | UYU 129                             | 21                             |  |
| Debtors from leases and services              | US\$                                | 3.891                     |                                | US\$ 6,968                          | 26,179                         |  |
| Debtors from sale on real estate              | US\$ 725                            | 3.891                     | 2,821                          | US\$ 1,855                          | 6,969                          |  |
| Subsidiaries, related companies Law 19,550    |                                     |                           |                                |                                     |                                |  |
| Section 33 and related parties                | US\$ 1,487                          | 3.931                     | 5,844                          | US\$ 100                            | 376                            |  |
| Other receivables                             |                                     |                           |                                |                                     |                                |  |
| Put Option Metropolitan 885 Third Ave. LLC    | US\$ 12,455                         | 3.891                     | 48,461                         | US\$ 11,819                         | 44,877                         |  |
| VAT receivable, net in dollars                | US\$                                | 3.757                     |                                | US\$ 4                              | 15                             |  |
| VAT receivable, net in guaraníes              | Gs.                                 | 0.008032                  |                                | Gs. 125,805                         | 93                             |  |
| VAT receivable, net in pesos bolivianos       | Bs. 5,747                           | 0.54695                   | 3,143                          | Bs. 4,141                           | 2,190                          |  |
| Guarantee deposits and premiums               | US\$ 859                            | 3.757                     | 3,344                          | US\$ 397                            | 1,490                          |  |
| Premiums collected                            | US\$                                | 3.757                     |                                | US\$ 197                            | 742                            |  |
| Subsidiaries, related companies Law 19,550    |                                     |                           |                                |                                     |                                |  |
| Section 33 and related parties                | US\$ 10,264                         | 3.891                     | 39,937                         | US\$ 19,991                         | 75,106                         |  |

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|                                     |      |        |          |        |      |        |        |
|-------------------------------------|------|--------|----------|--------|------|--------|--------|
| Receivables from the sale of shares | US\$ | 9,194  | 3.891    | 35,772 | US\$ | 9,197  | 34,553 |
| Prepaid expenses, excluding leases  | US\$ | 242    | 3.891    | 943    | US\$ | 4,306  | 16,178 |
| Guarantee of defaulted credits      | US\$ |        | 3.891    |        | US\$ | 1,120  | 4,208  |
| Expenses to be recovered            | Gs.  | 20,671 | 0.008032 | 166    | Gs.  | 63,431 | 47     |
| Others in dolares                   | US\$ | 203    | 3.891    | 789    | US\$ | 261    | 981    |
| Others in guaraníes                 | Gs.  | 10,810 | 0.008032 | 87     | Gs.  | 12,953 | 10     |
| Others in pesos bolivianos          | Bs.  | 5      | 0.54695  | 3      | Bs.  | 66     | 35     |
| Others in pesos uruguayos           | UYU  | 6      | 0.162    | 1      | UYU  |        |        |

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**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**31. Other financial statement information (continued)-***f) Foreign currency assets and liabilities (continued)*

| Item                                  | June 30, 2010                       |                           |                                | June 30, 2009                       |                           |                                |         |
|---------------------------------------|-------------------------------------|---------------------------|--------------------------------|-------------------------------------|---------------------------|--------------------------------|---------|
|                                       | Type and amount of foreign currency | Current exchange rate Ps. | Amount in local currency Pesos | Type and amount of foreign currency | Current exchange rate Ps. | Amount in local currency Pesos |         |
| <b>Non-Current Assets</b>             |                                     |                           |                                |                                     |                           |                                |         |
| Other receivables                     |                                     |                           |                                |                                     |                           |                                |         |
| Deferred income tax                   | Gs.                                 | 22,867                    | 0.008032                       | 184                                 | Gs.                       | 23,041                         | 17      |
| Deferred income tax                   | Bs.                                 | 7,852                     | 0.54695                        | 4,295                               | Bs.                       | 3,419                          | 1,808   |
| Prepaid expenses                      | Bs.                                 |                           | 0.54695                        |                                     | Bs.                       | 426                            | 225     |
| Others                                | US\$                                | 30                        | 3.891                          | 117                                 | US\$                      | 46                             | 173     |
| Others                                | Bs.                                 | 22                        | 0.54695                        | 12                                  | Bs.                       | 22                             | 12      |
| Trade accounts receivable             |                                     |                           |                                |                                     |                           |                                |         |
| Debtors from leases and services      | US\$                                |                           | 3.891                          |                                     | US\$                      | 365                            | 1,371   |
| Debtors from sale in foreign currency | US\$                                | 4,377                     | 3.891                          | 17,030                              | US\$                      | 120                            | 451     |
| Debtors form sale of real estate      |                                     |                           | 3.891                          |                                     | US\$                      | 573                            | 2,153   |
| Investments                           |                                     |                           |                                |                                     |                           |                                |         |
| Advances for shares purchases         | US\$                                | 6,000                     | 3.891                          | 23,346                              | US\$                      | 600                            | 2,254   |
| Shares of public companies            | US\$                                | 52,031                    | 3.931                          | 204,533                             | US\$                      |                                |         |
| Others                                | US\$                                | 100                       | 3.931                          | 393                                 | US\$                      |                                |         |
| Inventories                           |                                     |                           |                                |                                     |                           |                                |         |
| Crops                                 | Gs.                                 | 3,847                     | 0.008032                       | 31                                  | Gs.                       |                                |         |
| Crops                                 | Bs.                                 | 3                         | 0.54695                        | 2                                   | Bs.                       |                                |         |
| Unharvested Crops                     | Gs.                                 | 83,171                    | 0.008032                       | 668                                 | Gs.                       |                                |         |
| Unharvested Crops                     | Bs.                                 | 21,425                    | 0.54695                        | 11,718                              | Bs.                       |                                |         |
| Materials and others                  | Gs.                                 | 15,965                    | 0.008032                       | 128                                 | Gs.                       |                                |         |
| Materials and others                  | Bs.                                 | 12,235                    | 0.54695                        | 6,692                               | Bs.                       |                                |         |
| Fixed assets                          |                                     |                           |                                |                                     |                           |                                |         |
| Property and Equipment, net           | Gs.                                 | 3,832,351                 | 0.008032                       | 30,781                              | Gs.                       |                                |         |
| Property and Equipment, net           | Bs.                                 | 194,002                   | 0.54695                        | 106,109                             | Bs.                       |                                |         |
| Intangible assets                     |                                     |                           |                                |                                     |                           |                                |         |
| Intangible assets, net                | Gs.                                 | 739                       | 0.008032                       | 6                                   | Gs.                       |                                |         |
| <b>US\$</b>                           | US\$                                | 159,207                   |                                | 621,618                             | US\$                      | 114,196                        | 429,510 |
| <b>R\$</b>                            | R\$                                 | 5                         |                                | 11                                  | R\$                       | 5                              | 9       |
|                                       |                                     | 668                       |                                | 3,183                               |                           | 1,864                          | 9,819   |
| <b>Bs.</b>                            | Bs.                                 | 247,443                   |                                | 135,339                             | Bs.                       | 21,529                         | 11,385  |

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|   |      |           |         |            |      |           |            |             |
|---|------|-----------|---------|------------|------|-----------|------------|-------------|
| <b>Gs.</b>  | Gs.  | 4,014,255 |         | 32,242     | Gs.  | 1,138,823 |            | 841         |
| <b>UYU</b>  | UYU  | 364       |         | 59         | UYU  | 135       |            | 22          |
| <b>GBP</b>  | GBP  | 2         |         | 14         | GBP  | 1         |            | 6           |
| <b>Total Assets</b>   |      |           |         | 792,466    |      |           |            | Ps. 451,592 |
| <b>LIABILITIES</b>  |      |           |         |            |      |           |            |             |
| <b>Current Liabilities</b>  |      |           |         |            |      |           |            |             |
| Trade accounts payables   |      |           |         |            |      |           |            |             |
| Suppliers   | US\$ | 14,346    | 3.9310  | Ps. 56,395 | US\$ | 12,001    | Ps. 45,568 |             |
| Suppliers   | Bs.  | 18,808    | 0.54695 | 10,287     | Bs.  | 27,172    | 14,369     |             |
| Suppliers   | Gs.  | 7,468     | 0.0080  | 60         | Gs.  | 354,604   | 262        |             |
| Suppliers   |      | 39        | 4.8180  | 188        |      |           |            |             |
| Subsidiaries, related companies Law 19,550 Article 33 and related parties | US\$ | 30        | 3.931   | 119        | US\$ | 143       | 543        |             |
| Subsidiaries, related companies Law 19,550 Article 33 and related parties | Bs.  | 112       | 0.54695 | 61         | Bs.  |           |            |             |
| Accruals  | US\$ | 1,632     | 3.9310  | 6,414      | US\$ | 36        | 137        |             |
| Accruals  | Bs.  | 8,567     | 0.54695 | 4,686      | Bs.  | 7,666     | 4,054      |             |

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**31. Other financial statement information (continued)***f) Foreign currency assets and liabilities (continued)*

|   | Type and amount<br>of<br>foreign<br>currency |        | June 30, 2010<br>Current<br>exchange<br>rate<br>Ps. | Amount in<br>local<br>currency<br>Pesos | June 30, 2009                             |   |         |
|---|--|--------|---|---|---|---|---------|
|   |  |        |   |   | Type and amount<br>of foreign<br>currency | Amount in<br>local<br>currency<br>Pesos |         |
| Debt related to purchase of farms                     | US\$   | 6,406  | 3.931   | 25,181                                  | US\$                                      | 9,244                                   | 35,099  |
| Mortgage payable                                      |  |        |   |   |   |   |         |
| Mortgage payable Llao Llao                            | US\$   |        |   |   | US\$                                      | 508                                     | 1,929   |
| Short term debt                                       |  |        |   |   |   |   |         |
| Foreign Banks   | US\$   | 48,384 | 3.9310  | 190,194                                 | US\$                                      | 31,403                                  | 119,237 |
| Foreign Banks   | Bs.  | 36     | 0.008032  | 20                                      | Bs.                                       |   |         |
| Seller financing                                      | US\$   |        |   |   | US\$                                      | 7,610                                   | 28,895  |
| APSA 2014 Convertible Notes - Accrued interest        | US\$   | 692    | 3.9310  | 2,719                                   | US\$                                      | 687                                     | 2,610   |
| Non Convertible Notes - IRSA 2017 interest            | US\$   | 4,138  | 3.9310  | 16,267                                  | US\$                                      | 4,139                                   | 15,714  |
| Non Convertible Notes - APSA US\$ 120m. -<br>Interest | US\$   | 687    | 3.9310  | 2,702                                   | US\$                                      | 778                                     | 2,954   |
| Non-convertible Notes-Class II                        | US\$   | 9,006  | 3.9310  | 35,404                                  | US\$                                      |   |         |
| Salaries and social security payable                  |  |        |   |   |   |   |         |
| Salaries payable                                      | Gs.  | 1,827  | 0.0080  | 15                                      | Gs.                                       |   |         |
| Provision for vacation and bonuses                    | Bs.  | 172    | 0.5470  | 94                                      | Bs.                                       | 109                                     | 58      |
| Social security payable                               | Bs.  | 37     | 0.5470  | 20                                      | Bs.                                       | 27                                      | 14      |
| Social security payable                               | Gs.  | 913    | 0.008032  | 7                                       | Gs.                                       | 3,370                                   |         |
| Taxes payable   |  |        |   |   |   |   |         |
| Income tax withholdings                               | Bs.  | 1,230  | 0.54695   | 673                                     | Bs.                                       | 215                                     | 114     |
| Income tax withholdings                               | Gs.  |        | 0.008032  |   | Gs.                                       | 15,523                                  | 11      |
| Income tax payable, net                               | Bs.  |        | 0.54695   |   | Bs.                                       | 471                                     | 249     |
| Property tax payable                                  | Bs.  | 2      | 0.54695   | 1                                       | Bs.                                       | 293                                     | 155     |
| Gross sales tax withholdings and payments             | Bs.  | 185    | 0.54695   | 101                                     | Bs.                                       | 393                                     | 208     |
| Others  | Bs.  |        | 0.54695   |   | Bs.                                       | 21                                      | 11      |
| Others  | US\$   | 23     | 3.9310  | 89                                      | US\$                                      |   |         |
| Advances from customers                               |  |        |   |   |   |   |         |
| Admission rights                                      | US\$   | 7,330  | 3.9310  | 28,815                                  | US\$                                      | 3,371                                   | 12,800  |
| Admission rights                                      | Bs.  | 11,601 | 0.54695   | 6,345                                   |   |   |         |
| Other liabilities                                     |  |        |   |   |   |   |         |
| Premium collected                                     | US\$   | 151    | 3.9310  | 595                                     | US\$                                      | 143                                     | 543     |
| Subsidiaries, related companies Law 19,550            |  |        |   |   |   |   |         |
| Article 33 and related parties                        | US\$   | 69     | 3.9310  | 270                                     | US\$                                      | 20,772                                  | 78,871  |
| Subsidiaries, related companies Law 19,550            |  |        |   |   |   |   |         |
| Article 33 and related parties                        | Bs.  |        |   |   | Bs.                                       | 338                                     | 179     |
| Guarantee deposits                                    | US\$   | 681    | 3.9310  | 2,677                                   | US\$                                      | 576                                     | 2,187   |
| Liabilities from purchase of shares                   | US\$   | 6,258  | 3.9310  | 24,599                                  | US\$                                      |   |         |

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|  |      |         |         |         |      |                 |
|--|------|---------|---------|---------|------|-----------------|
| Others                                     | US\$ | 759     | 3.9310  | 2.985   | US\$ |                 |
| <b>Non-Current Liabilities</b>             |      |         |         |         |      |                 |
| Trade accounts payables                    |      |         |         |         |      |                 |
| Debt related to purchase of farms          | US\$ |         | 3.9310  |         | US\$ | 5,766 21,894    |
| Long term debt                             |      |         |         |         |      |                 |
| Non - convertible Notes IRSA 2017          | US\$ | 113,362 | 3.9310  | 445,626 | US\$ | 112,268 426,282 |
| Non-Convertible Notes - APSA US\$ 120 M.   | US\$ | 66,564  | 3.9310  | 261,663 | US\$ | 66,448 252,303  |
| Financial loans                            | US\$ | 44,293  | 3.9310  | 174,115 | US\$ | 20,135 76,453   |
| APSA 2014 Convertible Notes                | US\$ | 15,462  | 3.9310  | 60,782  | US\$ | 15,454 58,679   |
| Seller financing                           | US\$ | 3,095   | 3.9310  | 12,166  | US\$ | 2,268 8,612     |
| Subsidiaries, related companies Law 19,550 |      |         |         |         |      |                 |
| Article 33 and related parties             | Bs.  | 30,667  | 0.54695 | 16,774  | US\$ |                 |

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**31. Other financial statement information (continued)***f) Foreign currency assets and liabilities (continued)*

|  | Type and amount<br>of<br>foreign<br>currency | June 30, 2010<br>Current<br>exchange<br>rate<br>Ps. | Amount in<br>local<br>currency<br>Pesos | June 30, 2009<br>Type and amount<br>of foreign<br>currency | Amount in<br>local<br>currency<br>Pesos |
|--|--|---|---|--|---|
| Advances from customers  |  |   |   |  |   |
| Admission rights   | US\$   | 3.9310  |   | US\$ 14,965  | 56,822                                  |
| Other liabilities  |  |   |   |  |   |
| Guarantee deposits   | US\$ 987                                     | 3.9310  | 3,880                                   | US\$ 1,129   | 4,287                                   |
| Debts for the purchase of investments  | US\$ 1,500                                   | 3.9310  | 5,897                                   | US\$ 1,200   | 4,556                                   |
| Advance for concession of rights   | US\$ 805                                     | 3.9310  | 3,166                                   | US\$   |   |
| Subsidiaries, related companies Law 19,550<br>Article 33 and related parties | Gs. 2,191,211                                | 0.008032  | 17,600                                  | Gs.  |   |
| <b>US\$</b>  | US\$ 346,660                                 | 3.9310  | 1,362,720                               | US\$ 331,044   | 1,256,975                               |
|  | 39   | 4.8180  | 188                                     |  |   |
| <b>Bs.</b>   | Bs. 71,417                                   | 0.54695   | 39,062                                  | Bs. 36,705   | 19,411                                  |
| <b>Gs.</b>   | Gs. 2,201,419                                | 0.008032  | 17,682                                  | Gs. 373,497  | 273                                     |
| <b>Total Liabilities</b>   |  |   | 1,419,652                               |  | Ps. 1,276,659                           |

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**Cresud Sociedad Anónima Comercial, Inmobiliaria,  
Financiera y Agropecuaria and Subsidiaries**

**Notes to the Consolidated Financial Statements (continued)**

(Amounts in thousands of Argentine Pesos, except as otherwise indicated)

**31. Other financial statement information (continued)***g) Other expenses*

| Items  | Expenses  |  |  |         |                |           | Total<br>for the year<br>ended<br>June 30,<br>2010 | Total<br>for the year<br>ended<br>June 30,<br>2009 | Total<br>for the year<br>ended<br>June 30,<br>2008 |
|--|-----------|--|--|---------|----------------|-----------|--|--|--|
|  | Operating | Cost of sales and<br>development<br>of<br>properties | Cost of<br>lease and<br>service<br>offices,<br>shopping<br>centers,<br>hotels,<br>consumer | Selling | Administrative | Financing |  |  |  |
|  | Ps.       | Ps.  | Ps.  | Ps.     | Ps.            | Ps.       | Ps.  | Ps.  | Ps.  |
| Directors fees                                       |           |  |  |         | 51,653         |           | 51,653   | 21,247   | 1,302  |
| Fees and payments for services                       | 526       | 156  | 18,869   | 19,845  | 35,701         |           | 75,097   | 54,071   | 7,616  |
| Salaries and wages and social security contributions | 22,674    | 584  | 71,470   | 38,737  | 78,216         |           | 211,681  | 153,708  | 26,871   |
| Taxes, rates and contributions                       | 1,830     | 5,196  | 15,842   |         | 32,923         |           | 55,791   | 60,206   | 2,011  |
| Gross sales tax                                      |           |  |  | 58,892  |                |           | 58,892   | 10,485   | 2,207  |
| Office and administrative expenses                   | 1,092     | 16   | 4,045  | 207     | 8,936          |           | 14,296   | 13,556   | 2,820  |
| Bank commissions and expenses                        | 196       | 18   |  | 14      | 6,579          |           | 6,807  | 2,469  | 236  |
| Depreciation and amortization                        | 7,953     | 156  | 158,691  | 5,750   | 5,093          | 874       | 178,517  | 119,939  | 6,474  |
| Vehicle and travelling expenses                      | 2,402     | 11   | 1,824  | 2,266   | 3,865          |           | 10,368   | 6,434  | 1,902  |
| Spare parts and repairs                              | 6,891     |  |  |         | 82             |           | 6,973  | 4,275  | 3,918  |
| Insurance  | 763       | 28   | 2,542  |         | 2,460          |           | 5,793  | 4,785  | 435  |
| Employees maintenance                                | 1,197     | 3  | 12,787   | 1,140   | 4,207          |           | 19,334   | 12,589   | 1,203  |
| Commissions and property sales charges               | 453       | 4,190  | 43,917   | 5,110   | 1,941          |           | 55,611   | 50,313   |  |
| (Recovery) Change for contingencies for lawsuits     |           |  | 3,189  | (5,867) |                |           | (2,678)  | 1,727  |  |
| Allowance for doubtful accounts                      |           |  |  | 30,571  |                |           | 30,571   | 69,599   |  |
| Unrecovered expenses                                 |           |  | 23,585   |         |                |           | 23,585   | 6,233  |  |
| Interest and index - adjustment                      |           |  |  |         |                | 146,402   | 146,402  | 105,961  |  |
| Maintenance of building                              |           | 3,336  | 34,087   |         | 884            |           | 38,307   | 20,573   |  |
| Surveillance   |           | 305  |  |         | 1,801          |           | 2,106  | 1,322  |  |
| Livestock expenses (1)                               | 9,245     |  |  | 1,928   |                |           | 11,173   | 7,545  | 12,587   |
| Dairy farm expenses (2)                              | 12,383    |  |  | 135     |                |           | 12,518   | 11,932   | 9,802  |

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|   |                    |                   |                    |                    |                    |                    |                      |                    |                    |
|---|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|----------------------|--------------------|--------------------|
| Agricultural expenses   |                    |                   |                    |                    |                    |                    |                      |                    |                    |
| (3)   | 134,638            |                   |                    | 21,877             |                    |                    | 156,515              | 176,299            | 80,347             |
| Silo expenses   |                    |                   |                    |                    |                    |                    |                      | 25                 | 30                 |
| Agropecuaria Anta S.A. (ex Agropecuaria Cervera S. A.) expenses | 10,180             |                   |                    | 1,648              |                    |                    | 11,828               | 6,361              | 2,898              |
| FyO expenses  | 123                |                   |                    |                    |                    |                    | 123                  | 82                 | 120                |
| Other   | 5,020              | 5                 | 11,783             | 9,425              | 5,301              | 3,603              | 35,137               | 18,275             | 2,596              |
| Lease of machinery and equipment                                |                    |                   |                    |                    |                    |                    |                      | 109                | 2                  |
| Safety and hygiene expenses                                     | 649                |                   |                    | 7                  | 36                 |                    | 692                  | 39                 | 9                  |
| Advertising expenses  |                    |                   |                    | 27,769             |                    |                    | 27,769               | 13,610             | 14                 |
| <b>Total for the year ended June 30, 2010</b>                   | <b>Ps. 218,215</b> | <b>Ps. 14,004</b> | <b>Ps. 402,631</b> | <b>Ps. 219,454</b> | <b>Ps. 239,678</b> | <b>Ps. 150,879</b> | <b>Ps. 1,244,861</b> | <b>Ps.</b>         | <b>Ps.</b>         |
| <b>Total for the year ended June 30, 2009</b>                   | <b>Ps. 223,254</b> | <b>Ps. 8,127</b>  | <b>Ps. 265,302</b> | <b>Ps. 212,482</b> | <b>Ps. 134,664</b> | <b>Ps. 109,940</b> |                      | <b>Ps. 953,769</b> |                    |
| <b>Total for the year ended June 30, 2008</b>                   | <b>Ps. 124,798</b> | <b>Ps.</b>        | <b>Ps.</b>         | <b>Ps. 14,497</b>  | <b>Ps. 26,105</b>  | <b>Ps.</b>         | <b>Ps.</b>           |                    | <b>Ps. 165,400</b> |

(1) Includes cattle food and additives, lodging, animal health and others.

(2) Includes cattle food and additives, animal health and others.

(3) Includes seeds, agricultural, irrigation, services hired, land leases and others.

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of

IRSA Inversiones y Representaciones Sociedad Anónima

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of changes in shareholders equity and of cash flows present fairly, in all material respects, the financial position of IRSA Inversiones y Representaciones Sociedad Anónima and its subsidiaries ( the Company ) at June 30, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2010 in conformity with accounting principles generally accepted in Argentina. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of June 30, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Accounting principles generally accepted in Argentina vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 27 to the consolidated financial statements.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PRICE WATERHOUSE & Co. S.R.L.

By /s/ Norberto Fabián Montero (Partner)  
Norberto Fabián Montero

Buenos Aires, Argentina  
December 30, 2010

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Consolidated Balance Sheets**

as of June 30, 2010 and 2009

(Amounts in thousands, except share data and as otherwise indicated)

|  | 2010                 | 2009                 |
|--|----------------------|----------------------|
| <b>ASSETS</b>                                      |                      |                      |
| <b>Current Assets</b>                              |                      |                      |
| Cash and banks (Note 4.a.)                         | Ps. 71,175           | Ps. 66,562           |
| Investments (Note 4.b.)                            | 259,168              | 335,234              |
| Accounts receivable, net (Note 4.c.)               | 359,529              | 263,471              |
| Other receivables and prepaid expenses (Note 4.d)  | 240,891              | 201,703              |
| Inventories (Note 4.e.)                            | 259,569              | 24,899               |
| <b>Total current assets</b>                        | <b>1,190,332</b>     | <b>891,869</b>       |
| <b>Non-Current Assets</b>                          |                      |                      |
| Accounts receivable, net (Note 4.c.)               | 42,123               | 6,626                |
| Other receivables and prepaid expenses (Note 4.d.) | 187,182              | 196,766              |
| Inventories (Note 4.e.)                            | 55,088               | 164,933              |
| Investments (Note 4.b.)                            | 1,480,805            | 1,001,654            |
| Fixed assets, net (Note 28.a.)                     | 2,692,637            | 2,720,506            |
| Intangible assets, net (Note 28.b.)                | 54,397               | 18,559               |
| <b>Subtotal non-current assets</b>                 | <b>4,512,232</b>     | <b>4,109,044</b>     |
| Negative goodwill, net (Note 4.f.)                 | (69,123)             | (64,926)             |
| <b>Total non-current assets</b>                    | <b>4,443,109</b>     | <b>4,044,118</b>     |
| <b>Total assets</b>                                | <b>Ps. 5,633,441</b> | <b>Ps. 4,935,987</b> |
| <b>LIABILITIES</b>                                 |                      |                      |
| <b>Current Liabilities</b>                         |                      |                      |
| Trade accounts payable (Note 4.g.)                 | Ps. 315,614          | Ps. 229,542          |
| Mortgages payable (Note 28.e.)                     |                      | 1,930                |
| Advances from customers (Note 4.h.)                | 210,102              | 96,843               |
| Short-term debt (Note 4.j.)                        | 609,190              | 349,243              |
| Salaries and social security payable (Note 4.i.)   | 37,375               | 35,863               |
| Taxes payable (Note 4.k.)                          | 101,111              | 147,883              |
| Other liabilities (Note 4.l.)                      | 65,338               | 110,992              |
| Provisions   | 2,890                | 2,594                |
| <b>Total current liabilities</b>                   | <b>1,341,620</b>     | <b>974,890</b>       |
| <b>Non-Current Liabilities</b>                     |                      |                      |
| Trade accounts payable (Note 4.g.)                 | 23,368               | 67,300               |
| Advances from customers (Note 4.h.)                | 90,370               | 150,357              |
| Long-term debt (Note 4.j.)                         | 1,031,528            | 1,044,725            |
| Taxes payable (Note 4.k.)                          | 110,441              | 61,254               |



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|  |               |               |
|--|---------------|---------------|
| Other liabilities (Note 4.1.)                    | 62,021        | 71,881        |
| Provisions                                       | 7,940         | 5,537         |
| <b>Total non-current liabilities</b>             | 1,325,668     | 1,401,054     |
| <b>Total liabilities</b>                         | 2,667,288     | 2,375,944     |
| Minority interest                                | 563,107       | 464,381       |
| <b>SHAREHOLDERS EQUITY</b>                       | 2,403,046     | 2,095,662     |
| <b>Total liabilities and shareholders equity</b> | Ps. 5,633,441 | Ps. 4,935,987 |

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

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Consolidated Statements of Income**

for the years ended June 30, 2010, 2009 and 2008

(Amounts in thousands, except share data and as otherwise indicated)

|   | 2010               | 2009               | 2008              |
|---|--------------------|--------------------|-------------------|
| Revenues  | Ps. 1,323,326      | Ps. 1,220,584      | Ps. 1,084,242     |
| Costs (Note 28.d.)  | (475,295)          | (508,506)          | (464,223)         |
| <b>Gross profit</b>   | <b>848,031</b>     | <b>712,078</b>     | <b>620,019</b>    |
| Selling expenses (Note 28.f)  | (185,401)          | (236,201)          | (247,297)         |
| Administrative expenses (Note 28.f)                                   | (195,291)          | (147,329)          | (122,121)         |
| <b>Subtotal</b>   | <b>(380,692)</b>   | <b>(383,530)</b>   | <b>(369,418)</b>  |
| Gain from recognition of inventories at net realizable value          | 33,831             | 12,056             | 2,832             |
| Net income (loss) from retained interest in securitized receivables   | 37,470             | (46,012)           | (1,261)           |
| Gain from operations and holdings of real estate assets, net (Note 7) | 1,091              | 1,124              | 2,670             |
| <b>Operating income (Note 6)</b>                                      | <b>539,731</b>     | <b>295,716</b>     | <b>254,842</b>    |
| Amortization of negative goodwill, net                                | 1,641              | 1,602              | 1,638             |
| Financial results, net (Note 8)                                       | (165,096)          | (136,381)          | (76,742)          |
| Gain (loss) on equity investees                                       | 160,416            | 61,542             | (13,209)          |
| Other expenses, net (Note 9)  | (10,311)           | (8,855)            | (5,642)           |
| <b>Income before taxes and minority interest</b>                      | <b>526,381</b>     | <b>213,624</b>     | <b>160,887</b>    |
| Income tax and MPIT   | (148,427)          | (80,334)           | (78,112)          |
| Minority interest   | (43,453)           | 25,345             | (27,900)          |
| <b>Net income (Note 6)</b>  | <b>Ps. 334,501</b> | <b>Ps. 158,635</b> | <b>Ps. 54,875</b> |
| <b>Earnings per share (Note 17):</b>                                  |                    |                    |                   |
| Basic net income per share  | Ps. 0.58           | Ps. 0.27           | Ps. 0.10          |
| Diluted net income per share  | Ps. 0.58           | Ps. 0.27           | Ps. 0.10          |

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

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Consolidated Statements of Changes in Shareholders' Equity**

for the years ended June 30, 2010, 2009 and 2008

(Amounts in thousands, except share data and as otherwise indicated)

|   | Common stock<br>(Note 5.a.) | Shareholders<br>Inflation<br>adjustment<br>of common<br>stock<br>(Note 5.b.) | Shareholders' contributions<br>Additional<br>paid-in-capital<br>(Note 5.a.) | Total         | Legal<br>reserve<br>(Note 5.c.) | Retained earnings<br>Voluntary<br>reserve for<br>general<br>purposes<br>(Note 5.d.) | Reserve for<br>new<br>developments<br>(note 5.d.) | Retained<br>earnings | Cumulative<br>translation<br>adjustment<br>(Note 2.f.) | Shareholders<br>Equity |
|---|-----------------------------|--|---|---------------|---------------------------------|---|---|----------------------|--|------------------------|
| <b>Balances as of June 30, 2007</b>   | Ps. 464,969                 | Ps. 274,387  | Ps. 684,241   | Ps. 1,423,597 | Ps. 24,276                      | Ps.   | Ps. 91,744  | Ps. 107,097          | Ps.  | Ps. 1,646,714          |
| Conversion of debt into common shares   | 34,582                      |  | 24,591  | 59,173        |                                 |   |   |                      |  | 59,173                 |
| Exercise of warrants  | 79,125                      |  | 84,291  | 163,416       |                                 |   |   |                      |  | 163,416                |
| Appropriation of retained earnings approved by shareholders meeting held October 10, 2007 |                             |  |   |               | 5,355                           |   | 101,742   | (107,097)            |  |                        |
| Net income for the year   |                             |  |   |               |                                 |   |   | 54,875               |  | 54,875                 |
| <b>Balances as of June 30, 2008</b>   | Ps. 578,676                 | 274,387  | Ps. 793,123   | Ps. 1,646,186 | Ps. 29,631                      | Ps.   | Ps. 193,486                                       | Ps. 54,875           | Ps.  | Ps. 1,924,178          |
| Appropriation of retained earnings approved by shareholders meeting held October 31, 2008 |                             |  |   |               | 2,743                           | 52,132  |   | (54,875)             |  |                        |
| Cumulative translation adjustment   |                             |  |   |               |                                 |   |   |                      | 12,849   | 12,849                 |
| Net income for the year   |                             |  |   |               |                                 |   |   | 158,635              |  | 158,635                |
|   | Ps. 578,676                 | Ps. 274,387  | Ps. 793,123   | Ps. 1,646,186 | Ps. 32,374                      | Ps. 52,132  | Ps. 193,486                                       | Ps. 158,635          | Ps. 12,849   | Ps. 2,095,662          |

**Balances as of June 30, 2009**

|   |  |  |  |  |  |  |  |  |  |          |          |
|---|--|--|--|--|--|--|--|--|--|----------|----------|
| Cash dividends approved by shareholders meeting held October 29, 2009                     |  |  |  |  |  |  |  |  |  | (31,727) | (31,727) |
| Cumulative translation adjustment   |  |  |  |  |  |  |  |  |  | 4,610    | 4,610    |
| Appropriation of retained earnings approved by shareholders meeting held October 29, 2009 |  |  |  |  |  |  |  |  |  | 7,932    | (7,932)  |
| Net income for the year   |  |  |  |  |  |  |  |  |  | 334,501  | 334,501  |

**Balances as of June 30, 2010**

|  |             |             |             |               |            |            |             |             |            |           |
|--|-------------|-------------|-------------|---------------|------------|------------|-------------|-------------|------------|-----------|
|  | Ps. 578,676 | Ps. 274,387 | Ps. 793,123 | Ps. 1,646,186 | Ps. 40,306 | Ps. 52,132 | Ps. 193,486 | Ps. 453,477 | Ps. 17,459 | 2,403,046 |
|--|-------------|-------------|-------------|---------------|------------|------------|-------------|-------------|------------|-----------|

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

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Consolidated Statements of Cash Flows**

for the years ended June 30, 2010, 2009 and 2008

(Amounts in thousands, except share data and as otherwise indicated)

|  | 2010             | 2009             | 2008             |
|--|------------------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                  |                  |                  |
| Net income for the year  | Ps. 334,501      | Ps. 158,635      | Ps. 54,875       |
| Adjustments to reconcile net income to net cash flows from operating activities:                         |                  |                  |                  |
| Income tax and MPIT  | 148,427          | 80,334           | 78,112           |
| Depreciation and amortization  | 161,622          | 134,972          | 115,207          |
| Minority interest  | 43,453           | (25,345)         | 27,900           |
| Allowances and other provisions  | 69,358           | 113,754          | 91,403           |
| (Gain) loss on equity investees  | (160,416)        | (61,542)         | 13,209           |
| Gain from operations and holdings of real estate assets, net   | (1,091)          | (1,124)          | (2,670)          |
| Financial results, net   | (2,219)          | 104,495          | 9,628            |
| Gain from recognition of inventories at net realizable value   | (33,831)         | (12,056)         | (2,832)          |
| Amortization of negative goodwill, net   | (1,641)          | (1,602)          | (1,638)          |
| Gain from sale of inventories  |                  | (2,867)          | (14,541)         |
| Gain from sale of undeveloped plot of land   | (23,687)         |                  |                  |
| Changes in certain assets and liabilities, net of non-cash transactions and the effects of acquisitions: |                  |                  |                  |
| Increase in accounts receivable, net   | (108,890)        | (122,571)        | (121,069)        |
| Increase in other receivables and prepaid expenses   | (40,810)         | (133,674)        | (51,089)         |
| (Increase) decrease in inventories   | (28,807)         | 74,872           | 129,729          |
| Increase in intangible assets, net   | (2,316)          | (11,999)         | (1,619)          |
| Increase (decrease) in trade accounts payable  | 24,684           | (38,571)         | 40,755           |
| (Decrease) increase in advances from customers, salaries and social security payable and taxes payable   | (120,202)        | 86,148           | (30,408)         |
| (Decrease) increase in other liabilities   | (15,928)         | (27,541)         | 1,489            |
| (Decrease) increase in accrued interest  | (2,264)          | (3,441)          | 7,613            |
| <b>Net cash provided by operating activities</b>   | <b>239,943</b>   | <b>310,877</b>   | <b>344,054</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                  |                  |                  |
| Decrease (increase) in investments   | 157              | (11,584)         | (24,121)         |
| Acquisition of businesses and assets net of cash acquired (i)  | (8,316)          |                  | (419,020)        |
| Payment for acquisition of Tarshop's minority interest   | (1,574)          |                  |                  |
| Acquisition of undeveloped parcels of land   | (11,930)         | (9,836)          | (17,225)         |
| Acquisitions and improvements of fixed assets  | (156,530)        | (272,297)        | (332,454)        |
| Increase in equity investees and other investments   | (253,167)        | (157,613)        | (23,892)         |
| Advance payments for the acquisition of shares   | (23,735)         |                  | (683)            |
| Loans granted to related parties   | (30,147)         | (3,711)          |                  |
| Cash collected from insurance claims   |                  |                  | 4,677            |
| Advance received from sale of interest in Tarshop  | 19,951           |                  |                  |
| Collection of dividends  | 3,904            |                  |                  |
| Collection from sale of undeveloped parcels of land  | 11,023           |                  |                  |
| Payment for non compete agreement with the former minority shareholder of tarshop                        | (5,615)          |                  |                  |
| <b>Net cash used in investing activities</b>   | <b>(455,979)</b> | <b>(455,041)</b> | <b>(812,718)</b> |

**CASH FLOWS FROM FINANCING ACTIVITIES:**

|   |                |                 |                |
|---|----------------|-----------------|----------------|
| Increase in short-term and long-term debt                             | 371,305        | 180,834         | 183,485        |
| Seller Financing  | (50,024)       | (31,384)        | (12,508)       |
| Payments of short-term and long term debt                             | (219,240)      | (124,893)       | (36,442)       |
| Exercise of warrants  |                |                 | 163,416        |
| Dividends paid  | (31,727)       |                 |                |
| Dividends paid by subsidiaries to minority shareholders               | (23,658)       | (23,541)        | (24,332)       |
| Decrease in mortgages payable   | (1,930)        | (2,527)         | (18,425)       |
| Re purchase of debt   | (12,000)       | (105,425)       | (138,583)      |
| Cash from minority shareholders capital contributions to subsidiaries | 46,220         | 48,038          | 32,534         |
| Proceeds from issuance of Negotiable Obligations, net of expenses     | 79,782         |                 |                |
| Proceeds from issuance of short-term negotiable values                | 22,720         |                 |                |
| <b>Net cash provided by (used in) financing activities</b>            | <b>181,448</b> | <b>(58,898)</b> | <b>149,145</b> |
| Net decrease in cash and cash equivalents                             | (34,588)       | (203,062)       | (319,519)      |
| Cash and cash equivalents as of the beginning of the year             | 185,942        | 389,004         | 708,523        |
| Cash and cash equivalents as of the end of the year                   | Ps. 151,354    | Ps. 185,942     | Ps. 389,004    |

- (i) For 2008, includes 228.3 million for the acquisition of the Republica Building (Assets acquisition). See note 2.g.C.10.  
The accompanying notes are an integral part of these Consolidated Financial Statements.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Consolidated Statements of Cash Flows**

for the years ended June 30, 2010, 2009 and 2008

(Amounts in thousands, except share data and as otherwise indicated)

|  | 2010        | 2009        | 2008        |
|--|-------------|-------------|-------------|
| <b>Supplemental cash flow information:</b>   |             |             |             |
| <b>Cash paid during the year for:</b>  |             |             |             |
| Interest paid  | Ps. 136,515 | Ps. 131,742 | Ps. 125,063 |
| Income tax paid  | 34,310      | 55,566      | 63,743      |
| <b>Non-cash investing and financing activities:</b>  |             |             |             |
| Capitalization of financial costs in fixed assets  | Ps. 5,331   | Ps. 86,452  | Ps. 10,545  |
| Increase in inventory through a decrease in fixed assets, net  | 43,984      | 78,870      |             |
| Increase in non-current investments through an increase in other liabilities                               | 13,209      | 78,788      |             |
| Increase in fixed assets net through an increase in accounts payable                                       | 4,996       | 42,116      | 1,069       |
| Liquidation of interest in credit card receivables   | 8,646       | 30,849      | 56,576      |
| Increase (decrease) in advances from customers through an increase (decrease) in inventories               | 3,310       | (26,883)    |             |
| Decrease in current investments through an increase in other receivables and prepaid expenses              | 8,402       | 24,541      |             |
| Cumulative translation adjustments   | 4,610       | 12,849      |             |
| Increase in undeveloped parcels of land through an increase in long-term debt                              |             | 8,609       |             |
| Increase in negative goodwill, net through a decrease in minority interest                                 |             | 7,410       |             |
| Capitalization of financial costs in inventories   | 1,932       | 7,087       |             |
| Decrease (increase) in trade accounts payable through a decrease (increase) in undeveloped parcels of land |             | 5,445       | (5,445)     |
| Decrease in undeveloped parcels of land through an increase in inventories                                 | 15,989      | 5,406       | 9,223       |
| Increase in current investments through an increase in other liabilities                                   |             | 2,739       |             |
| Increase in intangible assets, net through a decrease in non-current investment                            |             | 1,137       |             |
| Decrease in fixed assets through an increase in other investments  |             |             | 49,872      |
| Transfer of inventories to current investment  |             |             | 705         |
| Increase in non-current investment through an increase in short and long-term debt                         |             |             | 23,212      |
| Conversion of debt into common shares  |             |             | 59,174      |
| Repurchase of debts  |             |             | 9,090       |
| Increase in long-term investment through a decrease in other receivables                                   |             |             | 3,995       |
| Increase in minority interest through a decrease in short and long term debt                               | 1,310       |             |             |
| Increase in minority interest through a decrease in other liabilities                                      | 14,512      |             |             |
| Decrease in undeveloped parcels of land through an increase in other receivables                           | 6,359       |             |             |
| Increase in intangible assets, net through an increase in other liabilities                                | 7,545       |             |             |
| Increase in undeveloped parcels of land through an increase in accounts receivable, net                    | 26,342      |             |             |
|  | 2010        | 2009        | 2008        |
| <b>Acquisitions of businesses and net assets:</b>  |             |             |             |
| Cash and cash equivalents  | Ps. 13      | Ps.         | Ps.         |
| Fair market value of non-cash assets acquired  | 33,869      |             | 417,377     |
| Fair market value of liabilities assumed   | (8,126)     |             | (13,028)    |
| Net assets acquired  | 25,756      |             | 404,349     |
| Minority interest  | (897)       |             | 20,049      |
| Goodwill (negative goodwill)   | 506         |             | 3,712       |
| Seller financing   | (14,782)    |             | (9,090)     |

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|  |           |             |
|--|-----------|-------------|
| Purchase price                           | 10,583    | 419,020     |
| Less: cash and cash equivalents acquired | (13)      |             |
| Advance payments                         | (2,254)   |             |
| Net cash paid for the acquisition        | Ps. 8,316 | Ps. 419,020 |

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

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****1. Organization and description of business**

IRSA Inversiones y Representaciones Sociedad Anónima ( IRSA ), is a real estate company incorporated under the laws of Argentina which, through its investments in subsidiaries and joint ventures (IRSA and subsidiaries are collectively referred hereinafter as the The Company ), is primarily involved in (i) the acquisition and development of residential properties primarily for sale and the acquisition of undeveloped land reserves either for future development or sale, (ii) the acquisition, development and operation of office and other non-shopping center properties primarily for rental purposes, (iii) the acquisition, development and operation of shopping center properties, (iv) the acquisition and operation of luxury hotels, (v) the origination of consumer loans and credit card receivables and securitization activities and (vi) other non-core activities. The Company is the only Argentine real estate company whose shares are listed and traded on both the Buenos Aires Stock Exchange ( BASE ) and the New York Stock Exchange ( NYSE ).

**2. Preparation of financial statements****a. Basis of presentation**

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles used in Argentina, as set forth by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* ( FACPCE ) as adopted by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* ( CPCECABA ) (collectively Argentine GAAP ). In addition, the Company complies with the regulations of the *Comisión Nacional de Valores* ( CNV ), the National Securities Commission in Argentina. Argentine GAAP and the regulations of the CNV, as applicable, differ in certain significant respects from generally accepted accounting principles in the United States of America ( US GAAP ). Such differences involve methods of measuring the amounts shown in the Consolidated Financial Statements, as well as additional disclosures required by US GAAP and Regulation S-X of the Securities and Exchange Commission ( SEC ). A description of the significant differences between Argentine GAAP and US GAAP as they relate to the Company are set forth in Note 27 to these Consolidated Financial Statements.

As discussed in Note 2.c., in order to comply with the regulations of the CNV, the Company discontinued inflation accounting as from February 28, 2003. Since Argentine GAAP required companies to discontinue inflation adjustments as from October 1, 2003, the application of the CNV resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March 1, to September 30, 2003, such a departure did not have a material effect on the Consolidated Financial Statements.

**b. Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries over which the Company has effective control. Investments in companies in which the Company exercises significant influence, but not control, are accounted for under the equity method. Investments in joint ventures in which the Company exercises joint control are accounted for under the proportionate consolidation method. All significant intercompany balances and transactions have been eliminated in consolidation.

In accordance with Argentine GAAP, the presentation of the parent company's individual financial statements is mandatory. Consolidated Financial Statements are to be included as supplementary information to the individual financial statements. For the purpose of these consolidated financial statements, individual financial statements have been omitted since they are not required for SEC reporting purposes.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****2. Preparation of financial statements (continued)****b. Basis of consolidation (continued)**

The following table shows a description of the subsidiaries over which the Company has effective control or joint control, with their respective percentage of capital stock owned. Indirect interests in subsidiaries are not shown. Interests have been rounded and do not consider the effect of the potential conversion of irrevocable contribution into common shares.

|   | Percentage of capital stock<br>owned as of June 30, |         |         |
|---|---|---------|---------|
|   | 2010  | 2009    | 2008    |
| <b>Controlled and jointly controlled companies</b>        |   |         |         |
| Alto Palermo S.A. ( APSA ) (viii)                         | 63.35%  | 63.34%  | 63.34%  |
| Canteras Natal Crespo S.A. ( Canteras Natal Crespo ) (i)  | 50.00%  | 50.00%  | 50.00%  |
| CYRSA S.A. ( CYRSA ) (ii)                                 | 50.00%  | 50.00%  | 50.00%  |
| E-Commerce Latina S.A. ( E-Commerce )                     | 100.00%   | 100.00% | 100.00% |
| Financel Communications S.A. (iii)                        |   |         | 80.00%  |
| Hoteles Argentinos S.A. ( Hoteles Argentinos )            | 80.00%  | 80.00%  | 80.00%  |
| Inversora Bolívar S.A. ( Inversora Bolívar )              | 100.00%   | 100.00% | 100.00% |
| Llao Llao Resorts S.A. ( LLR )                            | 50.00%  | 50.00%  | 50.00%  |
| Nuevas Fronteras S.A (iv)                                 | 76.34%  |         |         |
| Palermo Invest S.A. ( Palermo Invest )                    | 100.00%   | 100.00% | 100.00% |
| Patagonian Investment S.A. ( Patagonian Investment ) (ix) |   | 100.00% | 100.00% |
| Pereiraola S.A.I.C.I.F. y A. ( Pereiraola ) (v)           |   | 100.00% | 100.00% |
| Quality Invest S.A.                                       | 100.00%   | 100.00% | 100.00% |
| Ritelco S.A. ( Ritelco )                                  | 100.00%   | 100.00% | 100.00% |
| Rummaala S.A. ( Rummaala ) (vi)                           |   | 50.00%  | 50.00%  |
| Solares de Santa María S.A. ( Solares de Santa María )    | 90.00%  | 90.00%  | 90.00%  |
| Torodur S.A. (vii)  | 98.00%  |         |         |
| Tyrus S.A   | 100.00%   | 100.00% | 100.00% |

(i) Jointly controlled with Euromayor S.A.

(ii) Jointly controlled with Cyrela Brazil Realty S.A. Empreendimentos y Participações ( Cyrela )

(iii) Formed in August 2007 and sold for de minimis consideration in December 2008 without having started its operations.

(iv) As of June 30, 2009 and 2008 it was controlled through Inversora Bolivar S.A.

(v) See Note 2. g. A. 8.

(vi) Merged with CYRSA

(vii) Shell company acquired for de minimis consideration in May 2010.

(viii) See Note 2. g. A. 7.

(ix) Merged with the Company.

**Proportionate consolidation**

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The Company exercises joint control directly or indirectly over several entities namely, Metroshop S.A., Canteras Natal Crespo S.A., Puerto Retiro S.A., CYRSA S.A., Liveck S.A. and Baicom Networks S.A. As required by Technical Resolution No. 21 Equity Method of Accounting, Consolidation of Financial Statements and Related Party Transactions ( RT No. 21 ), under Argentine GAAP, the Company accounted for these investments under the proportionate consolidation method. Accordingly, these consolidated financial statements reflect the Company's pro rata equity interest in these investments on a line-by-line basis.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**2. Preparation of financial statements (continued)**

*c. Presentation of financial statements in constant Argentine pesos*

On August 22, 1995, the Argentine government issued Decree No. 316/95 discontinuing the requirement that financial information be restated for inflation for any date or period after August 31, 1995. Effective September 1, 1995 in accordance with CNV resolutions and Argentine GAAP, the Company began accounting for its financial transactions on a historical cost basis, without considering the effects of inflation. Prior to September 1, 1995, the Consolidated Financial Statements were prepared on the basis of general price level accounting, which reflected changes in purchasing power of the Argentine Peso in the historical Consolidated Financial Statements. The financial information of periods prior to August 31, 1995 was restated to pesos of general purchasing power as of August 31, 1995. The August 31, 1995 balances, adjusted to the general purchasing power of the Peso at that date, became the historical cost basis for subsequent accounting and reporting. However, as a result of the inflationary environment in Argentina in 2002, the CPCECABA approved on March 6, 2002, a resolution reinstating the application of inflation accounting in financial statements as from January 1, 2002. This resolution provided that all recorded amounts restated for inflation through August 31, 1995, as well as those arising between that date and December 31, 2001 are to be considered stated in currency as of December 31, 2001.

On July 16, 2002, the Argentine government issued a decree, instructing the CNV to issue the necessary regulations for the acceptance of financial statements prepared in constant currency. On July 25, 2002, the CNV reinstated the requirement to submit financial statements in constant currency. However, after considering inflation levels for the second half of 2002 and the first months of 2003, on March 25, 2003, the Argentine government repealed the provisions of the previous decree related to the inflation adjustment and instructed the CNV to issue the necessary regulations to preclude companies under its supervision from presenting price-level restated financial statements. Therefore, on April 8, 2003, the CNV issued a resolution providing for the discontinuance of inflation accounting as of March 1, 2003. The Company complied with the CNV resolution and accordingly recorded the effects of inflation until February 28, 2003.

Since Argentine GAAP required companies to discontinue inflation accounting as from October 1, 2003, the application of the CNV resolution represented a departure from Argentine GAAP. However, due to the low level of inflation rates during the period from March 1 to September 30, 2003, such a departure did not have a material effect on the consolidated financial statements.

*d. Use of estimates*

The preparation of these consolidated financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting years. Significant estimates include those required in the accounting for barter transactions, gain from recognition of inventories at net realizable value, provisions for allowances and contingencies, impairment of long-lived assets, depreciation and amortization, current value of assets acquired in business combination and assets acquisition, deferred income asset and asset tax credit. Future results could differ from those estimates and evaluations made at the date of preparation of these consolidated financial statements.

*e. Convenience translation*

Solely for the convenience of the reader certain amounts are alternatively expressed in Argentine Pesos or US Dollars in the notes to the Consolidated Financial Statements. Translations should not be construed as a representation that the amounts shown could have been, or could be, converted into US Dollars at that or any other rate.

*f. Translation of non-peso currency amounts*

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The Company's functional and reporting currency is the Argentine Peso. In general, for consolidation purposes, assets and liabilities of subsidiaries whose functional currency is not the Argentine Peso are translated into Argentine Pesos in accordance with Technical Resolution No. 18, "Translation of Financial Statements", using the exchange rate on the balance sheet date. Revenues and expenses are translated at the exchange rates prevailing on the date of the transactions. The gains and losses resulting from translation of financial statements of foreign subsidiaries are recorded as a separate component within the statements of shareholders' equity.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, disposals and development of businesses***

***A. Year ended June 30, 2010***

***1. Acquisition of Hersha Hospitality Trust ( Hersha )***

On August 4, 2009, the Company, through its indirect subsidiary Real Estate Investment Group L.P. (REIG) acquired 5.7 million shares (representing approximately 10.4% of Hersha's common stock), and a call option that matures on August 4, 2014 to purchase an additional 5.7 million shares at an exercise price of US\$ 3.00 per share. Under the agreement, if starting on August 4, 2011 the quoted market price of Hersha's share were to exceed US\$ 5.00 per share during 20 consecutive trading sessions, Hersha may settle the call option by issuing and delivering a variable amount of shares to be determined in accordance with certain market values.

The total purchase price paid was US\$ 14.3 million. As part of the agreement, the Company's Chairman and CEO, Mr. Eduardo S. Elsztain, has been appointed to Hersha's Board of Trustees.

In January 2010 and March 2010, REIG purchased 4,789,917 and 3,864,000 additional shares of Hersha's common stock, respectively, for an aggregate purchase price of US\$ 30.8 million.

As of June 30, 2010 the Company's interest in Hersha amounts to 10.9%. Assuming the call option is exercised and the Company's interest is not diluted due to newly issued shares, the Company's interest in Hersha would be 14.4%. The Company accounts for its investment in Hersha at cost while the call option has been accounted for at its fair value. The fair value of the call option was calculated using the Black-Scholes method (see Note 26 (viii)).

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

***2. Acquisition of shares in Banco Hipotecario S.A. (BHSA)***

The Company acquired 100,417,816 additional shares of BHSA for Ps. 118.7 million of which Ps. 112.6 million were paid in cash as of June 30, 2010. The transaction generated a gain of Ps. 70.4 million. As of June 30, 2010, the Company holds a 28.03% in BHSA (without considering treasury shares) (see Note 26 (iv)).

***3. Acquisition of real estate assets in Uruguay***

In December 2009, the Company acquired from an unrelated party a parcel of land for US\$ 1.9 million, of which US\$ 0.3 million has been paid with the balance to be paid through the delivery of housing units and/or storefronts to be constructed on the site equivalent to about 8% of the commercial value of the units of Sector B.

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In February 2010, the Company acquired additional parcels of land for US\$ 1.0 million, of which US\$ 0.15 million has been paid with the balance to be paid in 3 consecutive and equal installments maturing on December 31, 2011, June 30, 2013 and December 31, 2014. Outstanding balances accrue interest at an annual fixed rate of 3%, payable quarterly and in arrears as from December 31, 2009.

#### **4. Tender Offer for the acquisition of Telecom Argentina**

The Company participated together with other bidders, in a tender offer procedure for the acquisition of the 50% stake held by Telecom Italia SpA. and Telecom Italia International N.V. (Grupo Telecom Italia) in Sofora Telecomunicaciones S.A. ( Sofora ) and of a purchase option for the remaining 50% in Sofora. Sofora indirectly holds the majority shareholding in Telecom Argentina, one of the major telecommunications carriers in Argentina.

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**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, dispositions and development of businesses (continued)***

***A. Year ended June 30, 2010 (continued)***

To that end, on June 4, 2010, the Company submitted an offer and a letter of credit for US\$ 50.0 million for the benefit of Grupo Telecom Italia. The Company had guaranteed the offer through a pledge over the Company's shares in Hersha and approximately US\$ 43.5 million in APSA's Negotiable Obligations. In later July 2010, Grupo Telecom Italia decided not to proceed with the sale of Sofora and the transaction was aborted. Any pledge was lifted.

**5. Sale of Buildings**

The Company sold 14,777 square meters of gross leasable area for Ps. 168.3 million in cash. These sales generated a profit of Ps. 115.4 million.

**6. Acquisition of Catalinas Norte plot of land**

In December 2009, the Company acquired through a public auction a 3,649 square meters plot of land located in the area known as Catalinas Norte in the City of Buenos Aires for Ps. 95.0 million paid in cash as of June 30, 2010.

**7. Option to acquire an interest in Alto Palermo S.A.**

In January 2010, the Company entered into a purchase option for the acquisition of the 29.55% minority interest in Alto Palermo held by Parque Arauco S.A. (PASA) together with PASA's interest in the Series I Convertible Notes issued by Alto Palermo.

The purchase option originally expired on August 31, 2010 and had been set at US\$ 126.0 million. As a security for the option, the Company paid a non-refundable amount of US\$ 6.0 million to PASA as of June 30, 2010.

The Company finally exercised the option on October 15, 2010 cancelling the outstanding amount of US\$ 120.0 million and thus increasing the Company's interest in Alto Palermo to 94.89% as of the date of issuance of these financial statements.

**8. Sale of ownership interest in Pereiraola S.A.I.C.I.F. y A. (Pereiraola)**

In June 2010, the Company sold to an unrelated developer its interest in Pereiraola for US\$ 11.8 million, of which US\$ 1.94 million was collected as of June 30, 2010. The balance will be collected by receiving (a) the higher of (i) 6% of the marketable lots, or (ii) 39,601 square meters in a future neighborhood to be constructed by the buyer on the site, valued by the parties at US\$ 2.1 million and (b) four consecutive, half-yearly installments of US\$ 1.94 million each, plus an annual 14% interest rate on the outstanding balances. As of June 30, 2010, the Company collected US\$ 1.05 million in advance of the first installment.

**9. Acquisition of Torodur S.A.**

In May 2010, the Company acquired Torodur S.A., a shell company located in Uruguay, for de minimis consideration.

**10. Acquisition of Arcos del Gourmet S.A.'s (Arcos) shares**



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On November 27, 2009, the Company exercised the option (entered into back in August 2007) and completed the acquisition of 80% of Arcos's common stock for an aggregate purchase price of US\$ 6.5 million, of which US\$ 3.1 million was paid as of June 30, 2010. The remaining balance will be paid as follows: (i) US\$ 2.0 million in two equal annual installments due on the second and third anniversary of the acquisition date and (ii) US\$ 1.4 million at the time of executing the share subscription agreements.

As customary for this type of transactions, the Company consulted with the National Antitrust Commission about the need to report the acquisition, which is still pending a response.

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**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, dispositions and development of businesses (continued)***

***A. Year ended June 30, 2010 (continued)***

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

On June 25, 2010, the Company and certain of the minority shareholders entered into an option agreement to acquire the 17.54% minority interest in Arcos for an aggregate price of US\$1.4 million. The option price is US\$ 0.4 million, of which US\$ 0.1 million was paid as of the date of these financial statements. The option expires on April 30, 2011 and is subject to certain conditions including but not limited to that ONABE launches a bidding process for the sale of the concessioned assets over which the Company has a preemptive right.

***11. Several transactions related to Tarshop S.A.***

***i) Non-compete agreement with the former minority shareholder of Tarshop S.A.***

In January 2010, the Company entered into a non-compete agreement with Mr. León Halac, the minority shareholder of Tarshop pursuant to which Mr. Halac may not conduct in or be related to any business associated with credit card companies other than those currently operating in the business regions where Tarshop operates for a 28 month-period. Additionally, under the agreement, Mr. Halac may not participate in developing any shopping mall of more than 20,000 square meters in the City of Buenos Aires. The Company agreed on a price of US\$2.2 million, of which US\$0.8 million was payable at execution date and the remaining US\$1.4 million payable in 28 consecutive monthly installments through the termination date of the agreement on April 30, 2013.

***ii) Acquisition of Tarshop S.A. shares.***

On October 30, 2009 Tarshop SA capitalized capital contributions made by APSA increasing the Company's interest in Tarshop S.A. from 93.4% to 98.6%

During January 2010, the Company acquired the remaining minority interest in Tarshop for US\$ 0.54 million, reaching the 100% of the shareholding as of June 30, 2010.

***iii) Sale of the equity interest in Tarshop S.A.***

On December 22, 2009, the Company reported the approval by its Board of Director of the sale, assignment and transfer on behalf of Banco Hipotecario S.A. of 107,037,152 registered nonendorsable shares of common stock with a face value of Ps. 1 each and entitled to one vote per share, representing 80% of the Tarshop S.A. shares.

On December 29, 2009, contractual documents related to the transaction were executed, which was subject to the approval by the Banco Central de la República Argentina ( Argentine Central Bank ) granted on August 30, 2010. Consequently, on September 13, 2010, the respective

memorandum of closure was executed.

In compliance with the conditions defined in the agreement in question, the Company committed itself to not competing for 5 years in the credit card and/or consumer loan business in which Tarshop has a presence.

**12. Barter transaction with Condominios del Alto S.A. ( Condominios )**

On March 17, 2010, APSA and Condominios subscribed a supplementary deed specifically for the October 11, 2007 transaction determining which units (apartments and parking spaces) committed for bartering that will be transferred to APSA and the ownership title to 15 parking spaces.

**13. Purchase of Conil S.A. s ( Conil ) shares**

On October 21, 2009, the Company acquired 50% interest in Conil for US\$ 0.3 million, fully paid as of June 30, 2010. The main assets of Conil is a 2,471 square meter undeveloped parcel of land located in Avellaneda, Province of Buenos Aires.

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**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, dispositions and development of businesses (continued)***

***A. Year ended June 30, 2010 (continued)***

***14. Sale of properties in Guaymallén (Mendoza) and Rosario***

On March 26, 2010, the Company sold a building located in the district of Guaymallén, Province of Mendoza for US\$ 0.3 million fully collected as of June 30, 2010.

On April 14, 2010, the Company sold the lot designated as 2A of a building located in the District of Rosario, City of Rosario, Province of Santa Fe for US\$ 4.2 million, of which US\$ 1.0 million was collected as of June 30, 2010. The remaining balance will be settled upon executing the title deed. The sale is subject to certain precedent conditions, which have not been fulfilled as of year-end.

On May 3, 2010, the Company sold the lot designated as 2E of a building located in the District of Rosario, City of Rosario, Province of Santa Fe for US\$ 1.4 million, of which US\$ 0.3 million were collected as of June 30, 2010. The outstanding balance will be settled as follows: (i) an amount of US\$ 0.3 million due on September 30, 2010, upon transfer of the title deed and (ii) an amount of US\$ 0.7 million plus interest at 14% due on May 30, 2011. The lot was mortgaged in favor of the Company as collateral for the payment.

***15. Panamerican Mall S.A. (PAMSA)***

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

Dot Baires Shopping has 4 levels and 3 basements, a covered area of 173,000 square meters, out of which 49,731 are square meters of gross leasable area and includes 153 stores, a hypermarket, a 10 theater multiplex cinema and parking space for 2,200 automobiles.

***B. Year ended June 30, 2009***

***1. Acquisition of Metropolitan***

In July 2008, IRSA International LLC, a wholly-owned subsidiary of the Company (through Tyrus S.A.), acquired a 30% equity interest in Metropolitan 885 Third Avenue LLC (Metropolitan), a limited liability company incorporated under the laws of New York, United States of America, whose net asset comprised of a building known as the Lipstick Building in Manhattan and the associated debt. The purchase price was US\$ 22.6 million in cash.

The transaction also included (i) a put right exercisable through July 2011 to sell 50% of the interest acquired (i.e. 15%) at a price equivalent to the amount paid plus interest at 4.5% per annum; and (ii) a right of first offer for the purchase of 60% of the 5% held by another party (i.e. 3%).

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Due to the international credit crisis and real estate business contraction in the United States, Metropolitan recorded impairment charges in connection with the Lipstick Building. The Company's share in the loss exceeded the net book value of the investment. Accordingly, the Company valued the investment at zero at June 30, 2010 and 2009 while recognized a liability of US\$ 1.5 million related to the maximum amount committed by the Company to fund Metropolitan operations if required. During the year ended June 30, 2010, the put option increased its fair value as the building's fair value decreased. The Company adjusted the put option's fair value on a monthly basis. (See Note 26 (ii)).

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**(Amounts in thousands, except share data and as otherwise indicated)**

**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, dispositions and development of businesses (continued)***

***B. Year ended June 30, 2009 (continued)***

**2. Acquisition of shares in BHSA**

The Company acquired additional shares in BHSA for Ps. 107.6 million, of which Ps. 28.8 million were paid in fiscal year 2009 and the outstanding balance (Ps.78.8 million) was paid shortly after year-end. This transaction generated a gain of Ps. 133.0 million for the year ended June 30, 2009.

**3. Acquisition of companies in Uruguay**

The Company acquired a 100% interest in Liveck S.A. ( Liveck ), a shell company located in Uruguay, for de minimis consideration.

Simultaneously, Liveck acquired a 90% interest in two companies, Zetol S.A. (Zetol) and Vista al Muelle S.A. (Vista al Muelle), both property owners in the Canelones Department, Uruguay. The remaining 10% interest is held by a third party, Banzey S.A. (Banzey). The Company intends to develop a residential and commercial complex.

The total price for the purchase of Zetol was US\$ 7.0 million, of which US\$ 2.0 million were paid as of June 30, 2009, while the outstanding balance is to be paid in 5 installments of US\$ 1.0 million each plus interest at an annual interest rate of 3.5% within a maximum term of 93 months counted as from the date of acquisition of the Company. Payment of Zetol shares may be settled at the option of the sellers through the transfer of title on the future units to be built on the site representative of 12% of the total marketable square meters.

The total price for the purchase of Vista al Muelle was US\$ 0.83 million, of which US\$ 0.5 million was paid as of June 30, 2009, while the outstanding balance is to be paid within a two-year period plus interest at an annual rate of 8%.

As collateral for payment, the Company has tendered a surety bond guaranteeing payment of 45% of the outstanding balance, interest thereon and the option rights of the sellers.

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

In June 2009, the Company sold 50% of its stake in Liveck to Cyrela for US\$ 1.3 million. (See Note 26 (xiv)).

**4. Sale of Buildings**

The Company sold 20,315 square meters of gross leasable area for Ps. 201.3 million in cash. These sales generated a profit of Ps. 119.4 million.

**5. Barter transaction with Cyrsa - Air Space Coto**

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On July 21, 2008, the Company entered into a barter agreement with CYRSA pursuant to which the Company, subject to certain closing conditions, would surrender to CYRSA its right to construct a building over a preexisting structure (owned by a third party) in exchange for de minimis cash and 25% of the housing units in the future building. The total fair value of the transaction was US\$ 5.9 million.

On December 17, 2010, APSA and CYRSA signed an instrument which nullifies the rights and obligations assumed in the abovementioned agreement.

### **6. Capital increase and capital contributions to Tarshop S.A.**

Due to the international financial context, APSA revised Tarshop s business model to streamline its operations.

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**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, dispositions and development of businesses (continued)***

***B. Year ended June 30, 2009 (continued)***

Accordingly, the Company contributed equity to Tarshop for Ps. 60.0 million increasing its equity interest from 80% to 93.4%.

**7. Barter transaction with Condominios**

On November 27, 2008, Condominios del Alto S.A. exercised its option and so the Company bartered Plot 2 H for future 42 apartments and 47 parking spaces of the total units to be constructed on the land. Under this agreement,

the Company will have a 22% of the total square meters covered by the apartments and garages. The total fair value of the transaction is US\$ 2.3 million disclosed in the line item *Torres de Rosario under construction* in Note 4.e. As part of the agreement, Condominios del Alto S.A. paid the Company US\$ 0.03 million and assumed certain obligations. Condominios del Alto S.A. (i) guaranteed the transaction by the assumption of a first degree mortgage on the land in favor of the Company for US\$ 2.3 million; (ii) established a security insurance of which the Company will be assignor of the insured amount of US\$ 2.3 million; and (iii) the shareholders of Condominios del Alto S.A. assumed a personal guarantee of the obligations of Condominios del Alto S.A. up to the amount of US\$ 1.0 million.

**8. Letter of intent Plot of land Paraná**

On June 30, 2009, APSA signed a Letter of Intent with an unrelated party to purchase a 10,022 square meter property in the City of Paraná, Province of Entre Ríos, Argentina. The Company intends to construct a shopping center on the site (See note 26 (xii)).

***C. Year ended June 30, 2008***

**1. Acquisition of Soleil Factory shopping center business**

On December 28, 2007, the Company had entered into an agreement with INCSA, an unrelated party, for the acquisition of the *Soleil Factory shopping center business*, for an aggregate purchase price of US\$ 20.7 million, of which US\$ 8.1 million had been paid. The transaction was subject to certain suspensive conditions. Upon fulfillment of the conditions and transfer of the business, the remaining balance of the purchase price amounting to US\$ 12.6 million would accrue fixed interest at 5% per year and be payable in seven annual and consecutive installments starting on the first anniversary of the signing of the contract. These conditions were fulfilled on July 1, 2010 and the transaction was closed (See Note 26 (vi)).

Furthermore, on December 28, 2007, the Company and INCSA had signed a letter of intent to acquire, build and manage a commercial center in a plot of land owned by INCSA, located in the City of San Miguel de Tucumán, Province of Tucumán. The price of this transaction was set at US\$ 1.3 million, of which US\$ 0.05 million were paid on January 2, 2008. This transaction was subject to certain precedent conditions such as the completion of the acquisition of the *Soleil Factory* described above (see Note 26 (vi)).

**2. Barter transaction with Condominios**



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On October 11, 2007, APSA entered into a barter agreement with an unrelated party, Condominios, pursuant to which the Company bartered a plot of land, Plot 2 G, located in Rosario, Province of Santa Fe for future 15 apartments and 15 parking spaces of the total units to be constructed on the land. Under this agreement, the Company will have a 14.85% and 15% of the total square meters covered by the apartments and garages, respectively. The total fair value of the transaction is US\$ 1.1 million disclosed in the line item "Torres de Rosario" in Note 4.e. Upon signing of the agreement, Condominios paid the Company US\$ 0.02 million and assumed certain obligations. Condominios (i) guaranteed the transaction by the assumption of a first degree mortgage on the land in favor of the Company for US\$ 1.1 million; (ii) established a security insurance of which the Company will be assignor of the insured amount of US\$ 1.6 million; and (iii) the shareholders of Condominios assumed a personal guarantee of the obligations of Condominios up to the amount of US\$ 0.8 million. APSA also granted Condominios an acquisition option through barter of Plot 2H.

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**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, dispositions and development of businesses (continued)***

***C. Year ended June 30, 2008 (continued)***

**3. Acquisition of Beruti plot of land**

On June 24, 2008, APSA acquired a plot of land located at Beruti 3351/3359 between Bulnes and Coronel Díaz Avenue in the City of Buenos Aires for US\$ 17.8 million, which were fully paid as of June 30, 2010 (see Note 26 (vii)).

**4. Barter transaction with CYRSA**

The Company signed with CYRSA a deed of exchange for US\$ 12.6 million by which IRSA handed over to CYRSA a plot of land in the Caballito neighborhood. On its part, CYRSA committed itself to build a housing real estate development in such plot. In a first stage two buildings would be constructed and a third future building would be developed in the second stage, upon CYRSA's election. As consideration CYRSA would pay US\$ 0.12 million and the balance would be cancelled by handing over 25% of the functional units of the buildings to be constructed in the plot of land. To guarantee the compliance with its obligations CYRSA had mortgaged the plot of land to the Company's favor in the amount of US\$ 12.6 million. This transaction generated a gross result before taxes of Ps. 29.1 million, which was eliminated in accordance with the ownership of CYRSA S.A. On July 31, 2008, the title deed to the land was executed.

On December 17, 2010, the Company and CYRSA entered into an agreement to nullify the rights and obligations assumed in the abovementioned transactions. CYRSA restored the building to the Company. Title deed s still pending.

**5. Acquisition of 50% of Bank Boston building**

In August 2007, the Company acquired a 50% interest in the building (including in place leases) known as Bank Boston Tower , for a total consideration of US\$ 54 million. The acquisition has been accounted for as a business acquisition.

The Company consulted with the National Argentine Antitrust Commission with regard to the need for reporting such transaction as economic concentration. The Argentine Antitrust Commission decided that effectively the operation referred should be notified and the Company did so. On November 5, 2010 the transaction was authorized.

**6. Acquisition and sale of plot of land**

In May 2008, the Company and Birafriends S.A., an unrelated third party, signed a preliminary purchase agreement for the acquisition of a plot of land in Luján, Province of Buenos Aires, for total consideration of US\$ 3.0 million. The Company paid US\$ 1.2 million in cash with the remaining balance payable at the time of signing the deed of title. However, in December 2008, the Company transferred the land and related debt to its shareholder Cresud in exchange for US\$ 1.2 million.

**7. Acquisition of Museo Renault**

In December 2007 the Company acquired certain functional units (including in place lease) of the Palacio Alcorta (also known as Museo Renault ) for the total consideration of US\$ 3.2 million. The acquisition has been accounted for as a business acquisition.



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**2. Preparation of financial statements (continued)**

***g. Significant acquisitions, dispositions and development of businesses (continued)***

***C. Year ended June 30, 2008 (continued)***

**8. Purchase of Manibil S.A.**

In May 2008, the Company acquired from Land Group S.A., an unrelated third party, a 49% interest in Manibil S.A. for de minimis consideration. Manibil is a company incorporated under the laws of Argentina engaged in real estate, construction and financing activities. In June 2008, the Company contributed Ps. 23.9 million into this company. Under the agreements in force, the Company undertook to abstain from transferring its shares or any rights in the shares for a three-year term.

**9. Sale of Bouchard building**

On January 9, 2008, the Company sold to Techint Compañía Técnica Internacional S.A.C.I. (Techint) an undivided 29.85% interest in the building known as Bouchard Plaza Building including in-place lease contracts for an aggregate price of US\$ 34.4 million. The gain on the sale was Ps. 19 million.

**10. Acquisition of Edificio República**

In April 2008, the Company acquired a building known as Edificio República (Republic Building), a property located in Buenos Aires. The Company paid US\$ 70.3 million partially financed by a mortgage loan from Banco Macro for an amount of US\$ 33.6 million accruing interest at a fixed rate of 12% per annum and payable in five equal, annual and consecutive installments as from April 2009. The Company consulted with the Argentine Antitrust Commission whether or not this transaction should be reported as a transaction regarded as infringing antitrust laws. In February 2010, the Company has presented the required documentation notifying the operation. On November 3, 2010, the transaction was authorized.

**11. Commercialization of Dique III**

**Plot 1c) Dique III**

In September 2004, the Company and Desarrollos y Proyectos Sociedad Anónima ( DYPSA ) signed a commitment of barter contract whereby the Company delivered DYPSA plot 1c) of Dique III in exchange for receiving 28.50% of the square meters built in the building constructed by DYPSA. The transaction amounted to US\$ 8,030. The Company signed preliminary sales agreements for certain units to be received which were valued at its net realizable value. The increase for this method of valuation amounted to Ps. 26,528; of which Ps. 5,516, Ps. 2,618 and Ps. 18,394 were recorded as of June 30, 2009, 2008 and 2007, respectively. As of the date of these Consolidated Financial Statements the units were totally sold and the property has been transferred to the buyers.

**Plot 1e) Dique III**

In June 2006, the Company and DYPSA signed a barter contract whereby the Company delivered DYPSA plot 1e) of Dique III in exchange for receiving 31.50% of the square meters built in a building to be constructed by DYPSA. The value of the transaction amounted to of US\$ 13.5 million. In November 2007, the Company and DYPSA replaced the barter agreement for US\$ 18.2 million in cash, paid in full of June 30, 2008. The gain on the replacement was Ps. 14.8 million.

**12. Purchase of additional shares of APSA**

During the fiscal year ended June 30, 2008 the Company acquired 672,639 shares of APSA for a total amount of Ps. 7. As a result of this transaction, the Company's ownership interest in APSA rose to 63.35%.

**13. Acquisition of Arcos del Gourmet S.A.'s ( Arcos) shares**

In August 2007, the Company paid US\$ 0.6 million for an option to purchase an 80% interest in Arcos, a company holder of a concession to exploit the old warehouses and adjacent spaces owned by the Organismo Nacional Administrador de Bienes del Estado (ONABE), a public entity created to manage administer certain public assets, mainly those belonging to former national railway assets.

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On March 20, 2009, the FACPCE issued Technical Resolution No. 26 Adoption of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ( IASB ) which requires that companies under the supervision of the CNV to prepare their financial statements in accordance with IFRS as by the IASB for fiscal periods beginning on or after January 1, 2011, including comparative information for earlier periods. There are Consejos Profesionales or standard setters in each provincial jurisdiction in Argentina, which have the power to adopt, reject or modify a resolution issued by the FACPCE. The jurisdiction where we are located is the Federal District. On April 25, 2009, the CPCECABA approved Resolution No. 26. The CNV issued Resolution No. 562/09, as amended by Resolution 576/10 formally adopting application of Resolution No. 26 to its regulated entities for fiscal years beginning on January 1st, 2012. The Company will be required to prepare its consolidated financial statements in accordance with IFRS as issued by the IASB for its fiscal year ended June 30, 2013 and 2012. The Company's transition date to IFRS will be July 1, 2011. On April 29, 2010, the Company's Board of Directors approved a plan for implementing IFRS. The Company is currently in the early stages of completing a diagnosis of the principal differences between Argentine GAAP and IFRS.

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

The Company classified cash flows from purchases and sales of investments not considered to be cash equivalents as operating activities for the years ended June 30, 2009 and 2008. As part of the Company's IFRS implementation efforts, for the fiscal year ended June 30, 2010, the Company changed this accounting policy to treat these cash flows as investing activities as permitted also by Argentine GAAP (RT N°8). Therefore, the Company retroactively adjusted the prior years as follows:

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

**3. Significant accounting policies**

The following is a summary of significant accounting policies followed by the Company in the preparation of these consolidated financial statements.

**a. Revenue recognition**

The Company primarily derives its revenues from domestic office and shopping center leases, the development and sale of properties, hotel operations and consumer financing. See Note 6 for details on the Company's business segments.

Development and sale of properties

The Company records revenue from the sale of properties when all of the following criteria are met:

- (i) The sale has been consummated;
- (ii) The Company has determined that the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay for the property;
- (iii) The Company's receivable is not subject to future subordination; and
- (iv) The Company has transferred to the buyer the risk of ownership, and does not have a continuing involvement in the property.

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**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***a. Revenue recognition (continued)***

The Company uses the percentage-of-completion method of accounting with respect to sales of development properties under construction affected under fixed-priced contracts. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs applied to the total budget cost. The Company does not commence revenue and cost recognition until such time as the decision to proceed with the project is made and construction activities have begun.

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

**Leases and services from office and other buildings**

Leases with tenants are accounted for as operating leases. Tenants are charged a monthly rent. Rental income is recognized on a straight-line basis over the term of the lease and unpaid rents are included in accounts receivable in the accompanying consolidated balance sheets.

**Leases and services from shopping center operations**

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

Furthermore, pursuant to the rent escalation clause in most leases, a tenant's Base Rent generally increases between 7% and 12% each year during the term of the lease. For the years ended June 30, 2010, 2009 and 2008, the majority of the tenants were charged with the Percentage Rent.

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

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

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



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

The Company also derives revenues for parking lot fees charged to visitors. Parking revenues are recognized as services are performed.

### Lease agent operations

Fibesa S.A. (a subsidiary of APSA) acts as the leasing agent for the Company bringing together the Company and potential lessees for the retail space available in certain of the Company's shopping centers. Fibesa's revenues are derived primarily from success fees paid by tenants calculated as a percentage of the final rental income value for both

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**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***a. Revenue recognition (continued)***

the lessee and the Company. Revenues related to success fees are recognized at the time that the transaction is successfully concluded. A transaction is considered successfully concluded when both parties have signed the related lease contract.

**Consumer Financing**

The Company, through APSA's subsidiaries Tarshop and Metroshop is engaged in the origination of consumer loans and credit card transactions and securitization of corresponding receivables. Revenues from credit card transactions are primarily comprised of (i) merchant discount fees which are recognized when transactional information is received and processed by the Company; (ii) data processing services which consist of processing and printing cardholders statement of accounts, and which are recognized as services are provided; (iii) life and disability insurance charges to cardholders which are recognized on an up-front basis, and (iv) interest income generated by financing and lending activities. Revenue from financing and lending activities are comprised of interest income, which is recognized on an accrual basis. See Note 15 for details on securitization activity. After the sale of 80% of Tarshop in September 2010, the Company maintains a 20% interest in Tarshop's business.

**Hotels**

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

***b. Cash and cash equivalents***

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of time deposits with original maturities of less than three months at date of purchase and mutual funds. Mutual funds are considered to be cash equivalents by reference to the frequency with which liquidity is available according to current Argentine GAAP guidance and practice.

***c. Investments***

***(i) Current***

Current investments primarily include mutual funds, shares of public companies, time deposits, government bonds and mortgage bonds. Time deposits are valued at cost plus accrued interest at year-end. Mutual funds, shares of public companies, government bonds and mortgage bonds are carried at market value at year-end.

Unrealized gains and losses on these investments are included within Financial results, net in the accompanying consolidated statements of income

Current investments also include retained interests in securitized receivables pursuant to the securitization programs of Tarshop S.A., Metroshop S.A. (see Note 15) and the retained interest in securitized mortgage receivables, which have been accounted for under the equity method, net of the corresponding allowances for impairment, if applicable.

*(ii) Non-current*

*a) Equity investments*

Banco Hipotecario S.A. and Banco de Crédito y Securitización S.A.

As of June 30, 2009, the Company had a 21.34% equity interest in BHSA (without considering treasury shares). During this year, the Company acquired the equivalent of 100,417,816 shares of BHSA for an amount of Ps. 118.7 million of which Ps. 112.6 million were paid as of June 30, 2010. After the abovementioned purchases, as of June 30, 2010, the Company has 28.03% of the shares of BHSA (without considering treasury shares). The Company also has a 5.10% investment in Banco de Crédito y Securitización S.A. ( BACSA ).

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**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***c. Investments (continued)***

In accordance with regulations of the BCRA and also as imposed by the agreements signed by BHSA as a result of its financial debt restructuring process, there are certain restrictions on the distribution of profits by BHSA.

The financial statements of BHSA and BACSA are prepared in accordance with BCRA standards. For the purpose of valuation of these investments the Company has made adjustments necessary to adequate these Consolidated Financial Statements to Argentine GAAP have been considered.

**Metropolitan 885 Third Ave LLC**

The Company holds an indirect 30% equity interest in Metropolitan through IRSA International LLC and Tyrus S.A., wholly owned subsidiaries of the Company. See Note 2.g.B.1. for details.

***b) Retained interests in securitization programs***

Non-current investments also include the non-current portion of the Company's retained interests in securitized receivables (evidenced as Certificates of Participation or CPs) and trust debt securities (TDFs) pursuant to the securitization programs of credit card and personal loans receivables (See Note 15 for details).

***c) Undeveloped parcels of land***

The Company acquires undeveloped land in order to provide an adequate and well-located supply for its residential and office building operations. The Company's strategy for land acquisition and development is dictated by specific market conditions where the Company conducts its operations.

Land held for development and sale and improvements are stated at cost (adjusted for inflation as described in Note 2.c.) less allowances for impairment or estimated fair market value, whichever is lower. Land and land improvements are transferred to inventories or fixed assets, as appropriate, when the Company determines that the properties are to be marketed for sale, when construction commences or the land is leased.

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

During the years ended June 30, 2002 and 2003 the Company recognized significant impairment. As permitted by Argentine GAAP, due to increases in fair market values, these impairment charges were subsequently reversed during the years ended June 30, 2004 until 2009. Impairment charges and subsequent reversals are included in the line item Gain from operations and holdings of real estate assets, net in the income statement. The balance of allowance for impairment of undeveloped parcels of land amounts to Ps. 50, Ps. 50 and Ps. 360 for the years ended June 30, 2010, 2009 and 2008, respectively. See Note 3.t. for details on accounting for impairment losses.

***d. Inventories***

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Inventories are comprised primarily of properties held for development and sale and to a lesser extent other minor inventories from hotel operations. A property is classified as held for sale upon determination by the Board of Directors that the property is to be marketed for sale in the normal course of business.

Residential, office and other non-retail properties completed or under construction are stated at acquisition or construction cost (adjusted for inflation as described in Note 2.c.) less allowances for impairment or estimated fair market value, whichever is lower. The Company records impairment losses for certain inventories which have market values lower than costs. Costs include land and land improvements, direct construction costs, construction overhead cost, financial cost and real estate taxes.

In addition, inventory includes receivables representing the rights to receive certain property units. These units have been valued at acquisition cost.

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**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***d. Inventories (continued)***

Those on which the Company received down payments that fix the sales price and the terms and conditions of the contract provide reasonable assurance at the closing of the transaction and realization of the gain are valued at net realizable value. See Gain from recognition of inventories at net realizable value in the consolidated statements of income.

Properties held for sale are classified as current or non-current based on the estimated date of sale and the time at which the related receivable is expected to be collected by the Company.

During the years ended June 30, 2002, 2003 and 2005, the Company recognized significant impairment losses. As permitted by Argentine GAAP, due to increases in fair market values, these impairment charges were subsequently reversed partially during the years ended June 30, 2004 through the current fiscal year. Impairment charges and subsequent reversals are included in the line item Gain from operations and holdings of real estate assets, net in the statement of income. The balance of allowance for impairment of inventory amounts to Ps. 157, Ps. 1,029 and Ps. 1,111 for the years ended June 30, 2010, 2009 and 2008, respectively. See Note 3.t. for details on accounting for impairment losses.

***e. Fixed assets, net***

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

**Rental properties (including shopping centers)**

Rental properties are carried at cost (adjusted for inflation as described in Note 2.c.), less accumulated depreciation and allowances for impairment. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, which are estimated between 10 to 30 years for office buildings and related improvements and between 26 and 39 years for shopping centers. Expenditures for maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are capitalized and depreciated over their estimated remaining useful lives. At the time depreciable assets are retired or otherwise disposed of, the cost and the accumulated depreciation and allowances for impairment of the assets are removed from the accounts and any profit or loss is recognized. The Company capitalizes financial costs (interest and foreign exchange differences) on long-term construction projects. Capitalized financial costs amounted to Ps. 5,331, Ps. 86,452 and Ps. 10,545 for the years ended June 30, 2010, 2009 and 2008, respectively, mainly in connection with the construction of the Dot Baires, Shopping Alto Rosario and Dique IV.

During the years ended June 30, 2002, 2003 and 2005 the Company recognized significant impairment losses. As permitted by Argentine GAAP, due to increases in fair market values, these impairment charges were subsequently reversed partially during the years ended June 30, 2003 through the current fiscal year. Impairment charges and subsequent reversals are included in the line item Gain from operations and holdings of real estate assets, net in the income statement. The balance of allowance for impairment of fixed assets amounts to Ps. 3,532, Ps. 3,891 and Ps. 4,974 for the years ended June 30, 2010, 2009 and 2008, respectively.

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### Other property and equipment

Other property and equipment are carried at cost (adjusted for inflation as described in Note 2.c.), less accumulated depreciation at the end of the year. Accumulated depreciation is computed under the straight-line method over the estimated useful lives of the assets, as specified below:

| <b>Asset</b>            | <b>Estimated useful life (years)</b>      |
|-------------------------|---|
| Leasehold improvements  | Lesser of lease term or asset useful life |
| Facilities              | Between 10 and 20                         |
| Machinery and equipment | 10  |
| Vehicles                | 5   |
| Software                | 3   |
| Computer equipment      | 3   |
| Furniture and fixtures  | Between 5 and 10                          |
| Other                   | 10  |

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**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***f. Intangible assets, net***

Intangible assets are carried at cost (adjusted for inflation as described in Note 2.c.), less accumulated amortization.

**Pre-operating and organization expenses**

Represents primarily expenses incurred relating to pre-opening activities of certain shopping centers and development projects. These expenses are amortized on a straight-line basis over a three-year period starting upon the opening of the shopping center or the sale of the project.

**Trademarks**

Represents fees and expenses related to the registration of trademarks.

**Above and below market leases and in-place leases**

See Note 3.g. for details on accounting for these intangibles.

**Concession rights**

Intangible assets include Arcos del Gourmet S.A. s (a subsidiary of APSA) concession right, which will be amortized over the life of the concession agreement, upon commencement of operation (see Note 2.g. A.10.).

**Customer relationships**

Represent the net present value of the future economic benefits related to the use of acquired customer base. This asset is amortized on a straight-line basis over a twelve-year period.

**Non-compete agreement**

This right is valued at acquisition cost and is amortized over the life of the agreement (28 months).

***g. Business combinations***



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Significant entities or net asset acquired by the Company were recorded in line with the purchased method set forth in Technical Resolution No. 18 and Technical Resolution No. 21. All assets and liabilities acquired to third independent parties were adjusted to show their fair value. The Company identified the assets and liabilities acquired, that included intangible assets such as: lease agreements acquired for prices and terms that are either higher or lower than in the market; costs of executing and delivering the lease agreements in force (costs that the Company avoids incurring as a result of acquiring effective lease agreements); the value of acquired brands, the value of any deposits associated to the investment and the intangible value inherent to customer relations.

The process of identification and the determination of the purchase price paid is a matter that requires complex judgments and significant estimates.

The Company uses the information contained in valuations estimated by independent appraisers as primary base for assigning the price paid for the land, buildings and shopping centers. The amounts assigned to all the other assets and liabilities are based on independent valuations or on the Company's own analysis on comparable assets and liabilities. The current value of tangible assets acquired considers the property value as if it was empty.

If the price paid is larger than the value of the tangible and intangible assets and liabilities as identified, the excess is considered to be goodwill.

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**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***h. Negative goodwill, net***

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

*(i) Negative goodwill:*

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

*(ii) Goodwill:*

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

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

***i. Other receivables and liabilities***

Certain other receivables and liabilities (value added tax, cash reserves and guarantee deposits) have been measured based on the best estimate of the amount receivable and payable, respectively, discounted at the interest rate that reflect the time-value of money and the estimate specific transactions risks at the time of incorporation to assets and liabilities, respectively. The remaining other receivables and liabilities have been valued at their nominal value plus interest, if any.

***j. Financial receivables and payables***

Financial receivables and payables have been valued at the amount deposited and collected, respectively, net of operating costs, plus accrued interests based on the interest rate estimated at the time of the transaction. In the case, the Company has the intention and feasibility of selling financial receivables after the year-end; those receivables are valued at their net realizable value.

***k. Accounts receivable and trade accounts payable***

Accounts receivable and trade accounts payable have been valued at the price applicable to spot operations at the time of the transaction plus accrued interest based on the internal rate of return.

***l. Liabilities in kind related to barter transactions***

Obligations to deliver units to be built are valued at the higher of (i) the cost of construction of the units to deliver plus additional costs to transfer the assets to the creditor, or (ii) the value of the barter agreed by the parties. Liabilities in kind are disclosed in the Trade accounts

payable .

***m. Related party balances and other transactions***

Receivables and payables with related parties generated by financial transactions and other sundry transactions have been valued in accordance with the terms agreed by the parties.

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**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***n. Income tax***

The subsidiaries of the Company calculate their income taxes on a separate basis. The Company did not either calculate or pay income taxes on a consolidated basis for any of the years presented. The statutory income tax rate was 35% for all the years presented.

The Company records income taxes using the deferred tax method required by Technical Resolution No. 17 Overall Considerations for the Preparation of Financial Statements ( RT 17 ). Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the fiscal year that includes the enactment date. A valuation allowance is recognized for that component of net deferred tax assets which is more likely than not to be recoverable.

As discussed in Note 16 the Company has treated the differences between the price-level restated amounts of assets and liabilities and their historical basis as permanent differences for deferred income tax calculation purposes.

***o. Minimum Presumed Income Tax (MPIT)***

The company and its subsidiaries are subject to the Minimum Presumed Income Tax Law ( Impuesto a la Ganancia Mínima Presunta or MPIT ). The MPIT is calculated on an individual entity basis at the statutory tax rate of 1%, and is based upon the taxable assets of each Argentine entity as of the end of the year. This tax is complementary to Income Tax and the Company is required to pay the greater of the income tax or the MPIT. Any excess of the MPIT over the income tax may be carried forward and recognized as a payment on account of any excess of income tax over MPIT occurring within the subsequent ten years. In the opinion of management, it is probable that the Company will utilize such asset against future taxable income charges within the next ten years and, as a result, the Company has recognized the accumulated MPIT charge within Other current and non-current receivables , as appropriate, in the accompanying Consolidated Balance Sheet. This tax credit has been recorded at its nominal value.

***p. Advances from customers***

Advances from customers represent payments received in advance in connection with the sale and lease of certain properties and have been valued at the amount collected.

***q. Mortgage payables***

Mortgage payables includes the debt assumed in the acquisition of Bariloche plot of land (see Note 13) and have been valued at the amount collected net of expenses plus accrued interests based on the interest rate estimated at the time of the transaction.

***r. Provisions for allowances and contingencies***

The Company provides for losses relating to accounts and mortgage receivables. The allowance for losses is recognized when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the terms of the agreements. Larger non-homogenous loans are reviewed for impairment on a quarterly basis. The Company establishes an asset-specific allowance when the receivable is due and the collateral value (less disposal costs) is lower to discounted cash flows. This allowance considers, among others,

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(i) payment record, (ii) the prospects for support from any financially responsible guarantors and, if appropriate, (iii) the realizable value of any collateral. The collateral value is also quarterly reviewed by a valuation specialist using a market approach technique (observing trading prices in the market of comparable assets or making appropriate adjustments for any differences between the observed transactions and the subject of the valuation). Smaller-balances homogeneous loans, including residential mortgage and consumer financing loans are evaluated collectively for impairment. While management uses the information available to make evaluations, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the assessments. Management has considered all events and/or transactions that are subject to reasonable and normal methods of estimations, and the consolidated financial statements reflect that consideration.

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**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

*r. Provisions for allowances and contingencies (continued)*

The Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving tax, labor and other matters. The Company accrues liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the Company's estimates of the outcomes of these matters and the Company's lawyers

experience in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there will be changes in the estimates of future costs, which could have a material effect on the Company's future results of operations and financial condition or liquidity.

At the date of issuance of these consolidated financial statements company's Management understands that there are no elements to foresee other potential contingencies having a negative impact on these consolidated financial statements.

*s. Advertising expenses*

The Company generally expenses advertising and promotion costs as incurred.

Advertising and promotion expenses were Ps. 27,769, Ps. 23,531 and Ps. 37,375 for the years ended June 30, 2010, 2009 and 2008, respectively.

*t. Impairment of long-lived assets*

The Company periodically evaluates the carrying value of its long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying value of a long-lived asset is considered impaired by the Company when its value in use or its net realizable value, whichever is greater, is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the greater of the value in use or the net realizable value. Value in use is determined by the expected cash flows from the assets discounted at a rate commensurate with the risk involved. Net realizable value is determined by the selling price of the assets less costs to sell.

Under Argentine GAAP, the impairment loss is recorded in the income statement against a liability account. This liability account is a contra account to fixed assets, undeveloped parcels of land or inventories, which means that it is presented on the balance sheet as a direct reduction from the book value of these assets to arrive at the carrying value at any particular point in time. The liability account is depreciated over the useful life of the related asset decreasing depreciation expense each period. Under Argentine GAAP, a previously recognized impairment loss should only be reversed when there is a subsequent change in estimates used to compute the value in use or its net realizable value, whichever is greater. In that event, the new carrying amount of the asset should be the lower of its value in use or its net realizable value, whichever is greater, or the net carrying amount the asset would have had if no impairment had been recognized. Both the impairment charge and the impairment reversal are recognized in earnings in the period in which they are incurred.

*u. Vacation expenses*

Vacation expenses are fully accrued in the period the employee renders services to earn such vacation.

*v. Derivative financial instruments*

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As part of its risk management strategy, the Company may use derivative financial instruments. The Company uses derivative financial instruments to manage its exposure to certain risks, including foreign exchange risks. In entering into these contracts, the Company assumes the risk that might arise from the possible inability of counter parties to meet the terms of their contracts. The Company does not expect any losses as a result of counterparty defaults.

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**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**3. Significant accounting policies (continued)**

***v. Derivative financial instruments (continued)***

The Company follows RT 18 Derivative instruments and coverage operations and carries these derivatives as assets or liabilities at fair market value on the balance sheet. RT 18 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the statement of operations, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. While management believes each of the financial instruments manage various market risks, these instruments are not designated and accounted for as hedges as a result of the extensive record keeping requirements of the provisions. Accordingly, the Company's derivatives are marked to market on a current basis with gains and losses recognized in earnings. The Company also engages in trading of certain financial instruments. For details on the Company's derivative financial instruments activity, see Note 14.

***w. Monetary assets and liabilities***

Monetary assets and liabilities are stated at their face value, plus or minus, as applicable, financial gain or loss.

***x. Dividends***

Dividend policy of the Company consist in the pro-rata distribution of an amount up to the highest of a) twenty per cent (20%) of the revenues of Office and other Non-Shopping Center Rental Properties segment, defined in Segment Information (Note 6), as of June 30 of each year, or b) twenty per cent (20%) of Net income defined in the Consolidated Statements of Income as of June 30 of each year. This policy requires that the Company must at all times comply with the covenants imposed by its financial obligations.

***y. Earnings per share***

The Company is required to disclose earnings per share information for all years presented. Basic earnings per share (basic EPS) are computed by dividing the net income available to common shareholders for the years by the weighted-average number of common shares outstanding during the year. Diluted earnings per share (diluted EPS) are computed by dividing the adjusted net income for the year by the weighted-average number of common shares and potential common shares outstanding during the year.

In computing diluted EPS, income available to common shareholders used in the basic EPS calculation is adjusted to add back the after-tax amount of interest recognized for the year with respect to any debt convertible to common stock. Additional adjustments are made for any other income or loss items that would result from the assumed conversion of potential common shares. The weighted-average number of common shares outstanding is adjusted to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued. Diluted EPS is based on the most advantageous conversion rate or exercise price over the entire term of the instrument from the standpoint of the security holder. The calculation of diluted EPS excludes potential common shares if their effect is anti-dilutive. For the fiscal year ended June 30, 2010 and 2009 the Company did not have convertible debt and warrants outstanding. The Company considered the dilutive effect of outstanding warrants and convertible debt in calculating diluted EPS.

***z. Debt issuance costs***

Expenses incurred in connection with the issuance of debt are amortized over the term of the debt, applying effective interest method. Debt issuance costs are classified within short-term or long-term debts, as appropriate. In the case of redemption or conversion of these debts, the related expenses are amortized using the accelerated depreciation method. Amortization of debt issuance costs is included within Financial



results, net in the consolidated statements of income as a greater financing expense.

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|                                     | As of June 30, |            |
|-------------------------------------|----------------|------------|
|                                     | 2010           | 2009       |
| Bank accounts (Note 28.e.)          | Ps. 60,500     | Ps. 61,655 |
| Cash on hand (Note 28.e.)           | 4,883          | 3,758      |
| Checks to be deposited (Note 28.e.) | 5,792          | 1,149      |
|                                     | Ps. 71,175     | Ps. 66,562 |

**b. Investments:**

|  | As of June 30, |             |
|--|----------------|-------------|
|  | 2010           | 2009        |
| <b>Current</b>   |                |             |
| Mutual funds (Note 28.e.)  | Ps. 134,167    | Ps. 141,011 |
| Retained interests in securitized receivables (i)                                      | 124,671        | 136,231     |
| Shares of public companies (Note 28.e.)  | 4,075          | 21,603      |
| TDFs (i)   | 2,846          | 16,490      |
| Time deposits  |                | 15,156      |
| Government bonds   |                | 14,095      |
| Mortgage bonds issued by BHSA  | 784            | 798         |
| Allowance for impairment of CPs (Note 28.c.) (i)                                       | (7,423)        | (10,198)    |
| Other investments (Note 28.e.)   | 48             | 48          |
|  | Ps. 259,168    | Ps. 335,234 |
| <b>Non-Current</b>   |                |             |
| <b>Equity investments:</b>   |                |             |
| Banco Hipotecario S.A (ii) (Notes 2.g.A.2 and B.2)                                     | Ps. 809,072    | Ps. 539,064 |
| Hersha Hospitality Trust (Notes 2.g A.1. and 28 (e))                                   | 204,553        |             |
| Manibil (Note 2.g.C.8 and Note 13 (v))   | 27,238         | 25,332      |
| Advance payments for the acquisition of shares (Note 2.g. A.7, A.10 , C.13 and 28 (e)) | 23,735         | 6,250       |
| Banco de Crédito y Securitización S.A.   | 5,996          | 5,127       |
| Other investments  | 144            | 95          |
| <b>Retained interests in securitization programs:</b>                                  |                |             |
| Retained interests in securitized receivables (i)                                      | 18,458         | 22,899      |
| Allowance for impairment of CPs (i)  | (1,165)        | (1,891)     |

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| <b>Undeveloped parcels of land (iii):</b>                                       |               |               |
|---|---------------|---------------|
| Santa María del Plata   | 140,584       | 139,748       |
| Puerto Retiro (Note 13 (i))   | 54,600        | 54,380        |
| Beruti plot of land (Notes 2.g.C.3 and note 26 (vii))                           | 52,934        | 52,715        |
| Caballito plot of land (iv) (Note 13 (ii))                                      | 36,745        | 36,741        |
| Patio Olmos (v)   | 32,949        | 32,949        |
| Pereiraola (Note 2.g.A.8)   |               | 21,717        |
| Rosario plot of land  | 11,166        | 15,577        |
| Zetol and Vista al Muelle plot of land (Note 2.g.A.3, 2.g.B.3 and Note 13 (ii)) | 22,640        | 14,855        |
| Air space Supermercado Coto Agüero 616 (Notes 2.g. B.5 and 13 (vii))            | 13,188        | 13,188        |
| Canteras Natal Crespo   | 5,705         | 5,705         |
| Pilar   | 3,408         | 3,408         |
| Torre Jardín IV   | 3,030         | 3,030         |
| Others  | 15,825        | 10,765        |
|   | Ps. 1,480,805 | Ps. 1,001,654 |

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- (i) As part of its credit card and personal loans securitization programs, Tarshop transfers credit card and personal loans receivables to trusts in exchange for cash and certificates representing undivided interests in such receivables. Trusts debt securities represent debt certificates (TDFs) issued by trusts which are valued at
- (ii) amortized cost. Retained interests in transferred credit card and personal loans receivables represent equity certificates (CPs) issued by trusts which are accounted for under the equity method of accounting (See Note 15 for details).
- (iii) As of June 30, 2010 and 2009, includes Ps. 25,884 and Ps. 16,828 as respectively negative goodwill and high and less value. Represents 420,455,493 and 320,038,137 shares with a quoted value at closing equivalent to Ps. 1.44 and Ps. 0.85 per share as of June 30, 2010 and 2009, respectively.
- (iv) Shown net of allowances for impairment losses mentioned in Note 3.t.
- (v) This asset is restricted in relation to certain tax claims.
- (vi) In November 2006, the Company acquired from the Provincial Government of Córdoba a property known as Edificio Ex Escuela Gobernador Vicente de Olmos ( Olmos ) located in Córdoba, Argentina for an aggregate purchase price of Ps. 32.5 million. The property, which is located in the City of Córdoba, is a 5,147 square meter four-story building. The property is leased to an unrelated party who exploits the building as a shopping center. The Company did not acquire any rights to the shopping center business. The transaction was pending certain approvals which were obtained in September 2007 when the deed was signed and remaining balance paid.

**c. Accounts receivable, net:**

|  | As of June 30, |             |
|--|----------------|-------------|
|  | 2010           | 2009        |
| <b>Current</b>   |                |             |
| Consumer financing receivables (Note 28.e.)                | Ps. 245,538    | Ps. 141,570 |
| Leases and services receivables (Note 28.e)                | 64,603         | 79,097      |
| Checks to be deposited (Note 28.e.)                        | 60,695         | 62,230      |
| Debtors under legal proceedings (ii)                       | 42,117         | 35,903      |
| Pass-through expenses receivables (i)                      | 19,917         | 37,689      |
| Receivables from the sale of properties (iii) (Note 28 e.) | 17,059         | 13,351      |
| Hotel receivables (Note 28. e.)                            | 11,186         | 7,713       |
| Related parties (Notes 11 and 28.e.)                       | 8,033          | 9,812       |
| Receivables with collection agents                         | 4,532          | 5,070       |
| Less:  |                |             |
| Allowance for doubtful accounts (Note 28.c.)               | (114,151)      | (128,964)   |
|  | Ps. 359,529    | Ps. 263,471 |
| <b>Non-Current</b>   |                |             |
| Consumer financing receivables (Note 28.e.)                | Ps. 25,824     | Ps. 6,490   |
| Receivables from the sale of properties (iii) (Note 28 e.) | 16,551         | 153         |

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|  |            |           |
|--|------------|-----------|
| Leases and services receivables (Note 28 e.) | 998        | 2,691     |
| Less:  |            |           |
| Allowance for doubtful accounts (Note 28.c.) | (1,250)    | (2,708)   |
|  | Ps. 42,123 | Ps. 6,626 |

- (i) Represents trade receivables for common area maintenance and other operating expenses charged to tenants of shopping centers.
- (ii) Comprised of Ps. 1.1 million and Ps. 1.3 million related to mortgage receivables and Ps. 41.0 million and Ps. 34.6 million related to leases receivables, as of June 30, 2010 and 2009, respectively.
- (iii) Includes fixed-rate mortgage receivables from several borrowers. At June 30, 2010 and 2009, the amount due from the largest individual borrower were Ps. 26,537 and Ps. 4,696, respectively, at a contractual interest rate of 14% and 10%, respectively (see Note 27.II.u.).

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|   | As of June 30, |             |
|---|----------------|-------------|
|   | 2010           | 2009        |
| <b>Current</b>  |                |             |
| Receivables from the sale of shares (i) (Notes 11 and 28 e.)      | Ps. 35,772     | Ps. 70,642  |
| Metropolitan, put option (Notes 2.g.B.1 and 28 e.)                | 48,461         | 44,877      |
| Related parties (Notes 11 and 28 e.)                              | 45,404         | 12,526      |
| Prepaid expenses and services (Note 28 e.)                        | 36,969         | 25,413      |
| Value Added Tax ( VAT )   | 30,929         | 1,821       |
| Gross revenue tax prepayment                                      | 8,151          | 2,789       |
| Receivable for third party services offered in consumer financing | 4,880          | 2,746       |
| Guarantee deposits re. securitization programs (Note 15)          | 5,427          | 6,782       |
| Income tax prepayment   | 2,680          | 13,719      |
| MPIT  | 1,056          | 4           |
| Loans granted   | 859            | 5,424       |
| Guarantee of defaulted credits (Notes 22 and 28 e.)               |                | 4,206       |
| Others (Note 28 e.)   | 20,303         | 10,754      |
|   | Ps. 240,891    | Ps. 201,703 |
| <b>Non-Current</b>  |                |             |
| VAT   | Ps. 64,386     | Ps. 71,400  |
| MPIT  | 62,791         | 40,799      |
| Deferred income tax (Note 16)                                     | 55,876         | 71,320      |
| Related Parties (Note 11)   | 15,010         | 22,513      |
| Others (Note 28 e.)   | 4,001          | 7,087       |
| Mortgage receivable (ii)  | 2,208          | 2,208       |
| Allowance for doubtful mortgage receivable (ii)                   | (2,208)        | (2,208)     |
| Gross revenue tax prepayment.                                     | 935            | 1,989       |
| Guarantee deposits re. securitization programs (Note 15)          |                | 999         |
| Less:   |                |             |
| Present value other receivables                                   | (15,817)       | (19,341)    |
|   | Ps. 187,182    | Ps. 196,766 |

(i) Represent receivables due to the sale of shares in several entities and other investments.

(ii) Corresponds to a loan granted to an unaffiliated third party, which is collateralized by a mortgage on certain properties. During fiscal year 2001, this debtor filed for bankruptcy. As a result, the Company has recognized an allowance for the entire balance based on the opinion of

its legal counsel.

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****4. Details of balance sheet accounts (continued)***e. Inventories:*

|  | As of June 30, |             |
|--|----------------|-------------|
|  | 2010           | 2009        |
| <b>Current</b>   |                |             |
| Horizons (v)   | Ps. 208,644    | Ps.         |
| Credit from barter transaction of Caballito (Koad) (i)   | 25,808         | 15,828      |
| Abril / Baldovinos                                       | 1,763          | 2,932       |
| El Encuentro (ii)  | 4,938          | 1,802       |
| Rosario plot of land                                     | 8,728          |             |
| Torres de Rosario (iii)                                  | 3,379          |             |
| Other inventories  | 6,309          | 4,337       |
|  | Ps. 259,569    | Ps. 24,899  |
| <b>Non-Current</b>                                       |                |             |
| Horizons (v)   | Ps.            | Ps. 106,391 |
| Credit from barter transaction of Caballito (CYRSA) (vi) | 18,970         | 18,970      |
| Credit from barter transaction of Caballito (Koad) (i)   | 6,654          | 11,795      |
| Torres de Rosario under construction (iii)               | 7,644          | 11,023      |
| El Encuentro (ii)  | 5,318          | 8,193       |
| Caballito  | 6,794          | 6,653       |
| Abril / Baldovinos                                       |                | 742         |
| Pereiraola (iv)  | 8,200          |             |
| Other inventories  | 1,508          | 1,166       |
|  | Ps. 55,088     | Ps. 164,933 |

- (i) Related to a barter transaction with an unrelated real estate developer valued at US\$ 7.5 million pursuant to which the Company exchanged an undeveloped parcel of land for the delivery of units in a building to be constructed by the developer. As of June 30, 2010, certain completed units were delivered for which the Company signed preliminary sales agreements. The Company measured these units at net realizable value at year-end and recognized an unrealized gain of Ps. 4,839 for the year ended June 30, 2010.
- (ii) Related to a barter transaction with an unrelated real estate developer valued at US\$ 4.0 million pursuant to which the Company exchanged an undeveloped parcel of land for the delivery of residential plots. As of June 30, 2010, the plots were delivered. The Company sold some of the plots and signed preliminary sales agreements on others for which an unrealized gain of Ps. 1 million was recorded.
- (iii) See Note 2.g.C.2,2.g.B.7 and 2.g.A.12
- (iv) As of June 30, 2010, the Company entered into preliminary sales agreement by all of housing units and for which advances from customers were received and disclosed as Advances from Customers in the financial statements. Delivery of the housing units is scheduled for February 2011.



(v) See Notes 2.g. C. 4. And 11.

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****4. Details of balance sheet accounts (continued)***f. Negative goodwill, net:*

|                              | As of June 30, |               |
|------------------------------|----------------|---------------|
|                              | 2010           | 2009          |
| <b>Goodwill:</b>             |                |               |
| Alto Palermo S.A.            | Ps. 19,245     | Ps. 20,670    |
| Tarshop S.A.                 |                | 6,897         |
| Torre BankBoston             | 5,690          | 5,899         |
| Museo Renault                | 3,113          | 3,276         |
| Conil S.A                    | 506            |               |
| Fibesa S.A.                  | 342            | 2,395         |
|                              | Ps. 28,896     | Ps. 39,137    |
| <b>Negative goodwill:</b>    |                |               |
| Alto Palermo S.A.            | Ps. (43,330)   | Ps. (46,365)  |
| Palermo Invest S.A.          | (40,316)       | (42,290)      |
| Empalme S.A.I.C.F.A. y G     | (8,450)        | (9,084)       |
| Mendoza Plaza Shopping S.A.  | (5,661)        | (5,988)       |
| Emprendimiento Recoleta S.A. | (262)          | (336)         |
|                              | Ps. (98,019)   | Ps. (104,063) |
| Negative goodwill, net       | (69,123)       | (64,926)      |

*g. Trade accounts payable:*

|                                      | As of June 30, |             |
|--------------------------------------|----------------|-------------|
|                                      | 2010           | 2009        |
| <b>Current</b>                       |                |             |
| Suppliers (i)(ii) (Note 28 e.)       | Ps. 215,924    | Ps. 134,178 |
| Accruals                             | 71,856         | 87,237      |
| Related parties (Notes 11 and 28 e.) | 25,651         | 7,088       |
| Other (Note 28 e.)                   | 2,183          | 1,039       |
|                                      | Ps. 315,614    | Ps. 229,542 |
| <b>Non-Current</b>                   |                |             |
| Suppliers (ii)                       | Ps. 11,210     | Ps. 58,862  |

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|                           |            |            |
|---------------------------|------------|------------|
| Related parties (Note 11) | 12,158     | 8,438      |
|                           | Ps. 23,368 | Ps. 67,300 |

- (iii) As of June 30, 2010 and 2009, includes accounts payable to merchants for credit card operations of Ps. 125.1 million and Ps. 88.8 million, respectively.
- (iv) As of June 30, 2010 and 2009, this includes Ps. 46.5 balance that reflects the liabilities in kind associated to the acquisition of properties in Vicente López (Note 4. e. (v)).

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****4. Details of balance sheet accounts (continued)***h. Advances from customers:*

|                                 | As of June 30, |             |
|---------------------------------|----------------|-------------|
|                                 | 2010           | 2009        |
| <b>Current</b>                  |                |             |
| Admission rights                | Ps. 51,194     | Ps. 45,392  |
| Sale advances (Note 28 e.)      | 128,544        | 30,601      |
| Lease and customer advances (i) | 30,364         | 20,850      |
|                                 | Ps. 210,102    | Ps. 96,843  |
| <b>Non-Current</b>              |                |             |
| Admission rights                | Ps. 59,469     | Ps. 60,626  |
| Sale advances (Note 28 e.)      |                | 56,822      |
| Lease and customer advances (i) | 30,901         | 32,909      |
|                                 | Ps. 90,370     | Ps. 150,357 |

- (i) Lease and customer advances include (a) Ps. 18.7 million and Ps. 18.2 million, as of June 30, 2010 and 2009, respectively, received from NAI International II, Inc. at the time of the construction of a movie theater complex and a portion of parking facilities in the Córdoba Shopping; and (b) Ps 9.5 million and Ps. 8.1 million, as of June 30, 2010 and 2009, respectively, received from Wal-Mart Argentina S.R.L. to secure a 30-year lease in Dot Baires shopping.

*i. Salaries and social security payable:*

|                                      | As of June 30, |            |
|--------------------------------------|----------------|------------|
|                                      | 2010           | 2009       |
| Provision for vacation and bonuses   | Ps. 27,038     | Ps. 25,986 |
| Salaries and social security payable | 9,834          | 9,289      |
| Other                                | 503            | 588        |
|                                      | Ps. 37,375     | Ps. 35,863 |

*j. Short-term and long-term debt:*

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|   | As of June 30, |               |
|---|----------------|---------------|
|   | 2010           | 2009          |
| <b>Short-term debt</b>                                |                |               |
| Bank loans (i)  | Ps. 133,813    | Ps. 178,654   |
| Bank overdrafts including accrued interests           | 314,120        | 90,539        |
| APSA Non Convertible Notes 2011 (iii)                 | 69,978         |               |
| Short term notes (v)                                  | 23,019         |               |
| Seller financings (ii)                                | 15,920         | 28,895        |
| APSA Non-Convertible Notes 2012 (iii)                 | 26,695         | 26,569        |
| IRSA Non-Convertible Notes 2017 (Note 10 and Note 11) | 20,009         | 19,297        |
| APSA Non-Convertible Notes 2017 (iii)                 | 2,917          | 2,679         |
| APSA Convertible Notes 2014 (iv) (Note 11)            | 2,719          | 2,610         |
|   | Ps. 609,190    | Ps. 349,243   |
| <b>Long-term debt</b>                                 |                |               |
| IRSA Non-Convertible Notes 2017 (Note 10 and Note 11) | Ps. 584,694    | Ps. 563,719   |
| APSA Non-Convertible Notes 2017 (iii)                 | 294,286        | 284,171       |
| Bank loans (i)  | 52,767         | 76,611        |
| APSA Convertible Notes 2014 (iv) (Note 11)            | 60,890         | 58,814        |
| APSA Non-Convertible Notes 2012 (iii)                 | 26,455         | 52,801        |
| Seller financing (ii)                                 | 12,436         | 8,609         |
|   | Ps. 1,031,528  | Ps. 1,044,725 |

(i) The outstanding balance at June 30, 2010 includes the following loans:

(a) Ps. 28,023 as a current balance and Ps. 52,767 as a non-current balance related to debt for purchase of Edificio República (See Notes 2.g.C.10. and 13),

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**4. Details of balance sheet accounts (continued)**

***j. Short-term and long-term debt (continued):***

(b) Ps. 40,031 correspond to Banco de la Nación Argentina's mortgage loan, maturing in November 2010 and accruing interest at a rate of 14% per annum, interest shall be paid monthly.

(c) Ps. 19,023 correspond to Hoteles Argentinos S.A.'s mortgage loan. (See Notes 22 and 13),

(d) Ps. 46,736 related to loans granted by different financial institutions.

(ii) As of June 30, 2010 the balance mainly includes: (a) Ps. 9,201 as a non-current balance related to the debt for the acquisition of Zetol S.A. (See Note 2.g.A.3 and 2.g.B.3 and 13), (b) Ps. 6,053 related to the debt of Tyrus for purchase of Banco Hipotecario S.A. shares (see Note 2. g. B. 2) and (c) Ps. 13,102 related to the debt for purchase of Arcos del Gourmet S.A. shares (see Note 2. g. A. 10)

(iii) On May 11, 2007, Alto Palermo S.A. (APSA) issued two new series of Notes for a total amount of US\$ 170.0 million. Series I relates to the issuance of US\$ 120 million maturing on May 11, 2017, which accrue interest at a fixed interest rate of 7.875% paid semiannually on May 11 and November 11 of each year as from November 11, 2007. Series II relates to the issuance of Ps. 154,020 (equivalent to US\$ 50 million). Principal will be settled in seven, equal and consecutive semiannual installments as from June 11, 2009, and accrues interest at 11% per annum, maturing on June 11 and December 11 of each year as from December 11, 2007. As of June 30, 2010 total Series I and Series II Notes repurchased by APSA amount to US\$ 5.0 million and US\$ 4.8 million, respectively. Such notes have been valued at face value and are disclosed netting the current and non-current capital and interest owed.

As of June 30, 2010 the Company holds Series I Notes for Fv. US\$ 39.6 million and Series II Notes for Fv. Ps 33.2 million (see Note 26 (ix)). Likewise, Cresud S.A.C.I.F. y A. holds Series I Notes for Fv. US\$ 5.0 million.

These issuances are constituted within the Global Issuance Program of Notes, for a face value of up to US\$ 200 million authorized by the National Securities Commission (CNV) by means of Resolution No. 15,614 dated April 19, 2007.

The Ordinary and Extraordinary Meeting of Shareholders held on October 29, 2009 approved the increase in the amount of the Global Issuance Program of Notes in place up US\$ 200 million and for a total amount of US\$ 400 million. It also approved the creation of the Global Program for the issuance of securities representing short-term debt ( VCP ) in the form of simple notes not convertible into shares, denominated in pesos, US dollars or any other currency with unsecured, special, floating and/or any other guarantee, including third party guarantee, either subordinated or not, for a maximum outstanding amount at any time that may not exceed the equivalent in Ps. of US\$ 50 million.

Under such Global Issuance Program of Notes, on November 10, 2009, the placement of the Second Series of Notes for a total value of Ps. 80.7 million, was completed in two series.

Series III relates to the issuance of Ps. 55.8 million maturing on May 12, 2011, which accrue interest at variable Badlar rate plus a 3% margin payable on a quarterly basis.

Series IV relates to the issuance of Ps. 24.9 million (equivalent to US\$ 6.6 million) maturing on May 12, 2011, which accrue interest at a fixed 6.75% rate applied to the principal in US dollars, payable on a quarterly basis.

As of June 30, 2010 Emprendimiento Recoleta S.A. holds Series III Notes for Fv. Ps. 12 million.

(iv) On July 19, 2002, APSA issued an aggregate amount of US\$ 50.0 million of Convertible Notes (the APSA Convertible Notes ) in exchange for cash and the settlement of certain liabilities.

The APSA Convertible Notes accrue interest at a fixed annual interest rate of 10%, are convertible at any time at the option of the holder into common shares of APSA of Ps. 0.10 par value per share and originally matured on July 19, 2006. A meeting of note holders resolved to extend the maturity date of the APSA Convertible Notes through July 19, 2014 although the remaining terms and conditions were left unchanged. .As of June 30, 2010 holders of Convertible Notes have exercised their right to convert ordinary shares for a total of US\$ 2.8 million. The outstanding balance of the APSA Convertible Notes as of June 30, 2010 amounts to US\$ 47.2 million, of which US\$ 33 million is held by IRSA. Accordingly, balances shown reflect amount held by third parties after intercompany eliminations.

(v) On December 28, 2009, the Extraordinary Shareholders Meeting of Tarshop approved the creation of a Global Program for the issuance of securities representing short-term debt ( VCPs ) and its terms and conditions, which was authorized by the CNV on February 15, 2010. On the same date, the CNV authorized the issuance of Class I VCPs up to Ps. 15,000 that may be extended up to Ps. 25,000. On February 23, 2010, Tarshop placed Class I VCPs for a total face value of Ps. 22,720. Class I VCPs will accrue interest at an annual rate equal to the BADLAR, plus cap-margin of 400 basic points. Interest payment dates are: August 25, 2010 and November 23, 2010. Principal will be repaid on November 23, 2010.

On August 6, 2010, the CNV authorized the issuance of Class II VCPs of up to Ps. 25,000 that may be extended to Ps. 40,000. On August 18, 2010, Tarshop placed Class II VCPs for a total face value of Ps. 40,000. Class II VCPs will accrue interest at an annual rate equal to the BADLAR, plus cap-margin of 400 basic points. Interest payment dates are: November 18, 2010 and February 16, March 18, April 18 and May 17, 2011. Principal payment dates are: March 18, April 18 and May 17, 2011, related to 25%, 25% and 50% of the total face value, respectively.

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The net proceeds from the issuances were used for general working capital needs.

*k. Taxes payable:*

|  | As of June 30, |             |
|--|----------------|-------------|
|  | 2010           | 2009        |
| <b>Current</b>                                     |                |             |
| VAT payable, net (Note 28 e.)                      | Ps. 17,308     | Ps. 18,318  |
| Facilities plan for VAT                            | 13,235         | 57,258      |
| Facilities plans for Income Tax                    | 1,559          | 21,835      |
| Facilities plans for MPIT                          |                | 1,137       |
| Tax amnesty plans for Income Tax                   |                | 1,358       |
| MPIT, net  | 10,512         | 17,081      |
| Income tax provision, net                          | 38,213         | 14,042      |
| Tax amnesty plan for gross revenue tax             | 485            | 449         |
| Gross revenue tax                                  | 3,636          | 2,487       |
| Tax withholdings                                   | 10,177         | 8,096       |
| Provision for tax on shareholders' personal assets | 4,055          | 2,576       |
| Tax amnesty plan for ABL                           | 815            |             |
| Other  | 1,116          | 3,246       |
|  | Ps. 101,111    | Ps. 147,883 |
| <b>Non-Current</b>                                 |                |             |
| Deferred income tax (Note 16)                      | Ps. 87,592     | Ps. 36,971  |
| Tax amnesty plan for Income Tax                    | 19,145         | 20,704      |
| Gross revenue tax                                  |                | 1,138       |
| Tax amnesty plan for gross revenue tax             | 1,320          | 2,433       |
| MPIT, net  | 12             | 8           |
| Tax amnesty plan for ABL                           | 2,372          |             |
|  | Ps. 110,441    | Ps. 61,254  |



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|  | As of June 30, |             |
|--|----------------|-------------|
|  | 2010           | 2009        |
| <b>Current</b>   |                |             |
| Liabilities from purchase of shares (Notes 2.g.B.2., 11 and 28 e)                  | Ps.            | Ps. 78,788  |
| Payables to Nationals Parks Administration (Note 20)                               | 2,589          | 10,223      |
| Guarantee deposits (Note 28 e.)  | 5,243          | 5,228       |
| Below market leases (Note 3. g)  | 1,308          | 3,722       |
| Commitment to provide (Note 2.g.B.1.)  |                | 2,270       |
| Accrual for directors fees (i) (Note 11)   | 24,412         | 2,068       |
| Loans with shareholders of related parties   |                | 837         |
| Contributed leasehold improvements (ii)  | 462            | 470         |
| Derivative financial instruments (Notes 11 and 14)                                 |                | 243         |
| Related parties (Notes 11 and 28 e.)   | 34             | 138         |
| Debt to the former minority shareholders of Tarshop (See Note 2. g. A. 11 i))      | 3,529          |             |
| Advance from the sale of Tarshop s shares (Notes 2.g.A.11 iii) and 11)             | 21,070         |             |
| Others (Note 28 e.)  | 6,691          | 7,005       |
|  | Ps. 65,338     | Ps. 110,992 |
| <b>Non-Current</b>   |                |             |
| Loans with shareholders of related parties (Note 28 e.)                            | Ps. 19,989     | Ps. 47,388  |
| Contributed leasehold improvements (ii)  | 9,502          | 9,964       |
| Guarantee deposits (Note 28 e.)  | 4,100          | 4,795       |
| Commitment to provide (Note 2.g.B.1.)  | 5,897          | 3,425       |
| Below market leases (Note 3. g)  |                | 1,308       |
| Related parties (Note 11)  | 20             | 20          |
| Debt to the former minority shareholders of Tarshop S.A. (See Note 2. g. A. 11 i)) | 3,322          |             |
| Hersha option payable (iii) (Note 28 e.)   | 16,693         |             |
| Others (Note 28 e)   | 2,600          | 5,145       |
| Less:  |                |             |
| Present value other liabilities  | (102)          | (164)       |
|  | Ps. 62,021     | Ps. 71,881  |

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- (iii) Disclosed net of advances to directors fees for Ps. 23,387 and Ps. 14,521 as of June 30, 2010 and 2009, respectively.
- (iv) Contributed leasehold improvements relate to improvements made by tenants in Abasto Shopping Center and Mendoza Plaza Shopping. Contributed leasehold improvements are recorded as fixed assets based on construction costs incurred with a corresponding deferred liability. Contributed leasehold improvements are amortized to income over the term of lease. Such amortization, net of the related depreciation of the leasehold improvement, was not significant for the years ended June 30, 2010 and 2009.
- (v) Debt with REIG s minority shareholders.

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****5. Shareholders equity****a. Common stock**

As of June 30, 2010, the Company had 578,676,460 authorized and outstanding shares of common stock, having a par value of Ps. 1.0 per share. Holders of the common stock are entitled to one vote for each share held of record on all matters submitted to a vote of shareholders. Following is a detail of the activity during the years ended June 30, 2008, 2009 and 2010:

|                                       | Common Stock    |             |                            | Approved by |             | Date of registration |
|---------------------------------------|-----------------|-------------|----------------------------|-------------|-------------|----------------------|
|                                       | Shares issued   | Par value   | Additional paid-in-capital | Body        | Date        |                      |
| <b>Balances as of June 30, 2007</b>   | Ps. 464,969,156 | Ps. 464,969 | Ps. 684,241                |             |             |                      |
| Conversion of debt into common shares | 34,582,162      | 34,582      | 24,591                     | Board of    | October 1,  | November 30,         |
| Exercise of warrants                  |                 |             |                            | Directors   | 2007        | 2007                 |
|                                       |                 |             |                            | Meeting     | December 3, | March 12,            |
|                                       | 79,125,142      | 79,125      | 84,291                     |             | 2007        | 2008                 |
| <b>Balances as of June 30, 2008</b>   | Ps. 578,676,460 | Ps. 578,676 | Ps. 793,123                |             |             |                      |
| <b>Balances as of June 30, 2009</b>   | Ps. 578,676,460 | Ps. 578,676 | Ps. 793,123                |             |             |                      |
| <b>Balances as of June 30, 2010</b>   | Ps. 578,676,460 | Ps. 578,676 | Ps. 793,123                |             |             |                      |

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**5. Shareholders' equity (continued)**

***b. Inflation adjustment of common stock***

As mentioned in Note 2.c, the Company's consolidated financial statements were prepared on the basis of general price-level accounting which reflected changes in the purchase price of the peso in the historical Consolidated Financial Statements through February 28, 2003. The inflation adjustments related to common stock and treasury stock were appropriated to inflation adjustment reserves that form part of shareholders' equity.

***c. Restriction on the distribution of profits (legal reserve)***

In accordance with the Argentine Commercial Corporations Law and the Company's By-laws, 5% of the net and realized profit for the year, calculated in accordance with Argentine GAAP, plus (less) prior years adjustments, must be appropriated, once accumulated losses are absorbed, by resolution of the shareholders to a legal reserve until such reserve equals 20% of the Company's outstanding capital. This legal reserve may be used only to absorb losses.

***d. Reserve for new developments and voluntary reserve for general purposes***

Under Argentine law, companies are allowed to transfer portions of accumulated retained earnings to special reserves. These special reserves may be for general purposes or for specific uses such as new developments. The transfer of accumulated retained earnings to these special reserves is shown in the shareholder's equity. These reclassifications have no impact on the total shareholders' equity of the Company. The Company may also transfer previously reserved amounts out to retained earnings for distribution purposes.

**6. Segment information**

The Company is required to disclose segment information in accordance with RT 18 which establishes standards for reporting information about operating segments in annual Financial Statements and requires reporting of selected information about operating segments in interim financial reports issued to shareholders. Operating segments are components of a company about which separate financial information is available that is regularly evaluated by the chief operating decision maker(s) in deciding how to allocate resources and assess performance. The statement also establishes standards for related disclosures about a company's products and services, geographical areas and major customers. The Company has determined that its reportable segments are those that are based on the Company's method of internal reporting. Accordingly, the Company has six reportable segments. These segments are Development and Sale of Properties, Office and Other Non-Shopping Center Rental Properties, Shopping Centers, Consumer Financing, Hotels and Financial Operations and Others.

A general description of each segment follows:

**Development and Sale of Properties**

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

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

This segment includes the operating results of lease and service revenues of office space and other building properties from tenants.

Shopping Centers

This segment includes the operating results of shopping centers principally comprised of lease and service revenues from tenants.

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**6. Segment information (continued)**

**Consumer Financing**

This segment includes the origination of loans and credit card receivables and related securitization programs carried through Tarshop and Metroshop.

**Hotels**

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

**Financial Operations and Others**

This segment primarily includes results related to securities-related transactions and other non-core activities of the Company. This segment also includes the gains or losses on the equity investees of the Company related to the banking industry.

The Company measures its reportable segment based on operating results.

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

The accounting policies of the segments are the same as those described in Note 3.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****6. Segment information (continued)***As of and for the year ended June 30, 2010*

|  | <b>Development<br/>and Sale of<br/>Properties</b> | <b>Office and<br/>other<br/>Non-Shopping<br/>Center Rental<br/>Properties (a)</b> | <b>Shopping<br/>Centers</b> | <b>Hotels</b>  | <b>Consumer<br/>Financing</b> | <b>Financial<br/>Operations<br/>and Others</b> | <b>Total</b>   |
|--|---|---|-----------------------------|----------------|-------------------------------|--|----------------|
|  | Ps. 225,567                                       | Ps. 154,164   | Ps. 518,355                 | Ps. 159,894    | Ps. 265,346                   | Ps.  | Ps. 1,323,326  |
| Revenues   |   |   |                             |                |                               |  |                |
| Costs  | (83,145)  | (30,868)  | (158,915)                   | (102,897)      | (99,470)                      |  | (475,295)      |
| <b>Gross profit</b>  | <b>142,422</b>                                    | <b>123,296</b>  | <b>359,440</b>              | <b>56,997</b>  | <b>165,876</b>                |  | <b>848,031</b> |
| Gain from recognition<br>of inventories at net<br>realizable value | 33,831  |   |                             |                |                               |  | 33,831         |
| Selling expenses   | (2,388)   | (4,452)   | (37,134)                    | (16,509)       | (124,918)                     |  | (185,401)      |
| Administrative<br>expenses   | (35,079)  | (45,679)  | (54,335)                    | (35,074)       | (25,124)                      |  | (195,291)      |
| Net income from<br>retained interest in<br>securitized receivables |   |   |                             |                | 37,470                        |  | 37,470         |
| Gain from operations<br>and holdings of real<br>estate assets, net | 730   | 361   |                             |                |                               |  | 1,091          |
| <b>Operating income</b>  | <b>139,516</b>                                    | <b>73,526</b>   | <b>267,971</b>              | <b>5,414</b>   | <b>53,304</b>                 |  | <b>539,731</b> |
| Amortization of<br>goodwill, net                                   | 844   | 863   | 561                         |                | (627)                         |  | 1,641          |
| Gain on equity<br>investees  | 1,907   |   | 40                          | 5,990          |                               | 152,479  | 160,416        |
| Financial results, net   | (8,868)   | (18,487)  | (87,564)                    | (15,697)       | (18,921)                      | (15,559)                                       | (165,096)      |
| Other income<br>(expenses), net                                    |   |   | (1,321)                     | 2,604          | (1,984)                       | (9,610)  | (10,311)       |
| <b>Income (loss) before<br/>taxes and minority<br/>interest</b>    | <b>133,399</b>                                    | <b>55,902</b>   | <b>179,687</b>              | <b>(1,689)</b> | <b>31,772</b>                 | <b>127,310</b>                                 | <b>526,381</b> |
| Income tax and MPIT  | (45,541)  | (15,250)  | (68,086)                    | 207            | (10,473)                      | (9,284)  | (148,427)      |
| Minority interest  | 140   |   | (48,373)                    | 4,938          | (158)                         |  | (43,453)       |
| <b>Net income</b>  | <b>87,998</b>                                     | <b>40,652</b>   | <b>63,228</b>               | <b>3,456</b>   | <b>21,141</b>                 | <b>118,026</b>                                 | <b>334,501</b> |
|  |   | 102,040   | 56,998                      | 3,727          | 1,696                         |  | 164,461        |

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Acquisition of fixed assets and intangible assets

|   |                    |                      |                      |                    |                    |                      |                      |
|---|--------------------|----------------------|----------------------|--------------------|--------------------|----------------------|----------------------|
| Depreciation and amortization (b)           | 343                | 24,535               | 112,611              | 16,138             | 7,994              |                      | 161,621              |
| Non-current investments in equity investees | 27,238             |                      |                      | 204,553            |                    | 815,068              | 1,046,859            |
| Operating assets                            | 582,204            | 991,750              | 1,780,777            | 210,675            | 277,486            | 204,553              | 4,047,445            |
| Non-operating assets                        | 75,444             | 97,002               | 153,540              | 37,576             | 49,785             | 1,172,649            | 1,585,996            |
| <b>Total assets</b>                         | <b>Ps. 657,648</b> | <b>Ps. 1,088,752</b> | <b>Ps. 1,934,317</b> | <b>Ps. 248,251</b> | <b>Ps. 327,271</b> | <b>Ps. 1,377,202</b> | <b>Ps. 5,633,441</b> |
| Operating liabilities                       | 36,863             | 173,187              | 355,185              | 38,451             | 174,254            |                      | 777,940              |
| Non-operating liabilities                   | 331,373            | 301,564              | 802,927              | 178,211            | 122,714            | 152,559              | 1,889,348            |
| <b>Total liabilities</b>                    | <b>Ps. 368,236</b> | <b>Ps. 474,751</b>   | <b>Ps. 1,158,112</b> | <b>Ps. 216,662</b> | <b>Ps. 296,968</b> | <b>Ps. 152,559</b>   | <b>Ps. 2,667,288</b> |

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****6. Segment information (continued)***As of and for the year ended June 30, 2009:*

|  | <b>Development<br/>and Sale of<br/>Properties</b> | <b>Office and<br/>other<br/>Non-Shopping<br/>Center Rental<br/>Properties (a)</b> | <b>Shopping<br/>Centers</b> | <b>Hotels</b>  | <b>Consumer<br/>Financing</b> | <b>Financial<br/>Operations<br/>and Others</b> | <b>Total</b>   |
|--|---|---|-----------------------------|----------------|-------------------------------|--|----------------|
| Revenues   | Ps. 280,362                                       | Ps. 147,749   | Ps. 396,733                 | Ps. 158,913    | Ps. 236,827                   | Ps.  | Ps. 1,220,584  |
| Costs  | (148,318)   | (29,330)  | (109,275)                   | (98,889)       | (122,694)                     |  | (508,506)      |
| <b>Gross profit</b>  | <b>132,044</b>                                    | <b>118,419</b>  | <b>287,458</b>              | <b>60,024</b>  | <b>114,133</b>                |  | <b>712,078</b> |
| Gain from recognition<br>of inventories at net<br>realizable value | 12,056  |   |                             |                |                               |  | 12,056         |
| Selling expenses   | (2,115)   | (11,460)  | (29,308)                    | (16,546)       | (176,772)                     |  | (236,201)      |
| Administrative<br>expenses   | (20,867)  | (31,547)  | (43,247)                    | (34,888)       | (16,780)                      |  | (147,329)      |
| Net loss from retained<br>interest in securitized<br>receivables   |   |   |                             |                | (46,012)                      |  | (46,012)       |
| Gain from operations<br>and holdings of real<br>estate assets, net | 51  | 1,073   |                             |                |                               |  | 1,124          |
| <b>Operating income<br/>(loss)</b>                                 | <b>121,169</b>                                    | <b>76,485</b>   | <b>214,903</b>              | <b>8,590</b>   | <b>(125,431)</b>              |  | <b>295,716</b> |
| Amortization of<br>goodwill, net                                   | 455   | 1,100   | 47                          |                |                               |  | 1,602          |
| Gain on equity<br>investees  | 1,974   |   | 40                          |                |                               | (1) 59,528                                     | 61,542         |
| Financial results, net   | (6,222)   | (14,202)  | (92,602)                    | (16,083)       | (1,827)                       | (5,445)  | (136,381)      |
| Other income<br>(expenses), net                                    |   |   | 3,882                       | 127            | (606)                         | (12,258)                                       | (8,855)        |
| <b>Income (loss) before<br/>taxes and minority<br/>interest</b>    | <b>117,376</b>                                    | <b>63,383</b>   | <b>126,270</b>              | <b>(7,366)</b> | <b>(127,864)</b>              | <b>41,825</b>                                  | <b>213,624</b> |
| Income tax and MPIT  | (41,149)  | (16,542)  | (53,258)                    | 3,233          | 37,484                        | (10,102)                                       | (80,334)       |
| Minority interest  | 61  |   | (22,104)                    | 5,565          | 41,823                        |  | 25,345         |
| <b>Net (loss) income</b>   | <b>76,288</b>                                     | <b>46,841</b>   | <b>50,908</b>               | <b>1,432</b>   | <b>(48,557)</b>               | <b>31,723</b>                                  | <b>158,635</b> |

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|   |                    |                      |                      |                    |                    |                    |                      |
|---|--------------------|----------------------|----------------------|--------------------|--------------------|--------------------|----------------------|
| Acquisition of fixed assets, net and intangible assets, net | 10,060             | 15,947               | 252,646              | 2,204              | 3,439              |                    | 284,296              |
| Depreciation and amortization (b)                           | 782                | 23,962               | 86,643               | 18,001             | 5,584              |                    | 134,972              |
| Non-current investments in equity investees                 | 25,332             |                      |                      |                    |                    | 544,191            | 569,523              |
| Operating assets  | 467,808            | 940,280              | 1,831,428            | 219,158            | 153,892            |                    | 3,612,566            |
| Non-operating assets  | 40,020             | 74,633               | 189,244              | 27,231             | 20,973             | 971,320            | 1,323,421            |
| <b>Total assets</b>   | <b>Ps. 507,828</b> | <b>Ps. 1,014,913</b> | <b>Ps. 2,020,672</b> | <b>Ps. 246,389</b> | <b>Ps. 174,865</b> | <b>Ps. 971,320</b> | <b>Ps. 4,935,987</b> |
| Operating liabilities                                       | 25,379             | 122,869              | 413,381              | 31,236             | 136,853            |                    | 729,718              |
| Non-operating liabilities                                   | 303,808            | 304,426              | 672,794              | 174,765            | 106,761            | 83,672             | 1,646,226            |
| <b>Total liabilities</b>                                    | <b>Ps. 329,187</b> | <b>Ps. 427,295</b>   | <b>Ps. 1,086,175</b> | <b>Ps. 206,001</b> | <b>Ps. 243,614</b> | <b>Ps. 83,672</b>  | <b>Ps. 2,375,944</b> |

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

(1) Includes the gain on equity investee from Banco Hipotecario of Ps. 142.1 million and the loss on equity investee in Metropolitan 885 Third Avenue LLC (through Tyrus) of Ps. 82.3 million.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****6. Segment information (continued)****As of and for the year ended June 30, 2008:**

|  | <b>Development<br/>and Sale of<br/>Properties</b> | <b>Office and<br/>other<br/>Non-Shopping<br/>Center Rental<br/>Properties (a)</b> | <b>Shopping<br/>Centers</b> | <b>Hotels</b> | <b>Consumer<br/>Financing</b> | <b>Financial<br/>Operations<br/>and Others</b> | <b>Total</b>   |
|--|---|---|-----------------------------|---------------|-------------------------------|--|----------------|
|  | Ps. 196,811                                       | Ps. 102,159   | Ps. 345,395                 | Ps. 148,847   | Ps. 291,030                   | Ps.  | Ps. 1,084,242  |
| Revenues   |   |   |                             |               |                               |  |                |
| Costs  | (150,894)   | (26,347)  | (99,175)                    | (84,220)      | (103,587)                     |  | (464,223)      |
| <b>Gross profit</b>  | <b>45,917</b>                                     | <b>75,812</b>   | <b>246,220</b>              | <b>64,627</b> | <b>187,443</b>                |  | <b>620,019</b> |
| Gain from recognition<br>of inventories at net<br>realizable value | 2,832   |   |                             |               |                               |  | 2,832          |
| Selling expenses   | (7,696)   | (3,458)   | (24,809)                    | (16,608)      | (194,726)                     |  | (247,297)      |
| Administrative expenses  | (21,849)  | (22,028)  | (39,150)                    | (29,979)      | (9,115)                       |  | (122,121)      |
| Net loss from retained<br>interest in securitized<br>receivables   |   |   |                             |               | (1,261)                       |  | (1,261)        |
| Gain from operations<br>and holdings of real<br>estate assets, net | 66  | 2,604   |                             |               |                               |  | 2,670          |
| <b>Operating income<br/>(loss).</b>                                | <b>19,270</b>                                     | <b>52,930</b>   | <b>182,261</b>              | <b>18,040</b> | <b>(17,659)</b>               |  | <b>254,842</b> |
| Amortization of<br>goodwil, net                                    | 488   | 1,782   | (390)                       |               | (242)                         |  | 1,638          |
| Loss on equity investees   | (1,065)   |   | (33)                        | (23)          |                               | (12,088)                                       | (13,209)       |
| Financial results, net   | (8,502)   | (10,069)  | (23,585)                    | (5,884)       | (375)                         | (28,327)                                       | (76,742)       |
| Other (expenses)<br>income, net                                    |   |   | 4,975                       | (5,713)       | 3,800                         | (8,704)  | (5,642)        |
| <b>Income (loss) before<br/>taxes and minority<br/>interest</b>    | <b>10,191</b>                                     | <b>44,643</b>   | <b>163,228</b>              | <b>6,420</b>  | <b>(14,476)</b>               | <b>(49,119)</b>                                | <b>160,887</b> |
| Income tax and MPIT  | 1,820   | 1,679   | (74,992)                    | (4,010)       | (1,522)                       | (1,087)  | (78,112)       |
| Minority interest  | 1   |   | (36,347)                    | 863           | 7,458                         | 125  | (27,900)       |
| <b>Net income (loss)</b>   | <b>12,012</b>                                     | <b>46,322</b>   | <b>51,889</b>               | <b>3,273</b>  | <b>(8,540)</b>                | <b>(50,081)</b>                                | <b>54,875</b>  |
| Acquisitions of fixed<br>assets net and intangible<br>assets       | 3,118   | 442,585   | 250,887                     | 40,077        | 6,822                         |  | 743,489        |

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|   |                    |                      |                      |                    |                    |                    |                      |
|---|--------------------|----------------------|----------------------|--------------------|--------------------|--------------------|----------------------|
| Depreciation and amortization (b)           | 577                | 26,274               | 73,185               | 13,283             | 1,888              |                    | 115,207              |
| Non-current investments in equity investees |                    |                      |                      |                    |                    | 318,250            | 318,250              |
| Operating assets                            | 436,392            | 999,060              | 1,642,341            | 233,613            | 113,052            |                    | 3,424,458            |
| Non-operating assets                        | 26,519             | 57,433               | 62,649               | 18,426             | 21,068             | 861,419            | 1,047,514            |
| <b>Total assets</b>                         | <b>Ps. 462,911</b> | <b>Ps. 1,056,493</b> | <b>Ps. 1,704,990</b> | <b>Ps. 252,039</b> | <b>Ps. 134,120</b> | <b>Ps. 861,419</b> | <b>Ps. 4,471,972</b> |
| Operating liabilities                       | 25,530             | 100,430              | 250,957              | 33,115             | 205,671            |                    | 615,703              |
| Non-operating liabilities                   | 247,320            | 209,399              | 662,174              | 199,813            | 75,714             | 80,956             | 1,475,376            |
| <b>Total liabilities</b>                    | <b>Ps. 272,850</b> | <b>Ps. 309,829</b>   | <b>Ps. 913,131</b>   | <b>Ps. 232,928</b> | <b>Ps. 281,385</b> | <b>Ps. 80,956</b>  | <b>Ps. 2,091,079</b> |

(a) Includes offices, commercial and residential premises.

(b) Included in operating income.

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|  | Year ended June 30, |           |           |
|--|---------------------|-----------|-----------|
|  | 2010                | 2009      | 2008      |
| Gain from operations and holdings of real estate assets, net | Ps. 1,091           | Ps. 1,124 | Ps. 2,670 |
|  | Ps. 1,091           | Ps. 1,124 | Ps. 2,670 |

**8. Financial results, net:**

|  | Year ended June 30, |            |            |
|--|---------------------|------------|------------|
|  | 2010                | 2009       | 2008       |
| <b>Financial results generated by assets:</b>          |                     |            |            |
| Interest income  | Ps. 16,484          | Ps. 15,693 | Ps. 13,860 |
| Interest on discounting assets                         | 3,720               | (13,780)   | (4,807)    |
| <b>Subtotal interest income</b>                        | 20,204              | 1,913      | 9,053      |
| Foreign exchange gain                                  | 6,774               | 50,628     | 1,386      |
| <b>Subtotal Foreign exchange gain exchange gain</b>    | 6,774               | 50,628     | 1,386      |
| Gain (loss) on financial operations                    | 8,197               | 27,173     | (5,710)    |
| <b>Subtotal other holding gain (loss)</b>              | 8,197               | 27,173     | (5,710)    |
| <b>Total financial results generated by assets</b>     | 35,175              | 79,714     | 4,729      |
| <b>Financial results generated by liabilities:</b>     |                     |            |            |
| Interest expense                                       | (146,078)           | (121,100)  | (94,744)   |
| Interest on discounting liabilities                    | (324)               | 141        | (613)      |
| <b>Subtotal interest expense (Note 28 f.)</b>          | (146,402)           | (120,959)  | (95,357)   |
| Foreign exchange (loss) gain                           | (49,392)            | (208,391)  | 19,246     |
| <b>Subtotal Foreign exchange loss</b>                  | (49,392)            | (208,391)  | 19,246     |
| Gain on repurchase of debt                             |                     | 105,850    |            |
| (Loss) gain on derivative financial instruments        | (2,582)             | 9,436      | (4,100)    |
| Others (Note 28 f.)                                    | (1,895)             | (2,031)    | (1,260)    |
| <b>Subtotal other financial (expenses) income, net</b> | (4,477)             | 113,255    | (5,360)    |

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|   |               |               |              |
|---|---------------|---------------|--------------|
| <b>Total financial results generated by liabilities</b> | (200,271)     | (216,095)     | (81,471)     |
| <b>Total financial results, net</b>                     | Ps. (165,096) | Ps. (136,381) | Ps. (76,742) |

**9. Other expenses, net:**

|  | <b>Year ended June 30,</b> |             |             |
|--|----------------------------|-------------|-------------|
|  | <b>2010</b>                | <b>2009</b> | <b>2008</b> |
| <b>Other income:</b>                                   |                            |             |             |
| Recovery of allowance                                  | Ps. 1,151                  | Ps. 847     | Ps. 6,215   |
| Recovery of provisions                                 |                            |             | 3,015       |
| Other  | 385                        | 333         | 1,172       |
|  | Ps. 1,536                  | Ps. 1,180   | Ps. 10,402  |
| <b>Other expenses:</b>                                 |                            |             |             |
| Recovery on fire damages (net of insurance recoveries) |                            |             | 2,646       |
| Unreimbursed expenses                                  |                            |             | 2,002       |
| Donations  | (5,592)                    | (1,854)     | (6,850)     |
| Tax on shareholders' personal assets                   | (4,323)                    | (3,706)     | (5,885)     |
| Provision for contingencies                            | (742)                      | 460         | (6,684)     |
| Unrecoverable VAT                                      | (514)                      | (4,267)     | (1,098)     |
| Other  | (676)                      | (668)       | (175)       |
|  | (11,847)                   | (10,035)    | (16,044)    |
| <b>Other expenses, net</b>                             | Ps. (10,311)               | Ps. (8,855) | Ps. (5,642) |

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**10. Issuance of IRSA Notes**

In February 2007, the Company issued non-convertible Notes ( IRSA Non-Convertible Note 2017 ) for US\$ 150 million to become due in February 2017 under the framework of the Global Program for Issuing Non -Convertible Notes in a nominal value of up to US\$ 200 authorized by the National Securities Commission. Non-Convertible Notes 2017 accrue an annual fixed interest rate of 8.5%, payable every six months, starting in August, 2007. The principal will be fully paid on maturity. Non-Convertible Notes 2017 contain customary covenants including restrictions to pay dividends in accordance with certain limits.

On February 25, 2010, the Board of Directors approved the extension of the maximum nominal value of the program by an additional US\$ 200 million, reaching a total amount of US\$ 400 million. (See Notes 26 (iii) and (x) for subsequent event details).

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements**

for the years ended June 30, 2010, 2009 and 2008

(Amounts in thousands, except share data and as otherwise indicated)

**11. Balances and transactions with related parties**

The following is a summary of the balances and transactions with related parties:

| Related parties                        | Account receivables - current | Inventory receivables - Caballito plot of land barter | Other receivables and prepaid expenses - current | Other receivables and prepaid expenses - non current | Trade accounts payable -         |                                      | Short-term debt | Long-term debt | Other liabilities - current | Other liabilities - non current | Totals   |
|--|-------------------------------|---|--|--|----------------------------------|--------------------------------------|-----------------|----------------|-----------------------------|---------------------------------|----------|
|  |                               |   |  |  | Trade accounts payable - current | Trade accounts payable - non current |                 |                |                             |                                 |          |
| Baicom Networks S.A. (2)               |                               |   | 1  | 323  |                                  |                                      |                 |                |                             |                                 | 324      |
| Banco Hipotecario S.A. (2)             | 354                           |   |  |  | (159)                            |                                      |                 |                | (21,070)                    |                                 | (20,875) |
| Cactus Argentina S.A. (3)              | 18                            |   |  |  | (3)                              |                                      |                 |                |                             |                                 | 15       |
| Canteras Natal Crespo S.A. (4)         | 318                           |   | 50   |  |                                  |                                      |                 |                |                             |                                 | 368      |
| Consorcio Dock del Plata (8)           | 883                           |   | 2  |  | (10)                             |                                      |                 |                | (3)                         |                                 | 872      |
| Consorcio Libertador (8)               |                               |   | 20   |  | (66)                             |                                      |                 |                | (4)                         |                                 | (50)     |
| Consorcio Torre Boston (8)             | 595                           |   | 205  |  |                                  |                                      |                 |                |                             |                                 | 800      |
| Consultores Assets Management S.A. (9) | 817                           |   | 29   |  | (7)                              |                                      |                 |                |                             |                                 | 839      |
| Cresud S.A.C.I.F. y A. (5)             | 2,111                         |   | 40,450   |  | (23,667)                         |                                      | (4,831)         | (91,829)       |                             |                                 | (77,766) |
| Cyrsa S.A. (4)                         | 1,658                         | 18,970  | 8  |  | (983)                            |                                      |                 |                |                             |                                 | 19,653   |
| Directors (7)                          | 2                             |   | 169  |  | (36)                             |                                      |                 |                | (24,412)                    | (20)                            | (24,297) |
| Elsztain Managing Partners Ltd (7)     |                               |   |  |  |                                  |                                      |                 |                | (27)                        |                                 | (27)     |
| Estudio Zang, Bergel y Viñes (10)      |                               |   | 22   |  | (576)                            |                                      |                 |                |                             |                                 | (554)    |
| Fundación IRSA (11)                    | 41                            |   | 5  |  |                                  |                                      |                 |                |                             |                                 | 46       |
| Futuros y Opciones.com S.A. (3)        | 7                             |   |  |  | (6)                              |                                      |                 |                |                             |                                 | 1        |
| Hersha Hospitality Trust (12)          |                               |   | 2,087  |  |                                  |                                      |                 |                |                             |                                 | 2,087    |
| Metroshop S.A. (16)                    |                               |   |  | 14,687   | (12,158)                         |                                      |                 |                |                             |                                 | 2,529    |
| Museo de los Niños (11)                | 1,111                         |   |  |  | (5)                              |                                      |                 |                |                             |                                 | 1,106    |
| Parque Arauco S.A.(6)                  |                               |   |  |  |                                  |                                      | (2,716)         | (60,822)       |                             |                                 | (63,538) |
| Personnel loans                        | 59                            |   | 2,325  |  | (128)                            |                                      |                 |                |                             |                                 | 2,256    |
| Puerto Retiro S.A. (4)                 | 59                            |   | 31   |  | (5)                              |                                      |                 |                |                             |                                 | 85       |



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**Totals as of June 30,  
2010**

|       |        |        |        |          |          |         |           |          |      |           |
|-------|--------|--------|--------|----------|----------|---------|-----------|----------|------|-----------|
| 8,033 | 18,970 | 45,404 | 15,010 | (25,651) | (12,158) | (7,547) | (152,651) | (45,516) | (20) | (156,126) |
|-------|--------|--------|--------|----------|----------|---------|-----------|----------|------|-----------|

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****11. Balances and transactions with related parties (continued)**

| <b>Related parties</b>                 | <b>Account receivables - current</b> | <b>Inventories - Caballito plot of land barter</b> | <b>Other receivables and prepaid expenses - current</b> | <b>Other receivables and prepaid expenses - non current</b> | <b>Trade accounts payable - current</b> | <b>Trade accounts payable - non current</b> | <b>Short-term debt</b> | <b>Long-term debt</b> | <b>Other liabilities - current</b> | <b>Other liabilities - non current</b> | <b>Totals</b>    |
|--|--------------------------------------|--|---|---|---|---|------------------------|-----------------------|------------------------------------|--|------------------|
| Banco Hipotecario S.A. (2)             | 5                                    |  |   |   |   |   |                        |                       |                                    |  | 5                |
| Cactus Argentina S.A. (3)              | 13                                   |  |   |   | (3)                                     |   |                        |                       |                                    |  | 10               |
| Canteras Natal Crespo S.A. (4)         | 193                                  |  | 864   |   |   |   |                        |                       |                                    |  | 1,057            |
| Consorcio Dock del Plata (8)           | 344                                  |  | 26  |   | (46)                                    |   |                        |                       |                                    |  | 324              |
| Consorcio Libertador (8)               | 528                                  |  | 4   |   | (122)                                   |   |                        |                       |                                    |  | 410              |
| Consultores Assets Management S.A. (9) | 539                                  |  | 5   |   | (7)                                     |   |                        |                       |                                    |  | 537              |
| Cresud S.A.C.I.F. y A. (5)             | 5,777                                |  | 7,594   |   | (5,565)                                 |   | (4,666)                | (80,189)              | (378)                              |  | (77,427)         |
| Cyrsa S.A. (4)                         | 1,530                                | 18,970   | 20  |   | (540)                                   |   |                        |                       |                                    |  | 19,980           |
| Directors (7)                          |                                      |  | 191   |   | (29)                                    |   |                        |                       | (2,068)                            | (20)                                   | (1,926)          |
| Dolphin Fund PLC (13)                  |                                      |  | 36,089  |   |   |   |                        |                       | (53,288)                           |  | (17,199)         |
| Estudio Zang, Bergel y Viñes (10)      |                                      |  | 20  |   | (431)                                   |   |                        |                       | (3)                                |  | (414)            |
| Fundación IRSA (11)                    | 22                                   |  | 3   |   | (259)                                   |   |                        |                       |                                    |  | (234)            |
| Futuros y Opciones.com S.A. (15)       | 5                                    |  |   |   | (6)                                     |   |                        |                       |                                    |  | (1)              |
| IFISA (14)                             |                                      |  |   |   |   |   |                        |                       | (25,500)                           |  | (25,500)         |
| Inversiones Ganaderas S.A. (15)        |                                      |  |   |   | (1)                                     |   |                        |                       |                                    |  | (1)              |
| Metroshop S.A. (2)                     |                                      |  | 2,265   | 22,509  |   | (8,438)                                     |                        |                       |                                    |  | 16,336           |
| Museo de los Niños (11)                | 811                                  |  |   |   | (5)                                     |   |                        |                       |                                    |  | 806              |
| Parque Arauco S.A. (6)                 |                                      |  |   |   |   |   | (2,609)                | (58,749)              |                                    |  | (61,358)         |
| Personnel loans Puerto Retiro S.A. (4) | 6                                    |  | 1,521   | 4   | (52)                                    |   |                        |                       |                                    |  | 1,479            |
| Rummaala S.A (1)                       | 39                                   |  | 13  |   |   |   |                        |                       |                                    |  | 52               |
|  |                                      |  |   |   | (22)                                    |   |                        |                       |                                    |  | (22)             |
| <b>Totals as of June 30, 2009</b>      | <b>9,812</b>                         | <b>18,970</b>                                      | <b>48,615</b>   | <b>22,513</b>   | <b>(7,088)</b>                          | <b>(8,438)</b>                              | <b>(7,275)</b>         | <b>(138,938)</b>      | <b>(81,237)</b>                    | <b>(20)</b>                            | <b>(143,086)</b> |



**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****11. Balances and transactions with related parties (continued)**

| <b>Related parties</b>            | <b>Sale and fees for services</b> | <b>Leases gain</b> | <b>Interest and exchange differences</b> | <b>Fees</b>     | <b>Share services payroll</b> | <b>Donations</b> | <b>Tax on Shareholders personal assets</b> | <b>Totals</b>    |
|-----------------------------------|-----------------------------------|--------------------|--|-----------------|-------------------------------|------------------|--|------------------|
| <b>Shareholders</b>               |                                   |                    |  |                 |                               |                  | (204)                                      | (204)            |
| Canteras Natal Crespo S.A. (4)    | 48                                |                    | 100                                      |                 |                               |                  |  | 148              |
| Consortio Torre Boston (8)        | 54                                |                    |  |                 |                               |                  |  | 54               |
| Consortio Libertador S.A. (8)     | 123                               | 11                 |  |                 |                               |                  |  | 134              |
| Consortio Dock del Plata S.A. (8) | 195                               |                    |  |                 |                               |                  |  | 195              |
| Cresud S.A.C.I.F. y A. (5)        |                                   | 957                | (13,524)                                 |                 | (27,806)                      |                  |  | (40,373)         |
| Cyrsa S.A. (4)                    | 146                               | 48                 |  |                 |                               |                  |  | 194              |
| Directors                         |                                   |                    | (9)                                      | (50,198)        |                               |                  |  | (50,207)         |
| Estudio Zang, Bergel y Viñes (10) |                                   | 97                 |  | (4,223)         |                               |                  |  | (4,126)          |
| Fundación IRSA (11)               |                                   |                    |  |                 |                               | (423)            |  | (423)            |
| Parque Arauco S.A. (6)            |                                   |                    | (8,049)                                  |                 |                               |                  |  | (8,049)          |
| <b>Totals as of June 30, 2010</b> | <b>566</b>                        | <b>1,113</b>       | <b>(21,482)</b>                          | <b>(54,421)</b> | <b>(27,806)</b>               | <b>(423)</b>     | <b>(204)</b>                               | <b>(102,657)</b> |

| <b>Related parties</b>              | <b>Sale and fees for services</b> | <b>Leases gain</b> | <b>Interest and exchange differences</b> | <b>Fees</b>     | <b>Share services payroll</b> | <b>Donations</b> | <b>Tax on Shareholders personal assets</b> | <b>Totals</b>   |
|-------------------------------------|-----------------------------------|--------------------|--|-----------------|-------------------------------|------------------|--|-----------------|
| <b>Shareholders</b>                 |                                   |                    |  |                 |                               |                  | (492)                                      | (492)           |
| Canteras Natal Crespo S.A (4)       | 48                                |                    | 83                                       |                 |                               |                  |  | 131             |
| Consortio Libertador (8)            | 124                               | 9                  |  |                 |                               |                  |  | 133             |
| Cresud S.A.C.I.F. y A. (5)          |                                   | 429                | (9,297)                                  |                 | 184                           |                  |  | (8,684)         |
| Cyrsa S.A. (4)                      |                                   | 225                |  |                 |                               |                  |  | 225             |
| Directors                           |                                   |                    | (11)                                     | (22,434)        |                               |                  |  | (22,445)        |
| Directors of Banco Hipotecario S.A. |                                   |                    | (8)                                      |                 |                               |                  |  | (8)             |
| Estudio Zang, Bergel y Viñes (10)   |                                   |                    |  | (4,117)         |                               |                  |  | (4,117)         |
| Fundación IRSA (11)                 |                                   |                    |  |                 |                               | 3,281            |  | 3,281           |
| Parque Arauco S.A. (6)              |                                   |                    | (17,473)                                 |                 |                               |                  |  | (17,473)        |
| <b>Totals as of June 30, 2009</b>   | <b>172</b>                        | <b>663</b>         | <b>(26,706)</b>                          | <b>(26,551)</b> | <b>184</b>                    | <b>3,281</b>     | <b>(492)</b>                               | <b>(49,449)</b> |

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****11. Balances and transactions with related parties (continued)**

| Related parties                          | Sale and fees<br>for |            | Leases<br>gain | Interest and<br>exchange<br>expense | differences     | Fees         | Share services<br>payroll | Tax on Shareholders |  | Totals          |
|--|----------------------|------------|----------------|-------------------------------------|-----------------|--------------|---------------------------|---------------------|--|-----------------|
|  | services             |            |                |                                     |                 |              |                           | personal<br>assets  |  |                 |
| Shareholders                             |                      |            |                |                                     |                 |              |                           | (502)               |  | (502)           |
| Canteras Natal Crespo S.A (4)            |                      |            |                |                                     | 45              |              |                           |                     |  | 45              |
| Cresud S.A.C.I.F. y A. (5)               | 372                  | 212        |                |                                     | 1               |              | 1,198                     |                     |  | 1,783           |
| Cyrsa S.A. (4)                           |                      |            |                |                                     | 43              |              |                           |                     |  | 43              |
| Directors                                |                      |            | (422)          |                                     | 13              | (16,337)     |                           |                     |  | (16,746)        |
| Directors of Banco Hipotecario S.A. (17) |                      |            |                |                                     | (2)             |              |                           |                     |  | (2)             |
| Estudio Zang, Bergel y Viñes (10)        |                      |            |                |                                     |                 | (3,820)      |                           |                     |  | (3,820)         |
| Fundación IRSA (11)                      |                      |            |                |                                     |                 |              |                           | (4,805)             |  | (4,805)         |
| Parque Arauco S.A.(6)                    |                      |            |                |                                     | (3,720)         |              |                           |                     |  | (3,720)         |
| <b>Totals as of June 30, 2008</b>        | <b>372</b>           | <b>212</b> | <b>(422)</b>   | <b>(3,620)</b>                      | <b>(20,157)</b> | <b>1,198</b> | <b>(4,805)</b>            | <b>(502)</b>        |  | <b>(27,724)</b> |

- (1) Merged with CYRSA
- (2) Equity investee of IRSA and Subsidiaries.
- (3) Equity investee of Cresud S.A.C.I.F y A, The Company's controlling shareholder
- (4) Venturer of Cresud S.A.C.I.F. y A, The Company's controlling shareholder
- (5) Controlling shareholder of the Company
- (6) Shareholder of APSA, subsidiary of the Company
- (7) Company whose shareholder is a shareholder of IRSA
- (8) Property Manager of one of our buildings
- (9) Consulting company whose majority shareholder is shareholder and director of IRSA
- (10) Law firm whose partner are directors of IRSA
- (11) Not for profit organization whose president is a shareholder and director of IRSA
- (12) Cost Investment
- (13) Open-ended investment fund which is related to Company directors.
- (14) Beneficial owner of Cresud
- (15) Subsidiary of Cresud
- (16) Venturer of APSA, subsidiary of the Company
- (17) Banco Hipotecario is an equity investee of the Company

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****12. Additional information on assets and liabilities**

The breakdown of main assets and liabilities as of June 30, 2010 is as follows:

|  | To mature in<br>3 months | To<br>mature<br>between<br>4 and 6<br>months | To<br>mature<br>between<br>7 and 9<br>months | To mature<br>between<br>10 and 12<br>months | To mature in<br>greater than<br>1 year | Past due    | No fixed term |             | Total         |
|--|--------------------------|--|--|---|--|-------------|---------------|-------------|---------------|
|  |                          |  |  |   |  |             | Current       | Non-Current |               |
| <b>Assets</b>                          |                          |  |  |   |  |             |               |             |               |
| Investments (1)                        | Ps. 188,632              | Ps. 10,411                                   | Ps. 30,628                                   | Ps. 10,620                                  | Ps. 17,293                             | Ps. 16,661  | Ps. 2,216     | Ps.         | Ps. 276,461   |
| Accounts receivable, net               | 160,668                  | 46,911                                       | 27,549                                       | 26,491                                      | 42,123                                 | 97,560      | 350           |             | 401,652       |
| Other receivables and prepaid expenses | 139,068                  | 37,987                                       | 14,045                                       | 2,495                                       | 6,996                                  | 95          | 47,201        | 180,186     | 428,073       |
|  | Ps. 488,368              | Ps. 95,309                                   | Ps. 72,222                                   | Ps. 39,606                                  | Ps. 66,412                             | Ps. 114,316 | Ps. 49,767    | Ps. 180,186 | Ps. 1,106,186 |
| <b>Liabilities</b>                     |                          |  |  |   |  |             |               |             |               |
| Trade accounts payable                 | Ps. 236,990              | Ps. 8,499                                    | Ps. 37,687                                   | Ps. 188                                     | Ps. 416                                | Ps. 31,142  | Ps. 1,108     | Ps. 22,952  | Ps. 338,982   |
| Advances from customers                | 94,702                   | 23,146                                       | 77,235                                       | 14,201                                      | 90,370                                 | 397         | 421           |             | 300,472       |
| Short and long term debt               | 363,690                  | 98,620                                       | 29,254                                       | 117,626                                     | 1,031,528                              |             |               |             | 1,640,718     |
| Other liabilities                      | 83,987                   | 72,108                                       | 8,311  | 5,429                                       | 74,672                                 | 1,393       | 35,486        | 105,730     | 387,116       |
|  | Ps. 779,369              | Ps. 202,373                                  | Ps. 152,487                                  | Ps. 137,444                                 | Ps. 1,196,986                          | Ps. 32,932  | Ps. 37,015    | Ps. 128,682 | Ps. 2,667,288 |

|  | Accruing interest at a fixed rate |             | Accruing interest at a variable rate |             | Not accruing interest |             | Total         |
|--|-----------------------------------|-------------|--------------------------------------|-------------|-----------------------|-------------|---------------|
|  | Current                           | Non-Current | Current                              | Non-Current | Current               | Non-Current |               |
| <b>Assets</b>                          |                                   |             |                                      |             |                       |             |               |
| Investments (1)                        | Ps.                               | Ps.         | Ps. 85,011                           | Ps.         | Ps. 174,157           | Ps. 17,293  | Ps. 276,461   |
| Accounts receivable, net               | 109,988                           | 13,789      | 563                                  | 154         | 248,978               | 28,180      | 401,652       |
| Other receivables and prepaid expenses | 38,035                            | 32,035      | 31,384                               |             | 171,472               | 155,147     | 428,073       |
|  | Ps. 148,023                       | Ps. 45,824  | Ps. 116,958                          | Ps. 154     | Ps. 594,607           | Ps. 200,620 | Ps. 1,106,186 |
| <b>Liabilities</b>                     |                                   |             |                                      |             |                       |             |               |
| Trade accounts payable                 | Ps. 117,310                       | Ps. 320     | Ps.                                  | Ps.         | Ps. 198,304           | Ps. 23,048  | Ps. 338,982   |
| Advances from customers                |                                   | 2,551       | 300                                  |             | 209,802               | 87,819      | 300,472       |

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|                          |             |               |             |            |             |             |               |
|--------------------------|-------------|---------------|-------------|------------|-------------|-------------|---------------|
| Short and long term debt | 180,568     | 1,030,569     | 95,419      |            | 333,203     | 959         | 1,640,718     |
| Other liabilities        | 5,751       | 66,970        | 13,236      | 65,103     | 187,727     | 48,329      | 387,116       |
|                          | Ps. 303,629 | Ps. 1,100,410 | Ps. 108,955 | Ps. 65,103 | Ps. 929,036 | Ps. 160,155 | Ps. 2,667,288 |

(1) Does not include equity investments nor undeveloped parcels of land.

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In the ordinary course of business, certain assets of the Company have been restricted for various reasons.

As of June 30, 2010, these restrictions are as follows:

- (i) In a series of transactions, which occurred between 1999 and 2000, the Company acquired from an unrelated party, 50 % of Puerto Retiro S.A., whose sole asset is an undeveloped parcel of land in Retiro, Buenos Aires. Prior to the acquisition by the Company, Puerto Retiro had acquired the land from Tandanor S.A. ( Tandanor ), a formerly state-owned entity, which had been acquired by Inversora Dársena Norte S.A. ( Indarsa ) in 1991 through a privatization process. The Argentine Government sustained Indarsa had not cancel the outstanding balance of the purchase price of Tandanor, and as a result petitioned the bankruptcy of Indarsa. Since the sole asset of Indarsa was its ownership interest in Tandanor, the Argentine Government was seeking to extend the bankruptcy procedures to any company or individual, which, according to its view, acted as a group, and therefore, in this process requested the bankruptcy of Puerto Retiro and other companies and individuals. In this connection, the bankruptcy court for the Buenos Aires District issued an order restraining the ability of Puerto Retiro to sell or dispose in any manner the land acquired from Tandanor. The Company is vigorously defending against this case. Management and legal advisors of the Company estimate that there are legal and technical issues sufficient to consider that the request for bankruptcy will be denied by the court. However, taking the circumstances into account and the progress of the legal action, this position cannot be considered final. The Company's investment in Puerto Retiro amounts to Ps. 54.6 million as of June 30, 2010.
- (ii) The Company and subsidiaries still has mortgages on the following properties under certain obligations:

| <b>Property</b>              | <b>Net Book Value as<br/>of June 30, 2010</b> |
|------------------------------|---|
| Edificio República           | 219,777                                       |
| Caballito plot of land       | 36,745  |
| Bariloche plot of land       | 21,900  |
| Zetol plot of land           | 14,348  |
| Suipacha 652                 | 10,936  |
| Vista al Muelle plot of land | 8,292   |

- (iii) As of June 30, 2009 the Company had pledged shares of Rummaala under certain obligations. As from October 1<sup>st</sup>, 2009, Rummaala is merged with CYRSA. Considering the above mentioned merger, the pledge of Rummaala shares was cancelled and issued a new pledge on the CYRSA's shares.
- (iv) Certain investments, cash and cash equivalents and accounts receivable of the Company were restricted aggregating less than Ps. 0.7 million in total.



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- (v) The Company has agreed not to transfer its shares of Manibil or any related right until May, 2011.
  
- (vi) As part of the securitization program a portion of the proceeds was retained by the trustee and maintained as a cash reserve to serve as collateral for the payment of amounts due of TDFs. Cash reserves flow back to Tarshop on a monthly basis according to a schedule until all TDFs are fully paid.
  
- (vii) To guarantee the compliance with all the covenants assumed by Liveck S.A., and the minority shareholder of Zetol S.A. and Vista al Muelle S.A. pursuant to the stock purchase agreement of Vista al Muelle S.A.'s shares executed on June 11, 2009 and the Addendums to the Agreement as well as payment of any possible damages and associated expenses, the parties have reciprocally tendered a security interest consisting in a possessory pledge over the shares of Vista al Muelle S.A. and Zetol S.A.

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****14. Derivative financial instruments**

According to the Company's risk management strategy, the Company may enter into certain derivative transactions to minimize financial costs. The Company did not apply hedge accounting for these transactions.

Liabilities originated from derivative financial instruments relate to foreign-currency forward contracts, as follows:

|                                 | <b>Accumulated<br/>Gain (Loss)</b> |
|---------------------------------|------------------------------------|
| <b>Forward contracts</b>        |                                    |
| <u>Open transactions</u>        |                                    |
| <u>Closed transactions (*)</u>  | 2,825                              |
| <b>Gain on hedge operations</b> | <b>2,825</b>                       |

(\*) Subscribed with Cresud S.A.I.C.F. y A.

The result generated by hedging operations in the fiscal year ended June 30, 2009 included a gain of Ps. 9,679 related to closed transactions and a loss of Ps. 243 related to open transactions.

The result generated by hedging operations in the fiscal year ended June 30, 2008 included a gain of Ps. 500 related to closed transactions and a loss of Ps. 4,600 related to open transactions.

From time to time the company may enter into derivative financial instruments for trading purposes. During the current fiscal year the company subscribed E-Mini S&P contracts and recognized a Ps. 742 gain related to these contracts.

During the fiscal year ended June 30, 2009, the Company did not enter into any derivative financial instruments agreement for trading purposes.

During the fiscal years ended June 30, 2008 the Company did enter into derivative financial instruments for trading purposes to purchase gold and recognized a Ps. 2,689 loss related to these contracts.

**15. Tarshop and Metroshop credit card and personal loans receivables securitization**

The Company has ongoing revolving year securitization programs through which Tarshop and Metroshop, both subsidiaries of the Company, transfer a portion of customer credit card and personal loans receivable balances to master trusts that issue certificates to public and private investors.

Under the securitization programs, the trusts may issue two types of certificates representing undivided interests in the Trust *Títulos de Deuda Fiduciaria* ( TDF ) and *Certificados de Participación* ( CP ), which represent debt and equity certificates, respectively. Interest and principal services are paid periodically to the TDF holders throughout the life of the security. CPs are subordinated securities which entitle the CP holders to share pro rata in the cash flows of the securitized credit card and personal loans receivables, after principal and interest on the TDFs and other fees and expenses have been paid. During the revolving period no payments are made to TDF and CP holders. Principal collections of the

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underlying financial assets are used by the Trust to acquire additional credit card and personal loans receivables throughout the revolving period. Once the revolving period ends, a period of liquidation occurs during which: (i) no further assets are purchased, (ii) all cash collections are used to fulfill the TDF service requirements and (iii) the remaining proceeds are used to fulfill the CPs service requirements.

At the time of the securitization, Tarshop and Metroshop transfer credit card and personal loans receivables to the trust in exchange for cash and retained interests in the trust (CPs). Part of the proceeds is retained by the trustee and maintained as a cash reserve to serve as collateral for the payment of amounts due on the TDFs. Cash reserves flow back to Tarshop and Metroshop on a monthly basis according to a schedule until all TDFs are fully paid. Cash reserves are stated at cost and are classified as guarantee deposits within the caption Other receivables and prepaid expenses, net in the accompanying Consolidated Balance Sheets. CPs are carried at their equity value based on the financial statements issued by the trusts, less allowances for impairment if the carrying amount exceeds their estimated recoverable value and classified as Other investments, net in the accompanying Consolidated Balance Sheets. Gain or losses on CPs are reported as a component of Net (loss)

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****15. Tarshop and Metroshop credit card and personal loans receivables securitization (continued)**

income from retained interest in securitized receivables in the accompanying Consolidated Statements of Operations. Tarshop and Metroshop recognize a result on the sale of receivables when the carrying value of transferred credit card and personal loans receivables differs from the amount of cash and CPs received. Results recognized on the sale of receivables are reported as a component of Net (loss) income from retained interest in securitized receivables in the accompanying Consolidated Statements of Operations. Expenses related to the securitization of receivables are expensed as incurred.

For the years ended June 30, 2010, 2009 and 2008, the Consumer Financing Segment has recorded a gain of Ps. 37.5 million, a loss of Ps. 46.0 million and a loss of Ps. 1.3 million, respectively, in retained interest in securitized receivables.

As of June 30, 2010 the Company has 16 securitization programs outstanding from Tarshop and 11 securitization programs outstanding from Metroshop, pursuant to which has sold an aggregate amount of Ps. 960.9 million and Ps. 227.5 million, for Tarshop and Metroshop, respectively, of its customer credit card receivable balances to Trusts in exchange for Ps. 805.4 million and Ps. 184.4 million, for Tarshop and Metroshop, respectively, in cash proceeds, Ps. 23.9 million and Ps. 1.7 million, for Tarshop and Metroshop, respectively, variable rate interest TDFs, and Ps. 122.5 million and Ps. 41.4 million, for Tarshop and Metroshop, respectively, nominal value subordinated CPs. Under the securitization programs, the Trusts issued Ps. 40 million and Ps. 10.6 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 12 %, Ps. 225.3 million and Ps. 37.6, for Tarshop and Metroshop, respectively, TDFs which pay variable interest rate with a floor of 12.5 %, Ps. 71.2 million and Ps. 8.9 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 13 %, Ps. 52.7 million for Tarshop TDFs which pay a variable interest rate with a floor of 14.5 %, Ps. 94.4 million and Ps. 27.2 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 15 %, Ps. 202.7 million and Ps. 9 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 16 %, Ps. 53.5 million and Ps. 52.4 million, for Tarshop and Metroshop, respectively, TDFs which pay a variable interest rate with a floor of 17 %, Ps. 16.8 million for Metroshop TDFs which pay a variable interest rate with a floor of 17.5 %, Ps. 21.9 million for Metroshop TDFs which pay a variable interest rate with a floor of 18 % and Ps. 65.6 million for Tarshop TDFs which pay a variable interest rate with a floor of 23 %. Except for certain TDFs acquired by Tarshop and Metroshop as mentioned above, the TDFs were sold to other investors through a public offering in Argentina. As mentioned above, as a credit protection for investors, the trusts have established cash reserves amounting to Ps. 4.7 million and Ps. 0.7 million, for Tarshop and Metroshop, respectively.

**16. Income tax and MPIT**

The Company accounts for income taxes using the deferred tax method where by deferred tax asset and liability account balances are determined based on differences between financial reporting and tax based assets and liabilities and are measured using the enacted tax rates.

Income tax expense for the years ended June 30, 2010, 2009 and 2008 consists of the following:

|                                       | 2010               | 2009              | 2008              |
|---------------------------------------|--------------------|-------------------|-------------------|
| Current income and MPIT expense       | Ps. 82,432         | Ps. 75,693        | Ps. 114,480       |
| Deferred income tax expense           | 65,995             | 4,641             | (36,368)          |
| <b>(Loss) income and MPIT expense</b> | <b>Ps. 148,427</b> | <b>Ps. 80,334</b> | <b>Ps. 78,112</b> |



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The tax effects of temporary differences that give rise to the Company's deferred tax assets and liabilities at June 30, 2010 and 2009 are presented below:

|  | Balances as of<br>beginning<br>of year | Changes for<br>the year  | Balances<br>at year-end |
|--|--|--------------------------|-------------------------|
| <b>Deferred tax assets (liabilities):</b>        |  |                          |                         |
| Cash equivalents                                 | Ps. (102)                              | Ps. 90                   | Ps. (12)                |
| Investments                                      | 35,638                                 | (7,766)                  | 27,872                  |
| Accounts receivable                              | 13,189                                 | (837)                    | 12,352                  |
| Other receivables and prepaid expenses           | 3,821                                  | (2,537)                  | 1,284                   |
| Inventory  | (7,565)                                | (4,420)                  | (11,985)                |
| Fixed assets                                     | (98,741)                               | (40,535)                 | (139,276)               |
| Intangible assets                                | (5,158)                                | (2,872)                  | (8,030)                 |
| Trade accounts payable                           | 2,966                                  | (2,966)                  |                         |
| Advances from customers                          | 32,695                                 | 5,008                    | 37,703                  |
| Short-term and long-term debt                    | (5,920)                                | 3,410                    | (2,510)                 |
| Salaries and social security                     | 2,008                                  | (173)                    | 1,835                   |
| Other liabilities                                | 7,702                                  | (6,130)                  | 1,572                   |
| Provisions                                       | 2,695                                  | 2,231                    | 4,926                   |
| Tax loss carryforwards (i)                       | 65,829                                 | 37,227                   | 103,056                 |
| Valuation allowance                              | (14,708)                               | (45,795)                 | (60,503)                |
| <b>Net deferred income tax asset (liability)</b> | <b>Ps. 34,349</b>                      | <b>Ps. (ii) (66,065)</b> | <b>Ps. (31,716)</b>     |

(i) As of June 30, 2010, the Company and its subsidiaries records accumulated tax loss carryforwards of Ps. 294,447, which expire at various dates through 2015.

(ii) Includes a decrease of Ps. 70 for the Sale of ownership interest in Pereiraola S.A.I.C.I.F. y A.

Income tax expense for the years ended June 30, 2010, 2009 and 2008 deferred from the amounts computed by applying the Company's statutory income tax rate to pre-tax income as a result of the following:

|   | 2010        | Years ended June 30,<br>2009 | 2008        |
|---|-------------|------------------------------|-------------|
| Pretax income   | Ps. 526,381 | Ps. 213,624                  | Ps. 160,887 |
| Statutory income tax rate                                 | 35%         | 35%                          | 35%         |
| Income tax expense at statutory tax rate on pretax income | 184,233     | 74,768                       | 56,310      |

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|                               |             |            |            |
|-------------------------------|-------------|------------|------------|
| Non-deductible expenses       | 3,003       | 3,271      | 22,816     |
| Gain on equity investees      | (56,146)    | (21,540)   | 4,623      |
| Change in valuation allowance | 42,554      | 8,031      | (9,645)    |
| Tax loss carryforwards (1)    | (41,826)    |            |            |
| Inflation adjustment          | 24,075      | 25,774     | 6,352      |
| Others, net                   | (7,466)     | (9,970)    | (2,344)    |
| Income and MPIT expense       | Ps. 148,427 | Ps. 80,334 | Ps. 78,112 |

(1) During the year ended June 30, 2010, due to a change in tax laws, the Company recognized higher tax loss carryforwards. Resolution CD 93/2005, issued by the CPCECABA, provided for the accounting treatment of differences between the tax basis and book basis of non-monetary items for deferred income tax calculation purposes when companies prepare price-level restated financial statements. This resolution mandated companies to treat these differences as temporary differences but allowed a one-time accommodation to continue treating these differences as permanent. As a result, the Company elected to continue treating differences as permanent. Should the inflation adjustment be treated as a temporary difference for deferred income tax purposes, the shareholders' equity as of June 30, 2010 would have decreased approximately Ps. 120.1 million with a corresponding effect of Ps. 13.7 million and Ps. 133.8 million in the consolidated statement of income of the year ended June 30, 2010 and retained earnings, respectively.

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The following tables set forth the computation of basic and diluted net income per share under Argentine GAAP for all years presented:

|  | 2010        | Year ended June 30, |             |
|--|-------------|---------------------|-------------|
|  |             | 2009                | 2008        |
| <b>Numerator:</b>  |             |                     |             |
| Net income available to common shareholders                          | Ps. 334,501 | Ps. 158,635         | Ps. 54,875  |
| Plus income impact of assumed conversions:                           |             |                     |             |
| Interest expense on convertible debt                                 |             |                     |             |
| Foreign currency exchange loss on convertible debt                   |             |                     |             |
| Net income available to common shareholders plus assumed conversions | Ps. 334,501 | Ps. 158,635         | Ps. 54,875  |
| <b>Denominator:</b>  |             |                     |             |
| Weighted-average number of shares outstanding                        | Ps. 578,676 | Ps. 578,676         | Ps. 549,277 |
| Plus incremental shares of assumed conversions:                      |             |                     |             |
| Convertible debt and warrants  |             |                     |             |
| Adjusted weighted-average number of shares                           | Ps. 578,676 | Ps. 578,676         | Ps. 549,277 |
| <b>Basic and diluted EPS:</b>  |             |                     |             |
| Basic EPS  | Ps. 0.58    | Ps. 0.27            | Ps. 0.10    |
| Diluted EPS  | Ps. 0.58    | Ps. 0.27            | Ps. 0.10    |

**18. Supplementary cash flow information**

The following table reconciles the balances included as cash and banks and current investments in the consolidated balance sheets to the total amounts of cash and cash equivalents at the beginning and end of the period shown in the consolidated statements of cash flows:

|  | As of June 30, |                |                |
|--|----------------|----------------|----------------|
|  | 2010           | 2009           | 2008           |
| Cash and banks   | 71,175         | 66,562         | 161,748        |
| Current investments  | 259,168        | 335,234        | 383,444        |
| <b>Total cash and banks and current investments as per balance sheet</b> | <b>330,343</b> | <b>401,796</b> | <b>545,192</b> |
| Less Items not considered cash and cash equivalents:                     |                |                |                |
| - Retained interests in securitized receivables                          | 117,248        | 126,033        | 45,683         |
| - Mutual funds   | 53,988         | 36,787         | 61,099         |
| - Shares of public companies   | 4,075          | 21,603         |                |
| - TDFs   | 2,846          | 16,490         | 2,243          |



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|   |         |         |         |
|---|---------|---------|---------|
| - Government bonds  |         | 14,095  | 21,378  |
| - Other investments   | 48      | 48      | 51      |
| - Mortgage bonds issued by BHSA   | 784     | 798     | 1,286   |
| - U. S. Treasury Bonds  |         |         | 24,448  |
| <b>Cash and cash equivalents as shown in the consolidated statement of cash flows</b> |         |         |         |
|   | 151,354 | 185,942 | 389,004 |

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**19. Shopping Neuquén project**

The main asset of Shopping Neuquén S.A. (a subsidiary of APSA) is a 50,000 square meter undeveloped parcel of land located in Neuquén, Argentina, where the Company is developing a commercial project including the construction of a shopping center, a hypermarket and other developments.

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

The Agreement put an end to the law suit of Shopping Neuquén against the City Hall of Neuquén before the High Court of Neuquén, in which the only pending issue was the determination of fees of the attorneys of the City Hall that are in charge of Shopping Neuquén. On November 8, 2010, Shopping Neuquén was served notice of a resolution issued by the High Court of Neuquén, by which the pending fees borne by Shopping Neuquén were established. Such decision is not final and Shopping Neuquén has appealed it through the submission of an explanatory appeal on November 12, 2010, an appeal for annulment on November 17, 2010, and an extraordinary appeal on November 24, 2010.

According to the terms of the Agreement, Shopping Neuquén S.A. submitted the corresponding project plans within the required timeframe of 150 days as from approval date due February 17, 2008. The Municipality objected to certain terms of the plans and Shopping Neuquén S.A. requested an extension to the term to submit a revised plan.

On June 12, 2009, Shopping Neuquén S.A. and the Municipality executed a revised agreement by which Shopping Neuquén S.A. committed itself to presenting a new road project and to making those amendments that may be necessary to the general project. On October 19, 2009, the respective amendments were filed. The Municipality also questioned on certain matters, which were replied. On January 18, 2010, the Municipality requested changes to the plans, which were finally approved on April 8, 2010.

Shopping Neuquén S.A. submitted the working plans related to the first stage of the work (contemplating the construction of the shopping mall and the hypermarket) for which the respective permits were obtained. Shopping Neuquén S.A. started construction on July 5, 2010.

The first construction stage should be completed within a 22-month period as from July 2010.

In the case of failing to comply the conditions established in the agreement, the Municipality of Neuquén is entitled to terminate the agreement and carry out the actions that may be considered necessary for such respect, among them, to request the return of the Company's plots acquired to the Municipality of Neuquén. (See Note 26 (xi)).

**20. Llao Llao Resorts S.A.**

Llao Llao Holdings S.A. (LLH) (in liquidation process following the merger with and into the Company), predecessor of Llao Llao Resorts (LLR), as operator of the Llao Llao Hotel was sued in 1997 by the National Parks Administration (NPA), a governmental entity, seeking collection of US\$ 2.9 million in Argentine External Debt Bonds (EDB) relating to the unpaid balance of the additional sales price.

The ruling of the court of original jurisdiction sustained the claim. That ruling was appealed, and the Court of Appeals confirmed the judgment of the court of original jurisdiction, demanding payment from the Company of US\$ 3.8 million, plus interest accrued through payment, penalties

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and attorney's fees. In March 2004, LLH paid Ps. 9,2 million in cash and EDB.

The plaintiff requested the court of original jurisdiction to initiate an incidental procedure for execution of sentence by performing a settlement through the Ministry of Economy, the procedure having being questioned by

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**20. Llao Llao Resorts S.A. (continued)**

LLR. In view of the fact that the information provided was not sufficient to evaluate the amount settled by the Ministry of Economy, it was requested that the execution be suspended until there is a sentence on the complaint recourse filed with the National Supreme Court for the denial of the extraordinary recourse soliciting that the debt be converted to pesos ( pesification ).

On July 14, 2008 the Court of Appeal notified LLR that by means of a resolution dated June 18, 2008 it had confirmed the settlement approved by the court of original jurisdiction.

On March 17, 2009, the National Supreme Court admitted the incidental procedure and decided to suspend the enforcement of the judgment in so far as the extraordinary appeal lodged by LLR was not resolved.

On February 23, 2010, the Supreme Court of Justice dismissed the action, which rendered the judgment final and compelled LLR to pay the amount calculated by the State. On April 2010, LLR paid Ps. 13,1 million in cash and bonds.

After LLR's filing was duly notified to the plaintiff, the latter in turn stated that the amounts deposited were in line with the settlement that, having taken place on June 30, 2007, was eventually approved in the framework of these proceedings on December 5, 2007. As a result, the NPA argued that the interest accrued until actual payment were to be adjusted by application of the Argentine Central Bank's borrowing interest rate. As estimated by the NPA, the outstanding balance to be deposited by LLR would amount to US\$ 659.

On June 10, 2010, LLR was notified of the newly-performed settlement: LLR filed an objection against it in due time and manner. On June 17, 2010, the court ordered that the plaintiff was to be served notice of the objection.

Based on the information provided by the legal advisors litigating these proceedings, LLR has booked Ps. 2,589 under Other current liabilities Payables to National Parks Administration, that is the amount in Pesos equivalent to the interest claimed by the plaintiff.

On August 6, 2010, the plaintiff filed a response to the most recent service of process. On September 10, 2010, the trial court judge resolved that the amount deposited by Llao Llao Resorts S.A. is not sufficient to cover the amount of the payment order. An appeal against this resolution was filed on behalf of Llao Llao Resorts S.A. alleging that there has been a material error incurred by the trial court.

In addition, on September 22, 2010, the judge calculated that the fees payable to the auctioneer who took part in the proceedings amount to Ps. 1.8 million. As soon as Llao Llao Resorts S.A. is officially notified of the fees as calculated by the court, it is going to lodge an appeal against them for considering them excessively high.

**21. BHSA exposure to public sector**

**Compensation of the National Government to financial entities as a result of the asymmetric pesification**

Following the Argentine crisis in December 2001 and to prevent widespread insolvencies, the Argentine Government pledged to provide offsetting compensation to banks. To that end, through Decree 905, provided for the issuance of National Government Compensating Bonds, to compensate financial entities for the adverse equity effects generated due to the conversion into pesos, under various exchange ratios, of the credits and obligations denominated in foreign currency as established by Law No. 25,561, Decree 214 and addenda, and entitled the BCRA to determine the pertinent rules.

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After a series of presentations Banco Hipotecario S.A. submitted the final presentation and in September 2002 and October 2005, the Argentine Central Bank credited US\$ 344,050 and US\$ 16,761 in BODEN 2012, respectively, for compensation.

In the period beginning in September 2005 and ended in January 2006, subscriptions were made for BODEN 2012 hedging bonds equivalent to US\$ 773,531. A supplementary subscription of hedging bonds and detached coupons took place on June 26, 2009, subscribing an original par value of US\$ 59,294 in exchange for a payment in cash of Ps. 211,947 as subscription price. In addition, US\$ 40,207 were received as matured coupons.

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**21. BHSA exposure to public sector (continued)**

**Exposure to the non-financial public sector**

As of June 30, 2010 and 2009, Banco Hipotecario S.A. had assets with the non-financial public sector for Ps. 2,251,808 and 2,884,542, respectively, booked in its financial statements.

The exposure of Banco Hipotecario S.A. to the Public Sector originated in compensations granted by the National Government as a result of year 2002 crisis, principally related to the asymmetric pesification of assets and liabilities. Through Communication A 4546 of July 9, 2006, regarding the assistance to the Public Sector, it was established that as from July 1, 2007, such limit was 35% (average measured) of total Assets of the last day of the previous month.

As of June 30, 2010 and 2009 the assistance to the Public Sector reaches 20.2% and 24.5%, from total Assets, respectively.

**Banco Hipotecario's Treasury Shares**

In the course of the 2009 fiscal year and with the Total Return Swap dated January 29, 2004 having expired, Banco Hipotecario received treasury shares Clase D totaling 71.1 million.

On April 30, 2010, the Extraordinary General Shareholders Meeting of Banco Hipotecario resolved to delegate upon the Board of Directors the decision to pay, with the treasury shares, the StAR coupons resulting from the debt restructuring, as advisable, based on the contractually agreed valuation methods and their actual market value and after allowing the shareholders to exercise their preemptive rights on an equal footing.

On June 16, 2010, the Board of Directors of Banco Hipotecario made a preemptive sale offer of 36.0 million of its treasury shares to its existing shareholders (see Note 26 (iv) for subsequent event details).

**22. Hoteles Argentinos mortgage loan**

In March 2005, Credit Suisse First Boston (CSFB) acquired a loan for US\$ 11.1 million of Hoteles Argentinos S.A. (HASA), which had been in non-compliance since January 2002. In April 2006 HASA reduced the capital amount payable to US\$ 6.0 million. The balance accrued a 6 months LIBOR interest rate plus 7.0% being the last of US\$ 5.07 million due in March, 2010.

Jointly, a credit default swap was subscribed by the Company for 80% of the restructured debt value in order to protect CSFB in case of non-compliance with HASA's obligations. As compensation, the Company received a coupon on a periodical basis. Additionally, the Company has deposited as guarantee the amount of US\$ 1.2 million.

With the last installment of the loan received having been repaid on March 15, 2010, CSFB reimbursed the deposit to the Company. In connection with this matter, HASA borrowed funds from Standard Bank Argentina again, in the amount of Ps. 19.0 million, which will accrue interest at a 16.25% fixed nominal interest rate per annum, payable on a quarterly basis and with principal becoming due on March 15, 2011.

As a security interest for this transaction, the Company entered into a put option agreement with Standard Bank whereby the Bank receives the right to sell to the Company, which in turn agrees to purchase, 80% of the credit rights arising from the loan in the event of HASA's default.

**23. Compensation plan for executive management**

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The Company has a defined contribution plan covering its key managers in Argentina. The Plan was effective from January 1, 2006. Employees may begin participation voluntarily on monthly enrollment dates. Participants may make pre-tax contributions to the Plan of up to 2.5% of their monthly salary (Base Contributions)

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**23. Compensation plan for executive management (continued)**

and pre-tax contributions of up to 15% of their annual bonuses (Extraordinary Contributions). Under the Plan, the Company matches employee contributions to the plan at a rate of 200% for Base Contributions and 300% for Extraordinary Contributions. Participant contributions are held in trust as required by law. Individual participants may direct the trustee to invest their accounts in authorized investment alternatives. Company contributions are also held in trust. Participants or their assignees, as the case may be, may have access to the 100% of the Company's contributions under the following circumstances:

- (i) ordinary retirement in accordance with applicable labor regulations;
- (ii) total or permanent incapacity or disability;
- (iii) death.

In case of resignation or termination without good cause, the manager receives the Company's contributions only if he or she has participated in the Plan for at least 5 years.

Security charges of the Company amounted Ps. 2,477 and Ps. 2,657 for the fiscal years ended June 30, 2010 and 2009, respectively.

**24. Financing and occupation agreement with NAI Internacional II, INC.**

APSA acquired Empalme in December, 2006. Prior to APSA's acquisition, back in August 1996, Empalme had entered into a Financing and Occupancy Agreement with NAI INTERNACIONAL II, INC. (NAI) (the NAI Agreement) pursuant to which NAI financed the construction of a movie theatre complex and a portion of parking facilities in the Cordoba Shopping for up to US\$ 8.2 million. The financing accrued interest at LIBOR plus 1.5%. As part of the NAI Agreement, NAI had the right to occupy a portion of the building for a period of 10 years as from the commencement of NAI operations in October 1997, renewable for four additional periods of 5 years each. Interest payments under the NAI Agreement were to be offset against the lease payments to be received from NAI. The NAI Agreement originally established that in the event that any outstanding loan balances remained unpaid after the total lease period (together with renewals and extensions), the NAI Agreement would be further extended for the lower of a 10-year period or the period necessary to settle the loan. Any unpaid outstanding balance after that extension was to be forgiven by NAI. In July 2002, following the Argentine crisis, the NAI Agreement was amended to, among other matters, (i) specify the payments, (ii) establish a CER-adjustment indexing clause, and (iii) impose restrictions to Empalme and/or third parties on the use of the space occupied by NAI.

Principal owed as of June 30, 2010 and interest accrued through that date, due to the original loan agreement and respective amendments are disclosed in Customers advances - Lease and pass-through expenses advances for Ps. 18.7 million.

**25. Acquisition of Company's shares by Cresud S.A.C.I.F. y A.**

During the year ended June 30, 2009, Cresud S.A.C.I.F. y A. (Cresud, a Company's shareholder) acquired additional shares of the Company. Therefore, as from October 2008 Cresud exercises control on the Company as it holds the necessary votes to form the social will in the ordinary meetings of shareholders in accordance with the terms of Technical Resolution 21. As of June 30, 2010, Cresud's equity interest in the Company



amounts to 57.49%.

**26. Subsequent events**

*(i) Acquisition of Unicity S.A ( Unicity )*

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

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**26. Subsequent events (continued)**

***(ii) Escrow Agreement - Metropolitan 885 Third Ave. LLC ( Metropolitan )***

On August 4, 2010, the Company entered into an Escrow Agreement with Fidelity National Title, Insurance Company pursuant to which the Company deposited US\$ 15 million as part of the ongoing renegotiations of the defaulted debt carried by Metropolitan with the Royal Bank of Canada. The Company decided to proceed with this payment to demonstrate its commitment with the investment and solely to allow discussions to move forward. The agreement originally expired on September 27, 2010 and was subsequently extended to January 14, 2011.

During the months of October and November 2010 conversations were held with Metropolitan's creditors, and as a result the parties involved reached an agreement in order to restructure the debt as follows: (i) reduce mortgage debt (Note) from US\$ 210 million to US\$ 130 million at a rate of Libor + 400 basis points (with a maximum rate of 6.25%) with a maturity term of 7 years, (ii) cancel junior debt (Preferred Equity) of US\$ 45 million (plus any unpaid preferred return) by the payment of approximately US\$ 2.25 million in cash, and (iii) continue the two ground leases on the same terms and conditions they were originally granted, for a remaining term of 66 years.

On November 15, 2010 Metropolitan filed a plan of reorganization (the Reorganization Plan) which included the restructuring of the Note and Preferred Equity. The reorganization Plan has been approved by the Lender, the Preferred Equity holder and was also approved by the Court on December 22, 2010, but is not yet effective.

Once the Reorganization Plan is effective, the Company would be part of a new company holding Lipstick, with the debt reduced as previously mentioned. In such case, the interest of the Company in no case will exceed 49%, and would leave with no effect the put right to sell 50% of the originally acquired interest, mentioned in Note 2.g.B.1. Eventually the company would assume certain commitments to assure the fulfilment of certain obligations.

***(iii) Issuance of notes***

On July 20, 2010, the Company issued non-convertible notes for a nominal value of US\$ 150 million ( Series 2 Notes ) under its Global Program for the Issuance of notes for a nominal value of up to US\$ 400 million maturing on July 20, 2020. The issuance price was 97.838% of the nominal value and it will accrue interest at a nominal 11.5% annual interest rate to be paid half-yearly on January 20 and June 20 each year, starting on January 20, 2011.

***(iv) Acquisition of additional shares in BHSA***

On July 26, 2010, in the framework of the offering mentioned in Note 21, the Bank sold approximately 26.9 million of its treasury shares. On August 3, 2010, the Bank applied the proceeds from the offering and the remaining offered Class D shares, to the cancellation of the StAR coupons maturing on that date.

Exercising its preemptive right, the Company took part in the offering and acquiring 26,197,564 Class D shares totaling Ps. 36.2 million. As a result of this transaction, the Company's ownership interest in BHSA increased from 28.03% to 29.78% of BHSA's capital stock (without considering treasury shares).

***(v) Acquisition of the building located at 183 Madison Avenue, New York, NY***

On August 26, 2010, the Company together with other partners entered into a preliminary purchase and sale agreement to acquire a property located at 183 Madison Avenue in the New York City, United States of America, through an investment in a limited liability company, Rigby

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183 LLC ( Rigby ). The property is an 18-story building comprising 22,893 square meters of gross leasable area.

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**26. Subsequent events (continued)**

On August 30, 2010, the Company contributed US\$ 7.3 million as a deposit in favor of the sellers.

On December 15, 2010, upon the compliance of certain conditions, the transaction was concluded. The total purchase price paid was US\$ 85.1 million, structured through a financing of US\$ 40.0 obtained by Rigby and a US\$ 45.1 million cash payment. Additionally, Rigby obtained US\$ 10.0 million to perform refurbishments and improvements on the buildings.

As of the date of issuance of these financial statements the Company interest in Rigby was 57% through two indirect fully-owned subsidiaries (8% through Real Estate Strategies LLC ( RES ) and 49% through IMadison LLC ( IMadison )). The Company is negotiating the sale of the 8% held by RES.

***(vi) Acquisition of Soleil Factory shopping center business***

On July 1, 2010, the Company and INCSA executed the definitive agreement pursuant to which the business comprising of a building and other fixed assets, lease agreements, titles to the brand names and rights to build certain number of square meters was transferred to the Company. The transaction excludes any receivable or payable arising out of INCSA business prior to the transaction and a building which currently is being operated as a hypermarket within the same premises.

INCSA will surrender the title deed to the Company within 30 working days as from registration of title with regulatory authorities. The transaction was filed with the National Antitrust Commission. The Company is still in the process of determining the fair values of the net assets acquired for purposes of the purchase price allocation process.

Since the acquisition of the Soleil Factory was completed on July 1, 2010, the Company must now commence the works in Tucuman plot of land on May 2, 2011. However, INCSA must comply with certain obligations prior to the commencement of the works, such as (i) delivery of the title deed of the plot of land and (ii) transfer of rights and permits on the architectural project to the Company.

***(vii) Sale of Beruti plot of land***

On October 13, 2010, TGLT S.A. and APSA subscribed an agreement of purchase with a condition precedent by which APSA sells a plot of land located on Beruti 3351/59. The transaction was agreed upon at US\$ 18.8 million. TGLT plans to construct a department building with residential and commercial parking. In consideration, TGLT S.A. commits to transferring APSA: (i) a number to be determined of departments representing altogether 17.33% of proprietary square meters that may be sellable in departments in the building to be constructed; (ii) a number to be determined of complementary/functional parking units representing altogether 15.82% of square meters in parking in the same building; (iii) all units earmarked for commercial parking and the amount of US\$ 10.7 million payable upon granting the title deed.

***(viii) Acquisition of additional Hersha s shares***

On October 22, 2010, the Company through REIG, acquired 2,952,625 ordinary shares of Hersha Hospitality Trust ( Hersha ) at a price of US\$ 5.80 per share, totaling US\$ 17.1 million. Following this acquisition, the Company s ownership interest in Hersha amounts to 10.72% of Hersha s outstanding capital. Besides, if the purchase option mentioned in Note 2.g A.1 was exercised and Hersha didn t issue new shares in favor of third parties, the Company s ownership interest in Hersha would amount to 13.63%.

***(ix) Sale of Alto Palermo s Notes***

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On October 12, 2010 the Company sold Alto Palermo s Series I Notes for a nominal value of US\$ 39.6 million that it had acquired in fiscal 2009 for US\$ 38.1 million.

### *(x) Shareholders Meeting dated October 29, 2010*

The Company shareholders met and approved the following actions, among other things:

To increase the Global Program for the Issuance of Negotiable Obligations from US\$ 400 to US\$ 450 million;

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**26. Subsequent events (continued)**

The payment of a cash dividend of Ps.120 million;

The payment of fees to the Board of Directors for Ps. 27.8 million;

The payment of a bonus to the Company's management equivalent to up to 1% of its outstanding capital stock.

**(xi) Shopping Neuquén project**

On November 8, 2010, Shopping Neuquén S.A. was served notice of a court resolution establishing the amount of legal costs and fees to be paid by Shopping Neuquén related to prior litigation with the Municipality (see Note 19). The resolution is not firm and Shopping Neuquén is currently evaluating its course of action.

**(xii) Letter of intent Plot of land Paraná**

On August 12, 2010, the agreement of purchase was executed. The purchase price stood at US\$ 0.5 million to be paid as follows:

(a) US\$ 0.05 million was settled as prepayment on July 14, 2009,

(b) US\$ 0.1 million was settled upon executing such agreement, and

(c) US\$ 0.35 million will be paid upon executing the title deed.

The title deed, at the same time of surrendering ownership, will be executed within 60 days running as from: i) the date on which the Company obtain the municipal clearance, or ii) the date on which the seller obtain the lot subdivision, whichever later.

APSA will be the only party in charge of carrying out administrative formalities to the Municipality and/or other agency to obtain the municipal clearance for using the shopping mall. It will bear all costs and expenses related to obtaining the municipal clearance.

**(xiii) Acquisition of shares of TGLT**

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

On November 4, 2010, APSA acquired 5,214,662 registered, non-endorsable shares of common stock, following its initial public offering for \$47.1 million under the initial public offering of the latter.

*(xiv) Acquisition of companies in Uruguay*

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

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

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**27. Differences between Argentine GAAP and US GAAP**

The Company's consolidated financial statements have been prepared in accordance with Argentine GAAP and the regulations of the CNV, which differ in certain significant respects from US GAAP. Such differences involve methods of measuring the amounts shown in the Consolidated Financial Statements, as well as additional disclosures required by US GAAP and the Regulation S-X of the SEC.

As discussed in Note 2.c., in order to comply with the regulations of the CNV, the Company discontinued inflation accounting as from February 28, 2003. Since Argentine GAAP required companies to discontinue inflation adjustments as from October 1, 2003, the application of the CNV resolution represented a departure from Argentine GAAP. However, due to low inflation rates during the period from March 1 to September 30, 2003, such a departure did not have a material effect on the consolidated financial statements.

***I. Differences in measurement methods***

The following reconciliation to US GAAP does not include the reversal of the adjustments to the Consolidated Financial Statements for the effects of inflation because the application of this standard represents a comprehensive measure of the effects of price level changes in the Argentine economy.

The principal differences, other than inflation accounting, between Argentine GAAP and US GAAP are described below, together with an explanation, where appropriate, of the method used in the determination of the necessary adjustments.



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|   | <b>Year ended June 30,</b> |                     |                    |
|---|----------------------------|---------------------|--------------------|
|   | <b>2010</b>                | <b>2009</b>         | <b>2008</b>        |
|   | <b>Ps. 334,501</b>         | <b>Ps. 158,635</b>  | <b>Ps. 54,875</b>  |
| <b>Net income as reported under Argentine GAAP attributable to IRSA</b>                       |                            |                     |                    |
| <b>US GAAP adjustments:</b>   |                            |                     |                    |
| Impact of US GAAP adjustments on equity investees (Note 27.I.(a))                             | (26,369)                   | (96,440)            | 9,979              |
| Accounting for marketable securities (Note 27.I.(b))  | 13,752                     | 19,774              | 45,238             |
| Depreciation of fixed assets (Note 27.I.(d))  | 536                        | 782                 | 541                |
| Pre-operating and organization expenses (Note 27.I.(e))                                       | (8,296)                    | (11,202)            | (1,061)            |
| Differences in basis relating to purchase accounting  |                            |                     |                    |
| -Arcos del Gourmet (Note 27.I.(g))  | 58,470                     |                     |                    |
| -Purchase accounting - Amortization and depreciation expenses (Note 27.I.(h))                 | 6,482                      | (654)               | 3,809              |
| Securitization accounting (Note 27.I.(i))   | (2,280)                    | 7,390               | 4,455              |
| Present-value accounting (Note 27.I.(j))  | (3,461)                    | 13,875              | 4,661              |
| Reversal of previously recognized impairment losses (Note 27.I.(k))                           | 3,113                      | 9,577               | 1,572              |
| Accounting for IRSA Convertible Notes (Note 27.I.(l))   |                            |                     | (466)              |
| Reversal of loss recognized on troubled debt restructuring (Note 27.I.(m))                    |                            |                     | 6,908              |
| Accounting for real estate barter transactions (Note 27.I.(n))                                | 735                        | 12,362              | 17,332             |
| Reversal of (gain) loss from valuation of inventories at net realizable value (Note 27.I.(o)) | (6,552)                    | 10,371              | 145                |
| Amortization of fees related to Series II of APSA Non-Convertible Notes (Note 27.I.(q))       | (97)                       | 70                  | 209                |
| Software developed or obtained for internal use (Note 27.I.(r))                               | 49                         | 58                  | 60                 |
| Reversal of capitalized foreign exchange differences (Note 27.I.(s))                          | (1,984)                    | (72,674)            | 5,786              |
| Debtors accounting for a modification of APSA convertible debt instruments (Note 27.I.(t))    | (167)                      | (148)               | (132)              |
| Revenue recognition - deferred commissions (Note 27.I.(u.1))                                  | (3,187)                    | (4,006)             | (3,324)            |
| Revenue recognition - scheduled rent increases (Note 27.I.(u.2))                              | 17,015                     | 6,860               | 5,341              |
| Deferred revenues - insurance & fees (Note 27.I.(u.3))  | 22,925                     | (3,377)             | (17,122)           |
| Derecognition of Put option (Note 27.I.(v))   | (3,582)                    | (40,334)            |                    |
| Deferred income tax (Note 27.I.(w))   | 21,101                     | (26,925)            | 1,869              |
| Non controlling interest (Note 27.I.(x) and 27. II (r))                                       | (39,851)                   | 22,653              | (18,559)           |
| <b>Net income under US GAAP attributable to IRSA</b>  | <b>Ps. 382,853</b>         | <b>Ps. 6,647</b>    | <b>Ps. 122,116</b> |
| Non controlling interest  | 83,304                     | (47,998)            | 46,459             |
| <b>Net income (loss) under US GAAP</b>  | <b>Ps. 466,157</b>         | <b>Ps. (41,351)</b> | <b>Ps. 168,575</b> |

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Earnings per share under US GAAP **attributable to IRSA** (Note 27.II.(j)):

|                                     |     |      |     |      |     |      |
|-------------------------------------|-----|------|-----|------|-----|------|
| Basic net income per common share   | Ps. | 0.66 | Ps. | 0.01 | Ps. | 0.22 |
| Diluted net income per common share | Ps. | 0.66 | Ps. | 0.01 | Ps. | 0.22 |

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|   | As of June 30,       |                      |
|---|----------------------|----------------------|
|   | 2010                 | 2009                 |
| <b>Total shareholders equity under Argentine GAAP attributable to IRSA</b>                  | <b>Ps. 2,403,046</b> | <b>Ps. 2,095,662</b> |
| <b>US GAAP adjustments:</b>   |                      |                      |
| Impact of US GAAP adjustments on equity investees (Note 27.I.(a))                           | (40,534)             | (202,501)            |
| Accounting for investment in Hersha Hospitality Trust (Note 27.I. (c))                      | 111,444              |                      |
| Depreciation of fixed assets (Note 27.I.(d))  | (7,832)              | (8,368)              |
| Pre-operating and organization expenses (Note 27.I.(e))                                     | (23,868)             | (15,572)             |
| Mortgage payable with no stated interest rate (Note 27.I.(f))                               | (2,029)              | (2,029)              |
| Differences in basis relating to purchase accounting  |                      |                      |
| -Original value (Note 27.I.g)   | 48,197               | 48,197               |
| -Arcos del Gourmet (Note 27.I.(g))  | 69,651               |                      |
| -Purchase accounting - Amortization and depreciation expenses (Note 27.I.(h))               | 26,968               | 20,486               |
| Present-value accounting (Note 27.I.(j))  | 15,715               | 19,176               |
| Reversal of previously recognized impairment losses (Note 27.I.(k))                         | (102,972)            | (106,086)            |
| Accounting for real estate barter transactions (Note 27.I.(n))                              | (29,409)             | (30,144)             |
| Reversal of gain from valuation of inventories at net realizable value (Note 27.I.(o))      | (18,719)             | (12,167)             |
| Appraisal revaluation of fixed assets (Note 27.I.(p))                                       | (3,953)              | (3,953)              |
| Amortization of fees related to Serie II of APSA Non-Convertible Notes (Note 27.I.q)        | 182                  | 279                  |
| Software obtained for internal use (Note 27.I.(r))  | (7)                  | (56)                 |
| Reversal of capitalized foreign exchange differences (Note 27.I.(s))                        | (69,304)             | (67,320)             |
| Debtor s accounting for a modification of APSA convertible debt instruments (Note 27.I.(t)) | 483                  | 650                  |
| Revenue recognition - Deferred commissions (Note 27.I.(u.1))                                | (25,084)             | (21,897)             |
| Revenue recognition - Scheduled rent increases (Note 27.I.(u.2))                            | 37,023               | 20,008               |
| Deferred revenues - insurance & fees (Note 27.I.(u.3))                                      | (12,603)             | (35,528)             |
| Derecognition of Put option (Note 27.I.(v))   | (48,461)             | (44,877)             |
| Deferred income tax (Note 27.I.(w))   | (169,752)            | (155,868)            |
| Non controlling interest on adjustments above   | 38,342               | 90,034               |
| <b>Shareholders equity under US GAAP attributable to IRSA</b>                               | <b>2,196,524</b>     | <b>1,588,126</b>     |
| Non controlling interest  | 521,374              | 370,060              |
| <b>Shareholders equity under US GAAP</b>  | <b>Ps. 2,717,898</b> | <b>Ps. 1,958,186</b> |

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|  | Year ended June 30, |   |           |               |   |           |
|--|---------------------|---|-----------|---------------|---|-----------|
|  | IRSA                | 2010<br>Non-<br>controlling<br>interest | Total     | IRSA          | 2009<br>Non-<br>controlling<br>interest | Total     |
| - Shareholders' equity as of the beginning of the year under US GAAP | Ps. 1,588,126       | 370,060                                 | 1,958,186 | Ps. 1,640,864 | 385,959                                 | 2,026,823 |
| - Cash dividends   | (31,727)            | (23,658)                                | (55,385)  |               | (23,540)                                | (23,540)  |
| - Other comprehensive income (Note 27.II.(o))                        | 252,664             | 654                                     | 253,318   | (67,691)      | (911)                                   | (68,602)  |
| - Non-controlling shareholder's contribution                         |                     | 80,511                                  | 80,511    |               | 56,188                                  | 56,188    |
| - Current translation adjustment                                     | 4,608               |   | 4,608     | 8,306         |   | 8,306     |
| - (Acquisition) sell of Company                                      |                     | (1,574)                                 | (1,574)   |               | 362                                     | 362       |
| - Non-controlling in Arcos   |                     | 12,077                                  | 12,077    |               |   |           |
| - Net income (loss) under US GAAP                                    | 382,853             | 83,304                                  | 466,157   | 6,647         | (47,998)                                | (41,351)  |
| - Shareholders' equity as of the end of the year                     | Ps. 2,196,524       | 521,374                                 | 2,717,898 | Ps. 1,588,126 | 370,060                                 | 1,958,186 |

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Under Argentine GAAP, investments in companies in which the Company exercises significant influence, but not control, are accounted for under the equity method. Under the equity method, the investment is recorded at original cost and periodically increased (decreased) by the investor's proportionate share of earnings (losses) of the investee and decreased by all dividends received from the investor by the investee. The Company applies its percentage ownership interest to the financial statements of its equity method investments prepared under Argentine GAAP. For purposes of this reconciliation, the Company has assessed the impact of US GAAP adjustments on the Argentine GAAP financial statements of its equity investees. As of June 30, 2010, the equity investees of the Company are BHSA, BACSA, Manibil and Metropolitan. The investment in Metropolitan was valued at zero and a liability was recognized related to the maximum amount committed to fund its operations. The US GAAP adjustments on the Company's equity investees related primarily to (i) troubled debt restructuring; (ii) loan loss reserves; (iii) loan origination fees and costs; (iv) securitization of mortgaged loans and (vi) impairment of fore closed assets, among others.

During the years ended June 30, 2010 and 2009, the Company acquired additional shares in BHSA. Both acquisitions were accounted for under the purchase method of accounting under Argentine GAAP. The majority of the assets and liabilities on BHSA's balance sheet are financial assets carried at fair value, or are short-term in nature. The carrying value of these short-term assets approximates fair value. In both acquisitions, the fair value of BHSA's net assets exceeded the purchase price paid. When the fair value of the net assets acquired exceeds the consideration paid, negative goodwill exists under Argentine GAAP. Under Argentine GAAP, non-financial assets were written down against the negative goodwill in both acquisitions. Any remaining negative goodwill was immediately recognized as a gain in the respective periods. Accordingly the Company recorded gains of Ps. 70.4 million and Ps.133.0 million as a result of these transactions under Argentine GAAP.

US GAAP requires that the difference between the cost of an investment and the amount of underlying equity in net assets of an investee should be accounted for as if the investee were a consolidated subsidiary. The difference at the date of purchasing the additional shares in BHSA between the cost of the investment and underlying equity in net assets was accounted for according to its nature. The Company applied the provisions of ASC N° 805 Business Combination (ASC No. 805), in assigning this difference. Under US GAAP authoritative literature, the concept of a "bargain purchase" (the purchase price was substantially lower than the fair value of the underlying net assets) does not apply to an equity method investment since the investor does not control the underlying assets of the investee and therefore would not be able to realize the gain by selling the underlying assets of the investee to unlock this gain. Accordingly, under US GAAP the reconciling item includes the reversal of the gains of Ps. 70.4 million and Ps. 133.0 million for the years ended June 30, 2010 and 2009, respectively. Under US GAAP these gains are deferred and will be recognized upon consolidation of selling of the shares of BHSA.

Including the impact of the reversal of the gain explained above, the impact of other US GAAP adjustments to the financial statements of equity investees prepared under Argentine GAAP were a loss of Ps. 26.4 million, a loss of Ps. 96.4 million and a gain of Ps. 10.0 million for the years ended June 30, 2010, 2009 and 2008, respectively, net of Ps. 188.3 million, Ps. (51.4) million and Ps. (33.0) million of other comprehensive income adjustments for the years ended June 30, 2010, 2009 and 2008 (See Note 27.II.(o)).

***(b) Accounting for marketable securities***

Under Argentine GAAP, the Company's investments in mutual funds, shares of public companies, government and mortgage bonds are carried at fair value, with unrealized gains and losses included in the statement of income.

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Under US GAAP, the Company has classified all of these investments as available-for-sale and carried them at fair value with unrealized gains and losses, included in shareholders' equity in accordance with ASC No. 320, Investments - Debt and Equity Securities (ASC No. 320). The Company's investments are considered available for sale as these securities could potentially be sold in response to needs for liquidity, changes in the availability of and the yield on alternative instruments or changes in funding sources or terms.

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Under US GAAP gross realized gain was Ps. 13,8 million, Ps. 19.8 million and Ps. 19.3 million for the years ended June 30, 2010, 2009 and 2008, respectively.

Unrealized gains and losses determined to be temporary are recorded as other comprehensive income, net of related deferred taxes, until realized. Unrealized losses determined to be other than temporary are recognized in the period the determination is made. As of the date of these consolidated financial statements, the Company has not determined any unrealized losses to be other than temporary.

The cost and estimated fair values of available for sale securities at June 30, 2010, 2009 and 2008 were as follows:

|                            | <b>Amortized<br/>Cost<br/>Basis</b> | <b>Fair<br/>Value</b> | <b>Gross<br/>unrealized<br/>Gain</b> | <b>Gross<br/>unrealized<br/>Loss</b> |
|----------------------------|-------------------------------------|-----------------------|--------------------------------------|--------------------------------------|
| <b>June 30, 2008</b>       |                                     |                       |                                      |                                      |
| Mutual funds               | Ps. 89,732                          | Ps. 92,053            | Ps. 2,378                            | Ps. (57)                             |
| Dolphin Fund               | 27,882                              | 58,070                | 30,188                               |                                      |
| Mortgage bonds             | 1,199                               | 1,286                 | 87                                   |                                      |
| Government bonds           | 48,821                              | 45,877                |                                      | (2,944)                              |
|                            | Ps. 167,634                         | Ps. 197,286           | Ps. 32,653                           | Ps. (3,001)                          |
| <b>June 30, 2009</b>       |                                     |                       |                                      |                                      |
| Mutual funds               | Ps. 110,107                         | Ps. 110,794           | Ps. 687                              | Ps.                                  |
| Dolphin Fund               | 22,751                              | 30,217                | 7,466                                |                                      |
| Shares of public companies | 20,061                              | 21,603                | 1,542                                |                                      |
| Mortgage bonds             | 615                                 | 798                   | 183                                  |                                      |
| Government bonds           | 14,129                              | 14,129                |                                      |                                      |
|                            | Ps. 167,663                         | Ps. 177,541           | Ps. 9,878                            | Ps.                                  |
| <b>June 30, 2010</b>       |                                     |                       |                                      |                                      |
| Mutual funds               | Ps. 99,791                          | Ps. 100,766           | Ps. 975                              | Ps.                                  |
| Dolphin Fund               | 38,097                              | 33,401                |                                      | (4,696)                              |
| Shares of public companies | 4,240                               | 4,074                 |                                      | (166)                                |
| Mortgage bonds             | 771                                 | 783                   | 12                                   |                                      |
| Government bonds           | 49                                  | 49                    | 1                                    |                                      |

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Ps. 142,948

Ps. 139,073

Ps. 988

Ps. (4,862)

The information and the reconciliation item regarding the investment in Hersha Hospitality Trust, an available for sale security por US GAAP purposes, has been included separately in note 27. I. c).

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The Company has a 10.9% investment in Hersha Hospitality Trust as of June 30, 2010 (See Note 2.g.A.1). Under Argentine GAAP, this investment has been valued at cost. Under US GAAP, since the investment in Hersha represents an investment in an equity security with a readily determinable fair values and not held for trading, the investment has been valued at fair value in accordance with ASC No. 320. Gains or losses resulting from changes in fair value are recognized in other comprehensive income in the shareholders' equity.

The cost and estimated fair values of Hersha Hospitality Trust at June 30, 2010 were as follows:

|                          | Amortized<br>Cost<br>Basis | Fair<br>Value | Gross<br>unrealized<br>Gain | Gross<br>unrealized<br>Loss |
|--------------------------|----------------------------|---------------|-----------------------------|-----------------------------|
| <b>June 30, 2010</b>     |                            |               |                             |                             |
| Hersha Hospitality Trust | Ps. 204,553                | Ps. 315,997   | Ps. 111,444                 | Ps.                         |
|                          | Ps. 204,553                | Ps. 315,997   | Ps. 111,444                 | Ps.                         |

***(d) Depreciation of fixed assets***

Prior to 2007, certain office and apartment buildings of the Company were being depreciated over a useful life of 50 years under Argentine GAAP. For US GAAP purposes, these buildings were being depreciated over a useful life of 40 years. Accordingly, the US GAAP adjustment reflected higher depreciation charges for US GAAP purposes. As a result of this adjustment, the net book value of these assets for US GAAP purposes differs from the book value for Argentine GAAP purposes. In the year ended June 30, 2007, independent appraisers reassessed the appropriateness of the useful lives of the Company's office buildings and other properties. As a result of the work, the remaining useful lives of certain of these properties were reduced and no difference exists in the remaining useful life of these assets between Argentine GAAP and US GAAP. However, due to the different cost base of fixed assets for Argentine GAAP and US GAAP purposes, a US GAAP reconciling item for depreciation still exists.

***(e) Pre-operating and organization expenses***

Under Argentine GAAP, the Company capitalizes certain costs related to pre-operating activities of the Company's shopping centers, residential projects and expenses incurred in the organization of subsidiaries. These costs are generally amortized on a straight-line basis over periods ranging from 3 to 5 years commencing upon the opening of the shopping center and/or launching of a project. Under US GAAP, pursuant ASC No. 720-15, Other expenses-start up costs (ASC No. 720-15), such costs are charged to income as incurred. The US GAAP adjustments for the years ended June 30, 2010, 2009 and 2008 represents the net effect of (i) expensing such costs as incurred and (ii) the reversal of amortization expenses on costs capitalized under Argentine GAAP and expensed under US GAAP.

***(f) Mortgage payable with no stated interest rate***

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In 1991, the Company obtained a non-interest bearing mortgage with a face value of US\$ 3,300 to acquire a property (Suipacha 652/64). Under Argentine GAAP, the Company did not make any fair value adjustment for this non-interest bearing mortgage. Under US GAAP however, the non-interest bearing mortgage held by the Company was recorded at the estimated market value of the note. The Company used an interest rate of 12%, which approximated its weighted-average borrowing rate, in determining the present value of this debt. This mortgage was fully repaid in November 1996. As a result, Ps. 2,000 decreased the carrying value of the acquired property. This adjustment gives rise to differences in depreciation expense and is included in the line item *Depreciation and amortization expense* in the US GAAP reconciliation.

### *(g) Differences in basis relating to purchase accounting*

Effective July 1, 2009, the Company applied the provisions of FASB Statement No. 141R *Business Combinations* (FAS 141R) or ASC No. 805 *Business Combinations* (ASC No. 805), for all business combinations for which the acquisition date is on or after the beginning of its fiscal year ended June 30, 2010, i.e. July 1, 2009. For all business combinations for which its acquisition date was prior to July 1, 2009, the Company applied the provisions of FAS 141.

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**27. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***(g) Differences in basis relating to purchase accounting (continued)***

**Acquisitions for which their acquisition date was before July 1, 2009**

As discussed in Note 3.g., under Argentine GAAP, the Company follows the guidance in RT No. 18 in accounting for business combinations. Under Argentine GAAP, the Company applies the purchase method of accounting and accordingly it allocates the purchase price based on the fair value of net assets acquired. When the sum of the individual fair values of the identifiable tangible and intangible assets exceeds the purchase price paid, negative goodwill exists. Under Argentine GAAP, if after a reassessment is made and negative goodwill continues, any amount of negative goodwill is allocated to reduce the value of intangible assets acquired to zero. Any remaining amount of negative goodwill is amortized under the straight-line method over the respective periods. During the period from July 1, 2005 through June 30, 2009, the Company recognized negative goodwill namely Empalme , Palermo Invest , Bouchard 551 , Dock del Plata and Mendoza Plaza Shopping .

Under US GAAP, the Company applied the provisions of FAS 141 to the The Empalme , Palermo Invest , Bouchard 551 , Dock del Plata and Mendoza Plaza Shopping acquisitions. There was no difference between US GAAP and Argentine GAAP in the purchase price allocation process. However, under FAS 141, when negative goodwill existed, eligible assets (tangible and intangible) were subject to pro rata reduction.

Accordingly, under US GAAP, certain intangible assets and liabilities were recognized while assigned a zero value under Argentine GAAP. The Company therefore recognized a liability for below-market leases of Ps. 28.6 million in 2008 and an intangible asset for in-place leases of 23.0 million in 2007, for the Empalme , Palermo Invest , Bouchard 551 , Dock del Plata and Mendoza Plaza Shopping acquisition.

The fair value of below market leases was recorded as deferred income and amortized as additional lease revenue over the remaining contractual lease period and any renewal option periods included in the valuation analysis. Intangible assets associated with at-market in-place leases are amortized as additional expense over the remaining contractual lease term. There was no US GAAP adjustment to equity for these items.

In addition, the US GAAP reconciling item includes various adjustments related to purchase accounting differences for certain business combinations which occurred prior to the year ended June 30, 2005 between US GAAP and Argentine GAAP prior to the adoption of revised accounting standards in Argentina. For business combinations, which occurred prior to that date, the application of US GAAP standards to those business combinations resulted in differences between the amount of goodwill recorded for Argentine GAAP and US GAAP purposes. Following the adoption of pre-codification FAS 142 or ASC No. 350, Intangible-goodwill and Other (ASC No. 350), goodwill amortization ceased under US GAAP effective July 1, 2002. Total goodwill under US GAAP as of the date of adoption of ASC No. 350 was Ps. 48.2 million.

The differences between Argentine GAAP and US GAAP described above related to the acquisitions which occurred prior to July 1, 2009 impacted the US GAAP adjustments to net income as described in Note 27.I.(h). and representing the net effect of (i) reversing the amortization expense of negative goodwill recorded under Argentine GAAP; (ii) lower depreciation charges on lower amounts of fixed assets under US GAAP (reduced on a pro rata basis to allocate negative goodwill); (iii) amortization charges for intangible assets recognized under US GAAP (and reduced to zero under Argentine GAAP); and (iv) reversing the amortization of goodwill charged under Argentine GAAP and ceased under US GAAP since June 30, 2002.

**Acquisitions for which their acquisition date was after July 1, 2009**

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As discussed in Note 2.g.A.10, on November 27, 2009, the Company completed the acquisition of an 80% controlling interest in Arcos. Arcos is a company holder of a concession right to exploit the land and attached assets owned by the ONABE. The concession is for an initial term of sixteen years renewable at the option of the holder for an additional four year period. Under the concession, the Company is obligated to pay a monthly concession fee of Ps. 0.1

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million to ONABE. The land and attached assets (mainly old warehouses and adjacent spaces) are capable of being reconverted into a shopping mall, cultural complex and other recreational facilities after incurring significant capital expenditures. Under Argentine GAAP, the Company determined that the transaction represented the acquisition of a business. Accordingly, the Company accounted for the acquisition under the purchase method of accounting. Under the purchase method of accounting, the Company allocated the purchase price to tangible and intangible assets and liabilities assumed based on the respective fair values. Transaction costs are considered part of the consideration transferred. The acquisition date fair value of the net assets acquired exceeded the cost of the acquisition. The holders of the rights from ONABE were individual persons who did not have the financial feasibility, expertise and scale to obtain the projected returns from the concessioned assets as well-established real estate market participants in the area have. Thus, they agreed to sell their rights to the Company for a fair amount of consideration although far below the fair value of the business. Under Argentine GAAP, the excess of the fair value of the net assets acquired over cost represents negative goodwill. When there is negative goodwill, Argentine GAAP requires a reassessment to determine all assets acquired, liabilities assumed, and consideration transferred. The Company performed a reassessment and has still concluded that it has negative goodwill. However, under Argentine GAAP, when negative goodwill exists, acquired intangible assets are reduced to absorb the negative goodwill even if they are assigned a zero value. Any remaining negative goodwill is accounted for as described in Note 3.h. In the acquisition of Arcos, the principal asset acquired was the concession right and since negative goodwill existed, this intangible was reduced by the amount of negative goodwill absorbing it completely. Therefore, no negative goodwill remained under Argentine GAAP. In addition, under Argentine GAAP, the minority interest was recognized at the proportionate share of the acquiree's identifiable net assets (the proportionate share method) at the acquisition date.

Under US GAAP, the Company applied the provisions of ASC No. 805 and also determined that this transaction qualifies as a business acquisition. Accordingly, the Company accounted for the acquisition under the purchase method of accounting and allocated the purchase price to tangible and intangible assets and liabilities assumed based on the respective fair values. Under ASC No. 805, the noncontrolling interest is recognized at fair value at the date of acquisition. Under ASC No. 805, any excess of the value assigned to the net identifiable assets acquired over the fair value of the consideration transferred and any previously held equity interest in the acquiree and any noncontrolling interest is a bargain purchase gain and should be recognized in earnings. Acquisition-related costs are considered separate transactions and should not be included as part of the consideration transferred, but rather expensed as incurred.

As a result of the above explanation, the US GAAP adjustment for the acquisition of Arcos represents the net effect of (i) the recognition of a bargain purchase gain of Ps. 58.8 million; (ii) the recognition of the non-controlling interest at fair value for Ps. 12.1 million; and (iii) the charge expense of transaction costs for Ps. 0.4 million.

Pro forma results as if the acquisition had occurred as of the beginning of the comparative fiscal year have not been presented based on materiality grounds.

For disclosure purposes, under US GAAP the estimated fair values of assets acquired and liabilities assumed are summarized as follows (in thousands):

|                                    |     |    |
|------------------------------------|-----|----|
| Cash and cash equivalents acquired | Ps. | 13 |
|------------------------------------|-----|----|

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|  |           |
|--|-----------|
| Fair value of non-cash assets acquired | 103,120   |
| Fair value of liabilities assumed      | (8,124)   |
| Fair value of net assets acquired      | 95,009    |
| Minority interest                      | (12,077)  |
| Purchase price                         | 24,108    |
| Seller financing                       | (14,213)  |
| Cash and cash equivalents acquired     | (13)      |
| Advance payments                       | (2,254)   |
| Net cash paid for the acquisition      | Ps. 7,628 |

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**27. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***(g) Differences in basis relating to purchase accounting (continued)***

**Acquisition of Soleil Factory shopping center business**

On July 1, 2010, the Company and INCSA executed the definitive agreement pursuant to which the business comprising of a building and other fixed assets, lease agreements, titles to the brand names and rights to build certain number of square meters was transferred to the Company. The transaction excludes any receivable or payable arising out of INCSA business prior to the transaction and a building which currently is being operated as a hypermarket within the same premises. The Company is analyzing the current value of the identifiable assets and liabilities acquired, as established in the FAS 141 (R).

**Treatment of goodwill**

Effectively July 1, 2002, the Company does not amortize goodwill under US GAAP. ASC 350 requires the Company to periodically test for goodwill impairment, at least annually, or sooner if evidence of possible impairment arises. The Company performs its annual impairment testing as of June 30, using a two-step process that begins with an estimation of the fair values of the reporting units that have goodwill.

Step 1 of impairment testing consists of determining and comparing the fair value of a reporting unit to the carrying value of the reporting unit. If step 1 is failed for a reporting unit, indicating a potential impairment, the Company is required to complete step 2, which is a more detailed test to calculate the implied fair value of goodwill, and compare that value to the carrying value of the goodwill. If the carrying value of goodwill exceeds its implied fair value, an impairment loss is required to be recorded.

The Company performed step 1 impairment tests of recorded goodwill as of June 30, 2010 amounting to Ps. 47.2 million. The step 1 tests indicated that the fair values of the reporting units, calculated primarily using discounted expected future cash flows, exceeded their carrying values as of the test dates. Accordingly, step 2 of the impairment tests was not required to be performed for those reporting units, and no impairment charges were necessary.

***h) Purchase accounting - Amortization and depreciation expenses***

This reconciling item should be read in conjunction with item 27 I.g. above.

**Acquisitions for which their acquisition dates was before July 1, 2009**

Under Argentine GAAP, goodwill continues to be amortized under the straight-line method generating amortization expense of Ps. 12.9 million for the years ended June 30, 2010, 2009 and 2008. Under US GAAP, amortization expense recorded was reversed for all periods presented.

Due to the differences in the purchase price allocation process, generally when negative goodwill exists, there are differences in the carrying amount of fixed assets and intangible assets acquired between Argentine GAAP and US GAAP. As a result, the US GAAP adjustment to income represents the net effect of (i) amortization charges for intangible assets recognized under US GAAP; (ii) higher amortization of deferred revenues (below-market leases); (iii) lower depreciation charges on fixed assets; and (iv) reversal of the amortization of the negative goodwill recorded under Argentine GAAP. The net effect of all of these adjustments amounted to Ps. 2.7 million, Ps. 2.8 million and Ps. 3.5 million during the years ended June 30, 2010, 2009 and 2008, respectively.

Acquisitions for which their acquisition dates was after July 1, 2009

As a result of the explanation in Note 27.I.g, the US GAAP adjustment for the acquisition of Arcos represents the net effect of (i) the recognition of a bargain purchase gain of Ps. 58.8 million (ii) the recognition of a non controlling interest at fair value for Ps. 12.1 million; and (iii) the charge to expense of transaction costs for Ps. 0.4 million.

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**27. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***(i) Securitization accounting***

The Company enters into ongoing revolving-period securitization programs through its subsidiaries Tarshop and Metroshop, transferring credit card receivables to trusts in exchange for cash and retained interests in the trusts (known as CPs). Part of the proceeds is retained by the trustee and maintained as a cash reserve to serve as collateral for the payment of amounts due on the TDFs. Cash reserves flow back to APSA on a monthly basis according to a schedule until all TDFs are fully paid.

Under Argentine GAAP, the Company recognizes a gain or loss on the sale of receivables when the carrying value of transferred credit card receivables differs from the amount of cash and CPs received. Results recognized on the sale of receivables are reported as a component of Net income (loss) from retained interest in securitized receivables in the accompanying statements of income. Cash reserves are stated at cost and are classified as guarantee deposits within the caption Other receivables and prepaid expenses in the accompanying consolidated balance sheets. CPs are carried at their equity value based on financial statements issued by the trusts and classified as investments in the accompanying consolidated balance sheets. Certain expenses associated with the securitization of credit card receivables are capitalized and amortized over the term of the agreements.

Under US GAAP, the Company adopted ASC No. 860, Transfers and Servicing (ASC No. 860). ASC No. 860 requires an entity to recognize the financial and servicing assets it controls and the liabilities it has incurred and to derecognize financial assets when control has been surrendered. The proceeds of securitized financial assets are allocated to the assets sold, the servicing asset or liability and retained interest, based on their relative estimated fair values at the transfer date in determining the gain on the securitization transaction. ASC No. 860 also requires separate recognition of servicing assets and servicing liabilities which must be initially measured at fair value, if practicable. Subsequent to initial recognition, an entity may use either the amortization method or the fair value measurement method to account for servicing assets and servicing liabilities the Company elected the amortization method and assessed the increase in the obligation of the servicing liability based on fair value. As of June 30, 2010 and 2009, the Company has recorded a servicing liability of Ps. 0.7 million and Ps. 1.5 million.

The retained interests in securitized credit card receivables are treated as an equity security classified as available-for-sale in accordance with ASC No. 320 and are carried at fair value. At the time of securitization, the retained interest is initially recorded at the basis allocated in accordance with ASC No. 860. This original cost basis is periodically adjusted to fair value, which is based on the discounted anticipated future cash flows on a cash out basis. The cash out method projects cash collections to be received only after all amounts owed to investors have been paid. Adjustments to fair value (net of related deferred income taxes) are recorded as a component of other comprehensive income. ASC No. 320, also states that for individual securities classified as available-for-sale an enterprise shall determine whether a decline in fair value below the amortized cost basis is other than temporary. In such event, accumulated unrealized losses included in other comprehensive income shall be reclassified into the statement of income. Cash reserves are considered retained interests and as such they are considered in calculating the gain or loss on the sale of receivables under US GAAP.

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The following summarizes the changes in the balance of the Company's retained interest under US GAAP for the years ended June 30, 2010, 2009 and 2008:

|  | Cost        | Estimated Unrealized<br>(loss) gain (i) | Fair value (ii) |
|--|-------------|---|-----------------|
| <b>Balance at June 30, 2007</b>        | Ps. 54,657  | Ps. 8,470                               | Ps. 63,127      |
| Increase in retained interest          | 69,134      |   | 69,134          |
| Liquidation of retained interest       | (2,927)     |   | (2,927)         |
| Unrealized loss                        |             | (25,334)                                | (25,334)        |
| Reclassifications of unrealized losses | (16,864)    | 16,864                                  |                 |
| <b>Balance at June 30, 2008</b>        | Ps. 104,000 | Ps.                                     | Ps. 104,000     |
| Increase in retained interest          | 99,895      |   | 99,895          |
| Liquidation of retained interest       | (54,182)    |   | (54,182)        |
| Change in Unrealized gain/(loss)       |             | (21,791)                                | (21,791)        |
| Reclassification of unrealized losses  | (15,054)    | 15,054                                  |                 |
| <b>Balance at June 30, 2009</b>        | Ps. 134,659 | Ps. (6,737)                             | Ps. 127,922     |
| Increase in retained interest          | 56,724      |   | 56,724          |
| Liquidation of retained interest       | (71,807)    |   | (71,807)        |
| Change in Unrealized gain/(loss)       |             | 2,280                                   | 2,280           |
| <b>Balance at June 30, 2010</b>        | Ps. 119,576 | Ps. (4,457)                             | Ps. 115,119     |

(ii) Unrealized losses for the year ended June 30, 2008 were included in earnings (losses). Unrealized losses for the year ended June 30, 2009 related to those interests in securitized receivables which were issued up to June 30, 2008, were included in earnings (losses).

(iii) Unrealized gains for the year ended June 30, 2010 were included as a component of Accumulated Other Comprehensive Income in shareholders' equity.

The key economic assumptions used in measuring the fair value of retained interests at the time of and subsequent to a securitization are the estimated cash flows and the discount rate. The estimated cash flows have been discounted at rates that include charges for losses. The valuation models use information deriving from or that can be observed with market data.

The following represents the sensitivity of the current fair value of retained interest in securitizations at June 30, 2010 to changes to key assumptions:

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|               | Impact on fair value of a |               |
|---------------|---------------------------|---------------|
|               | 5% interest               | 10% interest  |
|               | rate increase             | rate increase |
| Discount rate | Ps. (534)                 | Ps. (1,066)   |

The above sensitivities are hypothetical and should be used with caution. As the amounts indicate, changes in fair value based on variations in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which might magnify or counteract the sensitivities.

The Company's managed credit card receivables consist of retained interest in credit card receivable securitizations and investor's share of securitizations sold to unrelated parties without recourse. The Company records its retained interest in credit card receivable securitizations on the balance sheet.

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**27. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***(j) Present-value accounting***

As indicated in Note 3.i., under Argentine GAAP, certain other receivables and liabilities are measured at present-values as of year-end. Under US GAAP, present valuing or discounting of these assets and liabilities is precluded.

***(k) Reversal of previously recognized impairment losses***

Under Argentine GAAP previously recognized impairment losses can be reversed. Amounts reversed in 2010, 2009 and 2008 amounted to Ps. 1.2 million, Ps. 1.1 million and Ps. 2.7 million. Under US GAAP, reversal of a previously recognized impairment loss is prohibited. When an impairment loss is recognized, the adjusted carrying amount of the asset becomes the new cost basis, which is depreciated over the remaining useful life of the asset. Previously impairment losses reversed under Argentine GAAP increased the assets costs giving rise to higher depreciation expenses. These higher depreciation charges are reversed under US GAAP which for the years ended June 30, 2010, 2009 and 2008 amounted to Ps. 4.3 million, Ps. 4.3 million and Ps. 4.3 million, respectively.

In 2009, certain assets were sold. The cost basis of these assets under US GAAP was lower than under Argentine GAAP due to reversal of previously impairment losses under Argentine GAAP. Consequently, the gain on the sale under US GAAP was higher in Ps. 6.4 million.

Therefore, the US GAAP adjustment represents the net effect of (i) a loss for the reversal of previously recognized impairment losses under Argentine GAAP; (ii) a gain for lower depreciation charges under US GAAP; and (iii) a higher gain on the sale of assets under US GAAP in 2009.

***(l) Accounting for IRSA Convertible Notes***

In November 2002, the Company issued US\$ 100.0 million of Convertible Notes with non-detachable warrants to acquire additional shares of common stock. The Convertible Notes were convertible, at any time, at the option of the holder, into a fixed number of common shares. Once converted, the holder had the right to acquire an additional equal number of shares at the exercise price of the warrant. Under Argentine GAAP, no proceeds were allocated to the conversion feature and non-detachable warrants. The Convertible Notes were fully paid as of June 30, 2008.

The Company applied ASC No. 470-20, Debt Debt with Conversion and Other Options (ASC No. 470-20) which addresses how a beneficial conversion amount should be measured when an entity issues a convertible instrument that, if converted, will result in the holder receiving common stock and other equity instruments of the issuer, such as warrants to acquire common stock of the issuer. Under ASC No. 470-20, the intrinsic value of the conversion option should be computed based on a comparison of (a) the proceeds of the convertible instrument allocated to the common stock portion of the conversion option and (b) the fair value at the commitment date of the common stock to be received by the holder upon conversion. The excess of (b) over (a) is the intrinsic value of the embedded conversion option that should be recognized by the issuer at the issuance date for the convertible instrument. Under ASC No. 470-20 a discount resulting from recording a beneficial conversion option for convertible instrument that have a stated redemption date is to be accreted from the date of issuance to the stated redemption date of the convertible instrument, regardless of when the earliest conversion date occurs. ASC No. 470-20 also states that the entire unamortized discount, if any, remaining at the date of conversion should be immediately recognized as interest expense.

Under ASC No. 470-20, the Company allocated Ps. 36.1 million of the proceeds received, representing the intrinsic value of the embedded beneficial conversion feature at the commitment date, to additional paid-in capital (Ps. 23.5 million net of income tax). The resulting debt

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discount was recognized as expense over the term of the Convertible Notes. Upon conversion, warrants were recognized as additional paid-in capital and any unamortized discount was immediately recognized as interest expense. Total discount amortization recognized during the year ended June 30, 2008 totaled Ps. 466 (included accelerated amortization recognized as a result of conversions made during those years). As Convertible Notes were denominated in U.S. Dollars, the US GAAP adjustment also includes the elimination of exchange rate differences between the Argentine peso and the U.S. Dollar related to the debt discount. Foreign exchange (losses) gain reversed under US GAAP totaled Ps. (3) during the years ended June 30, 2008.

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**27. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***(m) Reversal of gain recognized on trouble debt restructuring***

Under Argentine GAAP, the restructuring of debts occurred in November 2002 was treated as an exchange of debt instruments with substantially different terms. As a result, the Company removed the original loans from the consolidated balance sheet and recognized the new debt instruments at their present value discounted at an 8% market interest rate. Gain on restructuring recorded in fiscal year 2003 amounted to Ps. 36.5 million (Ps. 31.7 million net of related expenses). Under Argentine GAAP the Company also recognized a gain of Ps. 7.6 million from interest expense reductions.

For US GAAP purposes, the restructuring of the debt was accounted for in accordance with ASC No. 470-60, *Debt - Troubled Debt Restructurings by Debtors* (ASC No. 470-60), as the creditors made certain concessions due to the financial difficulties of the Company. ASC No. 470-60 requires that a comparison be made between the future cash outflows associated with the new debt instruments (including interest), and the recorded amount of the payables at the time of restructuring. Gain on trouble debt restructuring is only recognized when the carrying amount of the payable at the time of restructuring exceeds the total future cash payments specified by the new debt terms. Since the total future cash outflows associated with the new debt instruments exceeded the carrying value of the old debts, no gain on restructuring was recorded under US GAAP. As a result, the carrying amount of the new debt instruments under US GAAP is greater than the amount recorded under Argentine GAAP and a new effective interest rate was determined, which equates the present value of the future cash payments specified by the new debt instruments with the carrying amount of the old debts. Under US GAAP, expenses incurred in a trouble debt restructuring are recorded in earnings.

The Company fully paid all of the restructured obligations. Therefore the unrealized gain was fully recognized under US GAAP for the year ended June 30, 2008. The adjustment to interest expense recognized under Argentine GAAP according to the new effective interest rate totaled Ps. 6.9 million and Ps. 3.8 million for the years ended June 30, 2008 and 2007, respectively. As the Company's new debt instruments were denominated in US Dollars, the US GAAP adjustment also included the recognition of exchange rate differences related to the difference in the carrying amount of the debts. Foreign exchange gains (losses) recorded under US GAAP were not significant for any of the periods presented.

***(n) Accounting for real estate barter transactions***

In the ordinary course of business, the Company enters into certain non-monetary transactions with third parties pursuant to whom the Company sells parcels of land held for sale in the ordinary course of business in exchange for cash and/or other real estate properties. See Note 2.g. for details of these transactions.

Under Argentine GAAP, these transactions are recorded based on the fair value of the assets involved and, as a result, a gain or loss is recognized at the time of the exchange. Under Argentine GAAP, the Company recorded gains of Ps. 2.6 million and Ps. 14.7 million for the years ended June 30, 2009 and June 30, 2008, respectively. No gain was recorded for the year ended June 30, 2010.

Under US GAAP, the Company applied the provisions of ASC No. 845, *Non-monetary Transactions* (ASC No. 845). ASC No. 845 requires exchanges of non-monetary assets be measured based on the fair value of the assets exchanged and eliminates the narrow exception for non-monetary exchanges of similar productive assets and replaces it with a broader exception for exchanges of non-monetary assets that do not have commercial substance.

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Under ASC No. 845 the Company determined that all of its barter transactions have commercial substance and therefore the transactions must be measured at fair value.

In certain barter transactions, when the Company does not receive a down payment or receives a down payment which is less than 10% of the sales price. The Company follows the deposit method as prescribed in ASC No. 360-20, Property, Plant and Equipment-Real State Sales (ASC No. 360-20). Under the deposit method the Company does not recognize profit, nor records a receivable and continues to report the property and related liabilities in its balance sheet even if the buyer has assumed the liability. The Company discloses that those items are subject to a sales contract. Therefore, under US GAAP, in these cases any gain recognized under Argentine GAAP is reversed.

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For the years ended June 30, 2009 and 2008, gains of Ps. 2.6 million and Ps. 14.7 million, respectively, recorded under Argentine GAAP were reversed under US GAAP. No gain was recorded for the year ended June 30, 2010. However, the US GAAP adjustment reflects the effect of the reversal of the above mentioned gains and the recognition of a gain of Ps. 0.7 million, Ps. 14.9 million and Ps. 32 million, for the years ended June 30, 2010, 2009 and 2008, respectively, related to the conclusion of barter transactions originated in prior years for which the related results have been previously recognized for Argentine GAAP purposes.

***(o) Reversal of gain from valuation of inventories at net realizable value***

Under Argentine GAAP, inventories for which the title has not yet been transferred but for which a down payment has been received fixing the sales price and the terms and conditions of the agreement provide reasonable assurance about the closing of the transaction and realization of gain, are carried at net realizable value as of year-end (these transactions are considered consummated for Argentine GAAP purposes). Under US GAAP, inventories are carried at cost. Therefore, the US GAAP adjustment represents the net effect of: (i) reversal of the gains recognized under Argentine GAAP of Ps. 6.4 million, Ps. 12.1 million, and Ps. 2.8 million, for the years ended June 30, 2010, 2009 and 2008, respectively, and (ii) the recognition under US GAAP of previously recognized gains (losses) under Argentine GAAP of Ps. (0.2) million, Ps. 22.5 million, and Ps. 2.9 million for the years ended June 30, 2010, 2009 and 2008, respectively, for which deeds of title were signed as of each the respective years.

***(p) Appraisal revaluation of fixed assets***

Under Argentine GAAP, APSA recognized a parcel of land acquired prior to June 30, 1986 at its appraised value as of such date. This appraisal increased the carrying value of the land by approximately Ps. 4.0 million, which was recorded against an appraisal revaluation reserve account in the shareholders' equity. Under Argentine GAAP, this appraisal revaluation reserve will be amortized to income once the land is disposed of or its value becomes impaired. Under US GAAP, this parcel of land was recorded at original cost and therefore this reserve has been reversed. Since land is not amortized, there is no impact to the consolidated statement of income.

***(q) Amortization of fees related to Series II of APSA Non Convertible Notes***

Under Argentine GAAP, fees and expenses relating to Series II of APSA Non Convertible Notes issued in May 2007 are amortized on a straight-line method over the term of the notes (5 years). Under US GAAP, following ASC No. 310-20, Receivables Nonrefundable Fees and Other Costs (ASC No. 310-20) (formerly FAS-91 Accounting for nonrefundable fees and costs associated with origination or acquiring loans and initial direct costs of leases), such costs are amortized over the same period using the effective interest method.

***(r) Software developed or obtained for internal use***

Under Argentine GAAP, the Company capitalizes certain costs related to software developed as obtained for internal use, which would be expensed under US GAAP pursuant to the provisions of ASC No. 350-40 Internal Use-Software (ASC 350-40) (formerly SOP 98-1, Accounting for costs of computer software developed or obtained for internal use). The US GAAP adjustment for the year 2010, 2009 and 2008 represents the effect net of (i) expensing such costs as incurred and (ii) reversal of depreciation on costs capitalized under Argentine GAAP and expensed under US GAAP.





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Under Argentine GAAP, the Company capitalized financial costs comprising of interest and foreign exchange differences for the years ended June 30, 2010, 2009 and 2008 related to the PAMSA and Horizons project. Under US GAAP, the Company applied the provisions of ASC No. 835-20, Interest-Capitalization of Interest, (ASC No. 835-20), which requires interest capitalization on assets which have a period of time to get them ready for their intended use. Capitalization of foreign exchange differences is not allowed under ASC No. 835-20. The US GAAP reconciling item represents the effect of reversing the foreign exchange differences capitalized under Argentine GAAP for the years ended June 30, 2010, 2009 and 2008 for an amount of Ps. 2 million, Ps. 72.7 million and Ps. 5.8 million, respectively.

***(t) Debtor's accounting for a modification of APSA convertible debt instruments***

In August 2002 APSA issued US\$ 50,000 of Convertible Notes (the APSA Convertible Notes). Under US GAAP, the Company applied ASC No. 470-20, Debt with Conversion and Other Options, (ASC No. 470-20), which requires that no portion of the proceeds be allocated to the conversion feature if the convertible debt securities are convertible into common stock of the issuer at a specified price at the option of the holder and are sold at a price or have a value at issuance not significantly in excess of the face amount. ASC No. 470-20 requires that embedded beneficial conversion features present in convertible securities be valued separately at issuance when the non-detachable conversion feature is in-the-money at the commitment date. The embedded beneficial conversion feature should be recognized and measured by allocating to additional paid-in capital a portion of the proceeds equal to the intrinsic value of that feature. That amount is calculated at the commitment date as the difference between the conversion price and the fair value of the common stock or other securities into which the security is convertible, multiplied by the number of shares into which the security is convertible (intrinsic value). Under US GAAP, no proceeds were allocated to the embedded conversion feature since it was out-the-money at the commitment date (i.e. the intrinsic value at the commitment date was zero).

As discussed in Note 4.j.(iv), the terms of the APSA Convertible Notes were modified to extend the maturity date through July 19, 2014. Argentine GAAP requires that an exchange of debt instruments with substantially different terms be considered a debt extinguishment and that the old debt instrument be derecognized. Argentine GAAP clarifies that from a debtor's perspective, an exchange of debt instruments between, or a modification of a debt instrument by, a debtor and a creditor shall be deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10 percent different from the present value of the remaining cash flows under the terms of the original instrument. The new debt instrument should be initially recorded at fair value and that amount should be used to determine the debt extinguishment gain or loss to be recognized. Fair value should be determined by the present value of the future cash flows to be paid under the terms of the new debt instrument discounted at a rate commensurate with the risks of the debt instrument and time value of money. If it is determined that the original and new debt instruments are not substantially different, then a new effective interest rate is to be determined based on the carrying amount of the original debt instrument and the revised cash flows.

Based on the analysis performed, the Company concluded that the instruments were not substantially different and accordingly the old instrument was not derecognized.

Under US GAAP, the Company applied the guidance in ASC No. 470-50-40, Debt Modification and Extinguishments (ASC No. 470-50-40) to determine whether the debt instrument was modified or extinguished. This guidance considers the accounting for a modification of debt terms (or exchange in debt instruments) when a change in the fair value of an embedded conversion option has occurred or an embedded conversion option has been added or eliminated from the debt instrument.

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ASC No. 460-50-40 stipulates that, in evaluating whether a convertible debt instrument has been modified or extinguished, three aspects of the modification (or exchange of debt instruments) must be considered.

1. Change in cash flows: If the change in cash flows as prescribed by the analysis under Issue 96-19 is greater than 10% of the carrying value of the original debt instrument, the modification (or exchange of debt instruments) should be accounted for as an extinguishment. This test would not include any changes in fair value to the embedded conversion option.

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**27. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***(t) Debtor s accounting for a modification of APSA convertible debt instruments (continued)***

2. Change in fair value of the embedded conversion option: If the change in the fair value of the embedded conversion option is greater than 10% of the carrying value of the original debt instrument immediately before the change (or exchange of debt instruments), the modification (or exchange) should be accounted for as an extinguishment.
3. Addition or removal of an embedded conversion option: The addition or removal of a substantive conversion option would automatically result in extinguishment accounting. Whether an embedded conversion option is substantive would be assessed as of the modification date and would be based on the definition of substantive in ASC No. 470-20 Debt Debt with Conversion and Other Options , (ASC No. 470-20 ).

Any one of the three criteria needs to be met to account for the modification of the debt instrument (or exchange of debt instruments) as an extinguishment. When the result of the three-pronged evaluation above results in a conclusion that a convertible debt instrument has been modified (and not extinguished), the Task Force affirmed as a final consensus that any increase in the fair value of the embedded conversion option should reduce the carrying value of the debt instrument (with a corresponding increase to additional paid-in capital), but any decrease in the fair value of the embedded conversion option is ignored.

Based on the analysis performed, neither of criteria 1, 2 or 3 above were met. Accordingly, the change of the debt instrument was not accounted for as an extinguishment. Thus, the increase in the fair value of the conversion option reduced the carrying value of the debt instrument with a corresponding increase to additional paid-in-capital. This resulted in an increase in interest expense prospectively, amounting to Ps. 0.4 million for all the years presented.

***(u) Revenue recognition***

***(u.1) Deferred commissions***

Under Argentine GAAP, lease commissions earned are recognized at the time a transaction is successfully completed. A transaction is considered successfully concluded when both parties have signed the related lease contract. Under US GAAP, lease commissions are deferred and amortized to income over the term of the respective leases.

***(u.2) Scheduled rent increases***

Under Argentine GAAP, revenue from non-cancelable leases subject to rent escalation clauses is recognized when the escalated payment is due rather than recognizing the effects of the scheduled rent increases under the straight-line method over the lease term. Under US GAAP, the Company applied ASC No. 840 Leases ( ASC No. 840 ), and accordingly recognized escalated rental revenue under the straight-line method over the term of the leases.

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In the determination of the US GAAP adjustment, the Company considered the definition of lease term in ASC No. 840. All lease agreements are cancelable pursuant to Law 23,091 as amended by Law 24,808. This law provides that after an initial six-month period tenants may rescind commercial lease agreements upon 60 days written notice by incurring non-significant monetary penalties (cancellations are subject to one-and-a-half month's rent if rescinded during the first year of the lease and one month's rent if rescinded after the first year of the lease).

ASC No. 840 provides that a lease that is cancelable (a) only upon the occurrence of some remote contingency, (b) only with the permission of the lessor, (c) only if the lessee enters into a new lease with the same lessor or (d) only if the lessee incurs a penalty in such amount that continuation of the lease appears, at inception, reasonably assured shall be considered noncancelable for purposes of this definition.

Based on the provisions of ASC No. 840, the Company concluded that, even though the lease are cancelable, lessees would incur significant economic penalties if these agreements were to be rescinded prior to maturity. The Company considered that these economic penalties are of such an amount that continuation of the lease agreements by lessees appear to be reasonably assured at the inception of the respective agreements.

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**27. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***(u) Revenue recognition (continued)***

***(u.2) Scheduled rent increases (continued)***

The Company reached this conclusion based on the factors mentioned in ASC No. 840, including (i) the offices and shopping centers geographical location and accessibility; (ii) the nature and tenure of tenants, (iii) limited availability of identical space in certain neighborhoods; (iv) the tenants' brand image and other competitive considerations; (v) tenants' significant expenses in renovation, maintenance and improvements

The Company believes that all of the above mentioned factors represent significant non-contractual penalties for the lessees, which support the Company's view that it is reasonably assured at the inception of lease agreements that such leases will not be rescinded prior to maturity even though they are cancelable as permitted by law.

***(u.3) Deferred revenues - insurance & fees***

Under Argentine GAAP, the Company, accounts for revenues from life and disability insurance and origination fees on an up-front basis. Under US GAAP, life and disability insurance and origination fees are recognized to income on a straight-line basis over the term of the respective receivables.

***(v) Derecognition of Put option***

In July 2008, the Company acquired a 30% in Metropolitan. This transaction included a put right exercisable through July 2011 to sell 50% of the equity interest acquired for a price equal to the original amount paid plus interest. Under Argentine GAAP, the Company recorded the put option at fair value and adjusted it on a monthly basis with fair value increases or decreases against income. The fair value of the put option as of June 30, 2010 amounted to Ps. 48.5 million in its balance sheet. As described in Note 2.f. due to foreign currency translation procedures a cumulative translation adjustment (CTA) of Ps. 10.4 million was also generated for the recognition of the put option. Under US GAAP, the Company determined that the terms of the put option did not meet the definition of a derivative financial instrument. Accordingly, the value of the put option was derecognized under US GAAP.

According to ASC No. 815, Derivatives and Hedgings (ASC No. 815), a financial instrument is a derivative financial instrument if it meets all three of the following characteristics must be met:

- a. It has (i) one or more underlyings and (ii) one or more notional amounts or payment provisions or both.
- b. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- c. Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from the net settlement.

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ASC No. 815 provide that a contract fits the description of net settlement if its settlement provisions meet one of the following criteria: (a) neither party is required to deliver an asset that is associated with the underlying and that has a principal amount, stated amount, face value, number of shares, or other denomination that is equal to the notional amount (or the notional amount plus a premium or minus a discount); (b) one of the parties is required to deliver an asset of the type described in the guidance but there is a market mechanism that facilitates net settlement; (c) one of the parties is required to deliver an asset of the type described in the guidance, but that asset is readily convertible to cash or is itself a derivative instrument.

Characteristics a. and b. are met since underlying is the quantity of shares to sell under the put option agreement and there is no initial net investment.

Characteristic c. is not met since the Company is required to deliver an asset of the type described in the guidance but there is no market mechanism that facilitates net settlement nor the asset is readily convertible to cash or is itself a derivative instrument because shares of Metropolitan 885 Third Avenue LLC are not traded on public markets.

Consequently, under US GAAP the put option did not meet the definition of a derivative instrument.

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**27. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***(w) Deferred income tax***

The Company accounts for income taxes using the deferred tax method under both Argentine GAAP and US GAAP. Argentine GAAP is similar to the guidance in ASC No. 740 *Income Taxes* (ASC No. 740). However, as discussed in Note 2.c, following CNV Resolutions 485 and 487, the Company elected to continue treating the differences between book basis and inflation-adjusted basis of non-monetary balance sheet items as permanent for deferred income tax calculation purposes.

Under US GAAP the Company applies ASC No. 830-740, *Foreign Currency Matters - Income Taxes* (ASC No. 830-740), which requires such differences to be treated as temporary differences in calculating deferred income taxes.

Under Argentine GAAP, the Company has provided a valuation allowance for a portion of the net deferred tax assets related to the consumer financing business, as the future realization of their tax benefits is not considered by management to be more likely than not.

Under Argentine GAAP, the Company has provided a valuation allowance for a portion of the net deferred tax assets related to the consumer financing business, as the future realization of their tax benefits is not considered by management to be more likely than not. During the year ended June 30, 2010, due to a change in tax laws, the Company recognized higher tax loss carry forwards which in the aggregate amounted to Ps. 41.8 million. The Company recorded a valuation allowance of Ps. 42.6 million to provide for deferred tax assets of the consumer financing business, mainly related to tax loss carry forwards. The legal expiration period for these tax loss carry forwards is five years. In its assessment, the Company has considered the near-term projections of the consumer financing business segment after measures taken by the Company to streamline the operations.

Also, the Company is subject to a tax on minimum presumed income. Under Argentine GAAP, the Company considered the ultimate realization of these tax credits to be more likely than not based on current projections and its legal expiration period of 10 years. As such, the Company deferred this amount as other non-current receivables in the balance sheet.

ASC No. 740 prescribes more detailed and specific guidance related to the assessment of the need for a valuation allowance. US GAAP requires the weighting of positive and negative evidence in accordance with its objective verifiability. Furthermore, it indicates that a cumulative loss in recent years is a significant piece of negative evidence that is difficult to overcome thereby requiring positive evidence of sufficient quality and quantity to support a conclusion that, based on the weight of all available evidence, a valuation allowance is not needed. When assessing whether a company's deferred tax asset will be realized, a company's recent losses or near-term expected losses will generally carry more weight in the assessment than its prior historic profitability or its longer-term projected profitability (which is typically more subjective in nature). Therefore, the existence of a 3-year cumulative loss in a jurisdiction, particularly if it includes multiple periods of significant annual losses without recent evidence of turnaround, will effectively preclude consideration of future profitability in most instances as being objectively verifiable.

Based on the authoritative literature, the losses generated by the consumer financing business are mainly a result of loan loss reserves which would not be considered one time or non-recurring as they are directly related to the business. Furthermore, the long-term projected profitability is more subjective in nature.

Accordingly, under US GAAP, a full valuation allowance has been provided for the net deferred tax assets and tax credits related to tax on minimum presumed income related to the consumer financing business segment and the tax effects on US GAAP adjustments.





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**27. Differences between Argentine GAAP and US GAAP (continued)**

***I. Differences in measurement methods (continued)***

***(x) Non controlling interest***

Effective July 1, 2009, the Company applies the provisions of ASC 810 Consolidation . Pursuant to ASC 810-10-45-15, non controlling interest is (i) reported as part of equity of the consolidated group; (ii) recorded separately from the parent's interests; and (iii) clearly identified and labeled to distinguish it from other components of the parent's equity. The Company has non controlling interests in more than one subsidiary. The Company determined that all of its non controlling interests should be reclassified to equity. This reclassification has been made retroactively for all periods presented.

The adjustment represents the effect of the foregoing US GAAP adjustments on the non controlling interests under Argentine GAAP.

For additional disclosures related to the non controlling interests see Note 27.II.r.

***(y) Adoption of ASC No. 740, Income Taxes***

On July 1, 2007, the Company adopted ASC No. 740. ASC No. 740 addresses the accounting and disclosure of uncertain tax positions. ASC No. 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The difference between the tax benefit recognized in the financial statements for a position in accordance with ASC No. 740 under analysis and the tax benefit claimed in the tax return is referred to as an unrecognized tax benefit.

The adoption of ASC No. 740 did not result in an increase to the net liability for unrecognized tax benefits.

The total amount of unrecognized tax benefits as of the adoption of ASC No. 740 at July 1, 2007 was not significant. The company classified unrecognized tax benefits not expected to be paid in the next 12 months in other non-current liabilities.

The Company's principal taxable jurisdiction is Argentina. At any point in time, the Company may have tax audits underway at various stages of completion. The Company evaluates the tax positions and establishes liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite the company's belief that the underlying tax positions are fully supportable. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law, and closing of statute of limitations. Such adjustments are reflected in the tax provision as appropriate.

**27. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements***

***(a) Balance sheet classification differences***

Under Argentine GAAP, assets and liabilities are classified as current or non-current depending on their respective settlement dates. Under US GAAP, balance sheets of real estate companies generally do not present a classified balance sheet.

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In addition, under Argentine GAAP the Company has classified the net deferred tax liability as of June 30, 2010 amounting to Ps. 31.7 million and the net deferred tax asset as of June 30, 2009 amounting to Ps. 34.3 million, as follows: Ps. 55.9 million and Ps. 71.3 million as of June 30, 2010 and 2009, respectively, as non-current other receivables and prepaid expenses; and Ps. 87.6 million and Ps. 37.0 million as of June 30, 2010 and 2009, respectively, as non-current taxes payable. Under US GAAP, the classification of deferred taxes is determined by the classification of the asset or liability for financial reporting to which the temporary difference is related. A temporary difference is related to an asset or liability if reduction of the asset or liability causes the temporary difference to reverse. For deferred tax balances not related to an asset or liability for financial reporting (e.g. tax loss carryforwards), the classification is based on the expected realization date. As of June 30, 2010 and 2009, Ps. 37.8 million and Ps. 42.1 million, respectively, would have been classified as current assets, and Ps. 155.9 million and Ps. 124.3 million, respectively, would have been

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**27. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

***(a) Balance sheet classification differences (continued)***

classified as non-current assets. As June 30, 2010 and 2009 Ps. 10.3 million and Ps. 2.8 million, respectively, would have been classified as current liabilities and Ps. 215.1 million and Ps. 129. million, respectively, would have been classified as non-current liabilities.

Furthermore, under Argentine GAAP, deferred debt costs are shown as a deduction of the corresponding liability. Under US GAAP, issue costs should be reported as deferred charges of Ps. 8,633.

As these differences have no effect on net income or on shareholders' equity, no reconciling items are presented for US GAAP measurement purposes.

***(b) Statement of income classification differences***

Should a US GAAP income statement be presented, certain items shown in some line items of the income statement under Argentine GAAP would have to be reclassified to affect other line items. The following reclassifications are intended to present Argentine GAAP numbers using a different criterion of classification under US GAAP. The numbers included below are not US GAAP numbers.

***Revenues***

***Gross vs. net presentation***

As part of the lease agreements, tenants are required to pay their proportionate share of common area maintenance expenses. The Company does not charge any mark up on reimbursable costs. These expenses are incurred and paid by the Company and then passed through to tenants as reimbursable costs.

Under Argentine GAAP, pass-through expenses, such as these reimbursable costs, are accounted for on a net basis and, as such, excluded from revenues and expenses in the Consolidated Financial Statements. However, Note 28.f shows the total amount of expenses passed through to tenants by expense category with the corresponding offsetting amount therefore having no impact in the consolidated costs of the Company. No amount is shown as revenues.

Under US GAAP, the Company accounts for pass-through revenue and expenses as a component of revenue and as a component of operating expenses in the statement of income. These costs, which are pass-through expenses to tenants included in both revenues and expenses were Ps. 253.9, Ps. 228.5 and Ps. 181.2 million for the years ended June 30, 2010, 2009 and 2008, respectively. As these expenses are fully reimbursed, without mark-up, by the tenants, there is no impact on operating income, net income, EPS, cash flows or the balance sheet.

Should the US guidance be applied to the Argentine GAAP income statement, net revenues under Argentine GAAP would have been Ps. 1,577.2 million, Ps. 1,449.1 million and Ps. 1,265.4 million for the years ended June 30, 2010, 2009 and 2008, respectively.

***Operating income***

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Under US GAAP, certain income and expense items included in the Argentine GAAP financial statements of the Company within Other expenses, net would have been included in the determination of operating income. In addition, under Argentine GAAP, the recovery of certain allowances and provisions has been included within Other expenses, net. Under US GAAP, such items would have been classified as a reversal to the amounts in the line items which were originally recorded.

Should certain other expenses, financial results and the recovery of allowances and provisions be reclassified into/out of operating income, as applicable, operating income under Argentine GAAP would have been Ps. 539,6 million, Ps. 294.4 million and Ps. 263.3 million for the years ended June 30, 2010, 2009 and 2008, respectively.

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Aggregate annual maturities during the next years (excluding current portion of Ps. 609,190 and capitalized costs of issuance of debt of Ps.6,919 - See Note 27.II.(a)), as of June 30, 2010, are as follows:

|                 |     |               |
|-----------------|-----|---------------|
| 2012            | Ps. | 36,548        |
| 2013            |     | 69,549        |
| 2014            |     |               |
| Thereafter 2015 |     | 932,350       |
|                 |     |               |
|                 |     | Ps. 1,038,447 |

**(d) Operating leases**

This note discloses operating leases information of the Company and its controlled and jointly controlled subsidiaries:

- *Operating lease information:*

**Leases and services from office and other buildings**

The Company enters into cancelable commercial leases with its tenants for terms ranging from three to five years, with most leases having terms of no more than 5 years. Tenants are charged a base rent on a monthly basis. No contingent rentals were recorded for the years ended June 30, 2010, 2009 and 2008.

**Leases and services from shopping center operations**

The Company enters into cancelable commercial leases with its tenants for terms ranging from three to ten years, with most leases having terms of no more than five years. Tenants are generally charged a rent, which consists of the higher of (i) the base rent and (ii) the percentage rent (which generally ranges between 4% and 10% of the tenants sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant's base rent generally increases between 7% and 12% each year during the term of the lease. Included in lease revenues for the years ended June 30, 2010, 2009 and 2008 were contingent rentals of Ps. 95.6 million, Ps 70.9 million and Ps. 73.3 million, respectively. Even though the leases are cancelable by law, the Company considered them to be non-cancelable for these purposes. See Note 27.I.(s.2). for more information as to how the Company considered this definition.

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Minimum future rentals on non-cancelable leases for each of the five fiscal years are as follows:

|                 |             |
|-----------------|-------------|
| 2011            | Ps. 268,146 |
| 2012            | 200,772     |
| 2013            | 129,187     |
| 2014            | 53,361      |
| 2015            | 28,977      |
| Thereafter 2016 | 53,805      |
|                 | Ps. 734,248 |

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**(Amounts in thousands, except share data and as otherwise indicated)**

**27. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

***(e) Disclosure of related parties transactions***

Pursuant to ASC No. 850 Related Party Disclosures (ASC No. 850), the Company provides the following additional disclosures of transactions with related parties. This section should be read in conjunction with note 11 to the consolidated financial statements:

- **Acquisitions:** During the fiscal year ended June 30, 2010 and 2009, Cresud acquired additional shares of the Company. Consequently, Cresud's equity interest in the Company amounts approximately to 57,49%. Therefore, as from October 2008 Cresud exercises control on the Company as it holds the necessary votes to form the social will in the ordinary meetings of shareholders.

During the fiscal year ended June 30, 2009, the Company bought APSA's notes (Nominal Value US\$ 120 million and due 2017), for US\$ 39.6 million in par value at an average US\$ 0.46 quoted price. The total amount paid was US\$ 19.3 million. This transaction generated Ps. 74,285 income (gain recognized on extinguishment of subsidiary debt).

In addition, the Company acquired APSA's notes (Nominal Value Ps. 154 million and due 2012) for a nominal value of Ps. 46.5 million, at an average Ps. 0.61 quoted price. The amount paid amounted to US\$ 8.2 million. This transaction generated Ps. 18,363 income (gain recognized on extinguishment of subsidiary debt).

During fiscal year 2009, the Company acquired additional shares of BHSA for Ps. 107.6 million, out of this total amount, Ps. 25.5 million and Ps. 53.3 million were acquired from IFISA and Dolphin Fund Plc., respectively (see Note 11).

During fiscal year 2010, the Company acquired additional shares of BHSA for Ps. 118.7 million, out of this total amount, Ps. 80.5 million were acquired from IFISA.

- **Donations:** For the years ended June 30, 2010, 2009 and 2008, the Company made donations to two not-for-profit organizations, namely *Fundación IRSA* and *Museo de los Niños*, amounting Ps. 2.6 million, Ps.4.0 million and Ps. 4.8 million, respectively. A director and shareholder of the Company is the President of these organizations.

- **Lease agreements:** Our principal executive offices are located at Bolívar 108, in the City of Buenos Aires. In the past we subleased a portion of our headquarters from Consultores Assets Management S.A. (formerly Dolphin Fund Management) pursuant to two lease agreements dated June 30, 1997. As of November 25, 2003 Eduardo Elsztain is the owner of 100% of its capital stock. Consultores Assets Management S.A. leased such offices both from Elsztain e Hijos S.C.A., a company controlled by relatives of Eduardo S. Elsztain, our chairman, and also from Hamonet S.A., a company controlled by Fernando A. Elsztain, our director, and certain of his relatives.

- **Mutual investment fund:** Since 1996, the Company has investments in Dolphin Fund Plc, an open ended investment fund which is related to the Company's directors. These investments are carried at market value as of year-end, with unrealized gains reported in earnings within Financial results, net in the accompanying Consolidated Statements of Income.

The Company recognized net gains (loss) of Ps. 3.2 million, Ps. (12.1) million and Ps. (37.8) million for the years ended June 30, 2010, 2009 and 2008 respectively.



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- Corporate services: In view of the fact that the Company, Cresud and APSA have operating areas with certain similarities, the Board of Directors deemed it appropriate to implement alternative initiatives aimed at reducing certain fixed costs in 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 the Company, Cresud and APSA, which was subsequently amended on August 23, 2007, August 14, 2008 and November 27, 2009.

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**27. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

***(e) Disclosure of related parties transactions (continued)***

The Framework Agreement for the Exchange of Corporate Services executed by and between the Company, 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, Internal Audit, Planning and Development, Development of Works, Real Estate, Hotels and Tourism, and Risks and Processes.

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

On March 12, 2010 we entered into a new amendment to the Service Sharing Agreement within the Company, Cresud and APSA so as to simplify the issues arising from the consolidation of the Financial Statements resulting from the increase of Cresud's interest in the Company. In this regard, our Board of Directors has deemed it convenient and advisable for achieving such simplification, to transfer our labor contracts, like those of APSA, to Cresud. Effective since January 1, 2010, labor costs of such employees were transferred to Cresud's payroll, which will continue to be distributed pursuant to the conditions of the Shared Services Agreement. In the future, and in order to follow the policy of making the most efficient distribution of corporate resources among the different areas, this agreement may be extended to other areas share by the Company, 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 Agreement in accordance with Technical Resolution No. 21 of the FACPCE. Furthermore, Mr. Alejandro Gustavo Elsztein has been appointed to the position of General Coordinator, whereas Abraham Perelman has been charged with the operation and implementation of the agreement on behalf of the Company, Daniel E. Mellicovsky shall represent Cresud, and Cedric Bridger shall represent APSA. All these individuals are members of the Audit Committees of their respective companies.

- **Legal services:** During the years ended June 30, 2010, 2009 and 2008, the Company paid the law firm Zang, Bergel & Viñes an aggregate amount of approximately Ps. 4.9 million, Ps. 3.2 million and Ps. 3.8 million, respectively, for legal services. Certain directors or alternative directors of the Company are partners of the law firm and an alternate director of the Company is off counsel of the law firm.

***(f) Disclosure about fair value of financial instruments***

Under Argentine GAAP, there are no specific rules regarding disclosure of fair value of financial instruments.

Under US GAAP, the rules regarding disclosure of fair value of financial instruments are: ASC No. 815, Derivatives and Hedging, (ASC No. 815), formerly SFAS No. 133, which amended SFAS No. 107 and superseded SFAS No. 105 and 119, and ASC No. 820, Fair value

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measurement and disclosure , ( ASC No. 820 ), formerly SFAS No. 157.

The Company adopted ASC No. 820 in the fiscal year ended June 30, 2009. In such guidance, three levels of input are used to measure fair value, are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

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Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the assets or liabilities.

Level 3: Unobservable inputs for assets or liabilities.

Fair value estimates are made as of a specific point in time based on the characteristics of the financial instruments and the relevant market information. Quoted market prices are used when available. In other cases, fair values are based on estimates using other valuation techniques, such as discounting estimated future cash flows using a rate commensurate with the risks involved or other acceptable methods. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, prepayments, discount rates, and estimates of future cash flows, future expected loss experience, and other factors. Changes in assumptions could significantly affect these estimates. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair value, the Company's fair values should not be compared to those of other companies.

The following table summarizes the fair values of the assets and liabilities measured at fair value on recurring basis as of June 30, 2010:

|  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
|--|----------------|----------------|----------------|----------------|
| <b>ASSETS</b>                          |                |                |                |                |
| Cash and Banks                         | 71,175         |                |                | 71,175         |
| Other current Investment, net (i)      | 139,026        |                |                | 139,026        |
| Other non-current Investment, net (ii) | 315,997        |                |                | 315,997        |
| Other Investment, net (iii)            |                |                | 115,119        | 115,119        |
| <b>Total</b>                           | <b>526,198</b> |                | <b>115,119</b> | <b>641,317</b> |
| <b>LIABILITIES</b>                     |                |                |                |                |
| Other liabilities (vi)                 |                |                |                |                |
| <b>Total</b>                           |                |                |                |                |

(v) Includes mutual funds, mortgage bonds issued by Banco Hipotecario S.A., shares from public companies and government bonds.

(vi) Corresponds to investment in equity securities in Hersha.

(vii) Corresponds to retained interests in securitized receivables.

(viii) Corresponds to derivative financial instruments.

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The following is a description of the valuation methodologies used for the assets and liabilities measured at fair value, key inputs and significant assumptions:

Cash equivalents: Cash equivalents represent highly liquid investments with original maturities of three months or less. Generally, quoted market prices are used to determine the fair value of these instruments.

Marketable securities: Marketable securities and other securities investments include debt securities and equity securities. The Company uses quoted market prices for identical or similar assets or liabilities to measure fair value.

Derivative financial instruments: The Company estimates the fair value of derivative financial instruments using industry-standard valuation models that requires observable inputs including interest rates and foreign exchange rates, and the contractual terms. In other certain cases when market data is not available, key inputs to the fair value measurement include quotes from counterparties, and other market data. The Company's derivative fair value measurements consider assumptions about counterparty and our own non-performance risk, using such as credit default probabilities.

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**Retained interest in securitized receivables:** Investments classified as Level 3 include retained interests in securitized financial receivables, which are measured at fair value using assumptions such as interest rate, projected finance charges related to the securitized assets, estimated net credit losses, prepayment assumptions, contractual interest paid to third-party investors and other factors.

The following table summarizes the changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the year ended June 30, 2010:

|  | <b>Retained interest<br/>in securitized<br/>receivables</b> |
|--|---|
| <b>Balance at beginning of year</b>                              | 127,922   |
| Insurance of retained interest in securities                     | 56,724  |
| Liquidation of retained interest in securitization               | (71,807)  |
| Total gains and losses<br>Included in other comprehensive income | 2,280   |
| <b>Balance at end of year</b>                                    | <b>115,119</b>  |

The following is a description of the valuation methodologies used for the assets and liabilities not measured at fair value, key inputs and significant assumptions:

**Mortgages and leases receivable, net:** The carrying value of mortgages and lease receivables reported in the consolidated balance sheet approximates its estimated fair value. All amounts that are assumed to be uncollectible within a reasonable time are written off and/or reserved.

**Accounts payable:** The carrying amounts of accounts and notes payable reported in the consolidated balance sheets approximate their fair value.

**Short-term debt:** The carrying amounts of short-term debt reported in the consolidated balance sheets approximate fair value due to its short-term nature.

**Long-term debt:** Includes current portion of the non-current item. As of June 30, 2010 and 2009, except for the Non-Convertible Notes of APSA and IRSA, the carrying amounts of long-term debt reported in the consolidated balance sheets approximate their fair value.

The fair value of APSA Convertible and Non-Convertible Notes was Ps. 1,858.6 million and Ps 550.2 million at June 30, 2010 and 2009, respectively. Such fair value was determined based on the market price of the shares assuming full conversion of the notes at year-end.

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The fair value of IRSA Notes (see Note 10) was Ps. 571.9 million and Ps. 410.1 million at June 30, 2010 and 2009, respectively and was determined based on quoted market prices of the notes.

Other receivables and other liabilities: The carrying amounts of other receivables and other liabilities reported in the consolidated balance sheets approximate fair value.

Seller financings: The fair value of the seller financings is estimated based on discounted cash flows using rates offered to the Company for debt of the same remaining maturities. The carrying value approximates fair value.

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FASB issued ASC No. 815 Derivatives and Hedging (ASC No. 815), formerly SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Standard No. 133, to enhance the current disclosure framework in SFAS 133. ASC No. 815 amends and expands the disclosures required by SFAS No. 133 so that they provide an enhanced understanding of (1) how and why an entity uses derivative instruments, (2) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (3) how derivative instruments affect an entity's financial position, financial performance, and cash flows.

The Company adopted ASC No. 815 in the fiscal year ended June 30, 2009. The Company employs derivative financial instruments, including foreign exchange forward contracts, to manage its exposure to fluctuations in foreign currency exchange rates. The Company does not use derivatives for speculation or trading.

**Undesignated derivative financial instruments**

The Company uses foreign exchange forward contracts, to manage its exposure to foreign currency exchange rate fluctuations and interest rate fluctuations from an economic perspective, and for which the Company is unable or has elected not to apply hedge accounting.

**Fair value and gains or losses on derivative financial instruments**

The following table summarizes the fair values of derivative financial instruments at June 30, 2010 and 2009:

**Derivatives not designated as hedging instruments under ASC 815****Fair Value of Derivative Instruments**

| As of June 30              | 2010                         |            | Liability Derivatives        |            | 2009                   |            |
|----------------------------|------------------------------|------------|------------------------------|------------|------------------------|------------|
|                            | Balance Sheet Location       | Fair Value | Balance Sheet Location       | Fair Value | Balance Sheet Location | Fair Value |
| Foreign exchange contracts | Other liabilities (Note 4.1) |            | Other liabilities (Note 4.1) | 243        |                        |            |
| Total                      |                              | Ps.        |                              |            | Ps.                    | 243        |

The notional amounts are summarized in Note 14.

The following table summarizes the gains and losses on derivative financial instruments reported in the Consolidated Statement of Income for the year ended June 30, 2010 and 2009:



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Derivatives not designated as

hedging instruments under

statement 133

Location of gain or (loss) recognized

in income on derivative

Amount of gain or (loss)  
recognized in income on  
derivative

Years ended June 30,  
2010 2009

|                            |                                 |         |       |
|----------------------------|---------------------------------|---------|-------|
| Foreign exchange contracts | Financial results, net (Note 8) | (2,582) | 9,436 |
|----------------------------|---------------------------------|---------|-------|

Ps. (2,582) Ps. 9,436

The derivatives entered into by the Company do not contain credit risk related contingent features.

The Company executed derivative financial instruments with Cresud S.A.C.I.F. y A., its controlling shareholder, and all of these contracts are denominated in U.S. dollars. Derivative financial instruments involve, to varying degrees, market risk as instruments are subject to price fluctuations and elements of credit risk in the event the counterparty should default. In the unlikely event the counterparty fails to meet the contractual terms of a foreign currency instrument, the Company's risk is limited to the fair value of the instrument.

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**27. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

***(h) Credit risk***

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, cash equivalents, accounts receivable, and short-term investments.

The Company places its cash and cash equivalents, investments, and other financial instruments with various high credit quality financial institutions, thus mitigating the amount of credit exposure to any one institution. The Company has not experienced any significant losses in such accounts.

The Company's accounts receivable are primarily derived from leases and services from the Company's shopping center and office buildings customers and origination of consumer loans and credit card receivables. The Company is not dependent on any single customer. Accounts receivable derived from leases and services are related to the Company's shopping center operations. The Company has not experienced any significant losses resulting from non-performance of any counterpart to the lease contracts.

Consumer loan and credit card receivables arise primarily under open-end revolving credit accounts used to finance purchases of goods and services offered by the Company's shopping centers, hypermarkets and street stores, and financing and lending activities through the Company's subsidiaries Tarshop and Metroshop. These accounts have various billing and payment structures, including varying minimum payment levels and finance charge rates. The Company provides an allowance for uncollectible accounts based on impaired accounts, historical charge-off patterns and management judgment. Due to the economy recovery, customers experienced fewer delays in payments and also uncollectibility rates decreased during the year ended June 30, 2010. As of June 30, 2010, the allowance for doubtful accounts decreased Ps. 15.5 million, or 19.6%, as compared to June 30, 2009. Nevertheless, the Company continues closely monitoring the delays, delinquency and uncollectibility rates.

As discussed in Note 15, as of June 30, 2010, Tarshop sold receivables aggregating Ps. 960.9 million through securitization programs outstanding, for which the Company's credit risk exposure is contractually limited to the subordinated CPs held by the Company representing Ps. 136.0 million and Ps. 4.7 million escrow reserves for losses and Metroshop sold receivables aggregating Ps. 235.8 million through securitization programs outstanding, for which the Company's credit risk exposure is contractually limited to the subordinated retained interests held by the Company representing Ps. 7.1 million and Ps. 0.7 million escrow reserves for losses. For the three months ended September 30, 2010, no additional impairment charge related to the retained interests in securitized receivables was recorded.

***(i) Recently issued accounting pronouncements***

For the year ended June 30, 2010, several accounting standards were effective for the Company. The Company provides below a description of those standards which are relevant to the Company's business only and the impact of their adoption if any.

**Recently Issued Accounting Standards**

*Financial Accounting Standard No. 141 (Revised 2007), Business Combinations ( FAS No. 141(R) ) or Accounting Standards Codification ( ASC ) 805, Business Combinations*

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The Company adopted FAS No. 141(R), or ASC 805, on July 1, 2009, the first day of the 2010 fiscal year. This topic significantly changed the accounting for business combinations. Under this topic, an acquiring entity is required to recognize all the assets acquired and all the liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Transaction costs are no longer included in the measurement of the business acquired. Instead, these costs are expensed as they are incurred. This topic also includes a substantial number of new disclosure requirements. It applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008, which for the Company was the beginning of the 2010 fiscal year. The adoption of this topic did have a material impact on the consolidated financial statements. See Notes 27.II.f. and 27.II.g. for details.

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*Financial Accounting Standards No. 157, Fair Value Measurements ( FAS No. 157 ) or ASC 820, Fair Value Measurements and Disclosures*

The Company adopted FAS No. 157 or ASC 820, on July 1, 2008, the first day of the 2009 fiscal year. FASB Staff Position ( FSP ) FAS No. 157-2, Effective Date of Financial Accounting Standards Board ( FASB ) Statement No. 157 ( FSP FAS No. 157-2 ), or ASC 820-10, amended ASC 820 by delaying its effective date, by one year, for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. In accordance with ASC 820-10, the Company adopted the provisions of ASC 820 to non-financial assets and non-financial liabilities on July 1, 2009, the first day of the 2010 fiscal year. The adoption did not have a material impact on the consolidated financial statements.

*Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements-an Amendment of ARB No. 51 ( FAS No. 160 ) or ASC 810-10-65-1, Consolidation Transition*

The Company adopted FAS No. 160 or ASC 810-10-65-1, on July 1, 2009, the first day of the 2010 fiscal year. This topic establishes new accounting and reporting standards for noncontrolling interests, previously known as minority interests, in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of noncontrolling interests as equity in the consolidated financial statements separate from the parent's equity. The amount of net income or loss attributable to the noncontrolling interests is included in consolidated net income on the face of the income statement. This topic clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income attributable to the Company when a subsidiary is deconsolidated. Such gain or loss is measured using the fair value of the noncontrolling equity investment on the deconsolidation date. This topic also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interests. This topic is applied prospectively for fiscal years and interim periods within those fiscal years, beginning with the current fiscal year, except for the presentation and disclosure requirements, which are applied retrospectively for all periods presented. The adoption of this topic did not have a material impact on the consolidated financial statements.

*FSP FAS No. 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies ( FSP FAS No. 141(R)-1 ) or new accounting guidance within ASC 805, Business Combinations*

The Company adopted FSP FAS No. 141(R)-1, or ASC 805, on July 1, 2009, the first day of the 2010 fiscal year. This topic applies to all assets acquired and all liabilities assumed in a business combination that arise from contingencies. This topic states that the acquirer will recognize such an asset or liability if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If it cannot be determined during the measurement period, then the asset or liability should be recognized at the acquisition date if the following criteria, consistent with the guidelines for accounting for contingencies, are met: (1) information available before the end of the measurement period indicates that it is probable that an asset existed or that a liability had been incurred at the acquisition date, and (2) the amount of the asset or liability can be reasonably estimated. The adoption of this topic did not have a material impact on the consolidated financial statements.

*FSP FAS No. 142-3, Determination of the Useful Life of Intangible Assets ( FSP FAS No. 142-3 ) or ASC 350-30-50-4*

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The Company adopted FSP FAS No. 142-3, or ASC 350-30-50-4, on July 1, 2009, the first day of the 2010 fiscal year. This topic amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FAS No. 142, Goodwill and Other Intangible Assets ( FAS No. 142 ). This topic is intended to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure the fair value of the asset. This topic requires an entity to disclose information related to the extent to which the expected future cash flows associated with the asset are affected by the entity's intent and/or ability to renew or extend the arrangement. The adoption of this topic did not have a material impact on the consolidated financial statements.

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**27. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

***(i) Recently issued accounting pronouncements (continued)***

*EITF Issue 08-6, Equity Method Investment Accounting Considerations ( EITF 08-6 ) or new accounting guidance within ASC 323, Investments-Equity Method and Joint Ventures*

The Company adopted Emerging Issues Task Force ( EITF ) 08-6, or ASC 323, on July 1, 2009, the first day of the 2010 fiscal year concurrently with the adoption of ASC 805 and ASC 820-10-65-1. The intent of this topic is to clarify the accounting for certain transactions and impairment considerations related to equity method investments as modified by the provisions of ASC 805 and ASC 820-10-65-1. The adoption of this topic did not have a material impact on the consolidated financial statements.

*Accounting Standards Update No. 2009-05 Fair Value Measurements and Disclosures (Topic 820) Measuring Liabilities at Fair Value ( ASU No. 2009-5 )*

The Company adopted ASU No. 2009-5, which amends ASU Subtopic 820-10, Fair Value Measurements and Disclosures-Overall for the fair value measurement of liabilities, in the second quarter of the 2010 fiscal year. ASU No. 2009-5 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value utilizing one or more of the following techniques: (1) a valuation technique that uses the quoted market price of an identical liability or similar liabilities when traded as assets; or (2) another valuation technique that is consistent with the principles of Topic 820, such as a present value technique. The adoption of ASU No. 2009-5 did not have a material impact on the consolidated financial statements.

*Accounting Standards Update No. 2010-09 Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements ( ASU No. 2010-09 )*

On February 25, 2010, the FASB issued ASU No. 2010-09 Subsequent Events Topic 855 Amendments to Certain Recognition and Disclosure Requirements, effective immediately. The amendments in the ASU remove the requirement for an SEC filer to disclose a date through which subsequent events have been evaluated in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. The FASB believes these amendments remove potential conflicts with the SEC's literature. The adoption of this ASU did not have a material impact on the consolidated financial statements.

*Accounting Standards Update No. 2010-02 Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary - a Scope Clarification ( ASU No. 2010-02 )*

In January 2010, the FASB issued ASU No. 2010-02, Accounting and Reporting for Decreases in Ownership of a Subsidiary a Scope Clarification. This update provides amendments to ASC 810-10, Consolidation Overall (formerly SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements) to clarify the scope of the decrease in ownership provisions of ASC 810-10 and related guidance. ASU 2010-02 also clarifies that the decrease in ownership guidance does not apply to certain transactions even if they involve businesses. ASU 2010-02 expands the disclosures required for a business combinations achieved in stages and deconsolidation activity within the scope of ASC 810-10. ASU 2010-02 is effective for both interim and annual periods ending on or after December 15, 2009. The amendments are to be applied retrospectively to the first period that an entity adopted ASU 810-10, Consolidation Overall. The adoption of this statement did not have an impact on the consolidated financial statements relative to noncontrolling interests.

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*Accounting Standards Update No. 2009-09 Accounting for Investments - Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees ( ASU No. 2009-09 )*

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In September 2009, the FASB issued ASU No. 2009-09, Accounting for Investments-Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees. This ASU represents a correction to Section 323-10-S99-4, Accounting by an Investor for Stock-Based Compensation Granted to Employees of an Equity Method Investee. Section 323-10-S99-4 was originally entered into the Codification incorrectly. The ASU was effective upon issuance. The adoption of ASU No. 2009-09 did not have material impact on the consolidated financial statements.

*Financial Statement of Position (FSP) on Accounting Professional Board (APB) 14-1 Debt with Conversion and Other Options or ASC 470 Debt*

In May 2008, the FASB issued revised guidance on Convertible Debt Instruments. The revised guidance which is now part of ASC 470-20 (formerly Staff Position No. Accounting Principles Board 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)). ASC 470-20 requires that the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) be separately accounted for in a manner that reflects an issuer's nonconvertible debt borrowing rate. ASC 470-20 was effective for the Company on July 1, 2009, the first day of the 2010 fiscal year. The adoption of ASC 470-20 did not have an impact on the consolidated financial statements.

**Future Adoption of Recently Issued Accounting Standards**

*Financial Accounting Standards No. 166, Accounting for Transfers of Financial Assets, an Amendment of FASB Statement No. 140 ( FAS No. 166 ) or Accounting Standards Update No. 2009-16, Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets ( ASU 2009-16 ) and Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46(R) ( FAS No. 167 ) or Accounting Standards Update No. 2009-17, Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities ( ASU 2009-17 )*

FAS No. 166, or ASU 2009-16, amends FAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, by: eliminating the concept of a qualifying special-purpose entity ( QSPE ); clarifying and amending the derecognition criteria for a transfer to be accounted for as a sale; amending and clarifying the unit of account eligible for sale accounting; and requiring that a transferor initially measure at fair value and recognize all assets obtained (for example beneficial interests) and liabilities incurred as a result of a transfer of an entire financial asset or group of financial assets accounted for as a sale. Additionally, on and after the effective date, existing QSPEs (as defined under previous accounting standards) must be evaluated for consolidation by reporting entities in accordance with the applicable consolidation guidance. The topic requires enhanced disclosures about, among other things, a transferor's continuing involvement with transfers of financial assets accounted for as sales, the risks inherent in the transferred financial assets that have been retained, and the nature and financial effect of restrictions on the transferor's assets that continue to be reported in the statement of financial position. The topic will be effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009, which for the Company would be July 1, 2010, the first day of our 2011 fiscal year. The Company is currently assessing the impact that the adoption of ASU 2009-16 may have on the consolidated financial statements.

FAS No. 167, or ASU 2009-17, changes the consolidation guidance applicable to a variable interest entity ( VIE ). It also amends the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by



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requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This standard also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. Previously, the guidance required reconsideration of whether an enterprise was the primary beneficiary of a VIE only when specific events had occurred. QSPEs, which were previously exempt from the application of this standard, will be subject to the provisions of this standard when it becomes effective. The topic also requires enhanced disclosures about an enterprise's involvement with a VIE. The topic will be effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009, which for the Company would be July 1, 2010, the first day of our 2011 fiscal year. The Company is currently assessing the impact that the adoption of ASU 2009-17 may have on the consolidated financial statements.

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***II. Additional disclosure requirements (continued)***

***(i) Recently issued accounting pronouncements (continued)***

*Accounting Standards Update No. 2010-06 Improving Disclosures about Fair Value Measurements (Topic 820) ( ASU No. 2010-6 )*

In January 2010, the Financial Accounting Standards Board ( FASB ) issued ASU No. 2010-06, Improving Disclosures about Fair Value Measurements . ASU No. 2010-06 requires additional disclosures about fair value measurements including transfers in and out of Levels 1 and 2 and a higher level of disaggregation for the different types of financial instruments. For the reconciliation of Level 3 fair value measurements, information about purchases, sales, issuances and settlements are presented separately. This standard is effective for interim and annual reporting periods beginning after December 15, 2009 with the exception of revised Level 3 disclosure requirements which are effective for interim and annual reporting periods beginning after December 15, 2010. Comparative disclosures are not required in the year of adoption. The Company will adopt the provisions of the standard on July 1, 2010, the first day of the 2011 fiscal year for the Level 1 and 2 disclosures, and on July 1, 2011 or the first day of the 2012 fiscal year for the Level 3 disclosures

*Accounting Standards Update No. 2009-13 Revenue Recognition: Multiple-Deliverable Revenue Arrangements- a Consensus of the FASB Emerging Issues Task Force (Topic 605) ( ASU No. 2009-13 )*

In October 2009, the FASB issued ASU No. 2009-13, Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements (a consensus of the FASB Emerging Issues Task Force) which amends ASC 605-25, Revenue Recognition : Multiple-Element Arrangements . ASU No. 2009-13 addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how to allocate consideration to each unit of accounting in the arrangement. This ASU replaces all references to fair value as the measurement criteria with the term selling price and establishes a hierarchy for determining the selling price of a deliverable. ASU No. 2009-13 also eliminates the use of the residual value method for determining the allocation of arrangement consideration. Additionally, ASU No. 2009-13 requires expanded disclosures. These provisions are to be applied on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier application permitted. The Company will adopt the provisions of these amendments on July 1, 2010, the first day of the 2011 fiscal year and is currently evaluating the impact of these amendments to its consolidated financial statements.

*Accounting Standards Update No. 2010-11 Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives ( ASU No. 2010-11 )*

In March 2010, the FASB issued ASU No. 2010-11, Derivatives and Hedging (Topic 815) Scope Exception Related to Embedded Credit Derivatives . ASU No. 2010-11 clarifies that the only form of an embedded credit derivative that is exempt from embedded derivative bifurcation requirements are those that relate to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. The provisions of ASU 2010-11 will be effective on July 1, 2010, the first day of the 2011 fiscal year and are not expected to have a significant impact on the Company s consolidated financial statements.

*Accounting Standards Update No. 2010-10 Consolidation (Topic 810): Amendments for Certain Investment Funds ( ASU No. 2010-10 )*

In February 2010, the FASB issued ASU No. 2010-10, Consolidation (Topic 810). The amendments to the consolidation requirements of Topic 810 resulting from the issuance of Statement 167 are deferred for a reporting entity s interest in an entity (1) that has all the attributes of an

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investment company or (2) for which it is industry practice to apply measurement principles for financial reporting purposes that are consistent with those followed by investment companies. An entity that qualifies for the deferral will continue to be assessed under the overall guidance on the consolidation of variable interest entities in Subtopic 810-10 (before the Statement 167 amendments) or other applicable

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consolidation guidance, such as the guidance for the consolidation of partnerships in Subtopic 810-20. The deferral is primarily the result of differing consolidation conclusions reached by the International Accounting Standards Board ( IASB ) for certain investment funds when compared with the conclusions reached under Statement 167. The deferral is effective as of the beginning of a reporting entity's first annual period that begins after November 15, 2009, and for interim periods within that first annual reporting period, which coincides with the effective date of Statement 167. Early application is not permitted. The provisions of ASU No. 2010-10 are effective for the Company on July 1, 2010, the first day of the 2011 fiscal year. The Company expects the adoption of ASU No. 2010-10 will not have a material impact on the consolidated financial statements.

*Accounting Standards Update No. 2010-20 Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses ( ASU No. 2010-20 )*

In July 2010, the FASB issued ASU No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which requires new and expanded financial statement disclosures. An entity is required to provide qualitative and quantitative disclosures about the allowance for credit losses, credit quality, impaired loans, modifications, and nonaccrual and past due financing receivables. In addition, the disclosures must be disaggregated by portfolio segment or class of financing receivable based on how a company develops its allowance for credit losses and how it manages its credit exposure. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010, which will be on June 30, 2011 for the Company. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010, which will be on July 1, 2011, the first day of the 2012 fiscal year.

*Accounting Standards Update No. 2010-17 Revenue Recognition-Milestone Method (Topic 605): Milestone Method of Revenue Recognition- A Consensus of the FASB Emerging Issues Task Force) ( ASU No. 2010-17 )*

In April 2010, the FASB issued ASU No. 2010-17, Revenue Recognition Milestone Method (Topic 605): Milestone Method of Revenue Recognition. This ASU codifies the consensus reached in EITF Issue No. 08-9, Milestone Method of Revenue Recognition. The amendments to the Codification provide guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. Consideration that is contingent on achievement of a milestone in its entirety may be recognized as revenue in the period in which the milestone is achieved only if the milestone is judged to meet certain criteria to be considered substantive. Milestones should be considered substantive in their entirety and may not be bifurcated. An arrangement may contain both substantive and nonsubstantive milestones, and each milestone should be evaluated individually to determine if it is substantive. ASU 2010-17 is effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted. If a vendor elects early adoption and the period of adoption is not the beginning of the entity's fiscal year, the entity should apply 2010-17 retrospectively from the beginning of the year of adoption. Vendors may also elect to adopt the amendments in this ASU retrospectively for all prior periods. The ASU is effective as from July 1, 2010, the first day of the 2011 fiscal year. The Company does not expect the provisions of ASU 2010-17 to have a material effect on the consolidated financial statements.

***(j) Earnings per share***

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As described in Note 3.y., under Argentine GAAP the Company is required to disclose earnings per share information in accordance with RT 18 for all periods presented. Note 17 to the Consolidated Financial Statements disclose the computation of basic and diluted net income per common share under Argentine GAAP. Guidance set forth in RT 18 is similar to the basic principles set forth in ASC No. 260, Earnings per Share, (ASC No. 260), formerly SFAS No. 128 Earnings per Share (SFAS No.128) although certain differences exist.

Under US GAAP, basic and diluted earnings per share are presented in conformity with ASC No. 260.

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Under Argentine GAAP, the Company has considered the dilutive effects of outstanding warrants using the if converted method, as applicable. As of the year ended June 30, 2010 and 2009 the Company does not have any convertible instruments and/or warrants outstanding. Under US GAAP, dilutive options or warrants that are issued during a period or that expire or are cancelled during a period must be included in the weighted average number of shares outstanding for purposes of computing diluted EPS for the period that they were outstanding. Additionally, dilutive options or warrants exercised during the period must be included in the weighted average number of shares outstanding for purposes of computing diluted EPS for the period prior to actual exercise. Thereafter, the shares issued will be included in the weighted average calculation of shares outstanding used for both basic and diluted EPS. Under US GAAP, the Company applied the treasury-stock method as required by US GAAP. Using the treasury-stock method, the weighted-average number of potential common stock would have been 21,195 shares for the year ended June 30, 2008. Diluted net income per common share under Argentine GAAP for the years ended June 30, 2008 using the treasury-stock method, would have been Ps. 0.22.

The following tables set forth the computation of basic and diluted net income per common share under ASC No. 260 for all periods presented:

|   | 2010        | Year ended June 30,<br>2009 | 2008        |
|---|-------------|-----------------------------|-------------|
| <b>Numerator:</b>   |             |                             |             |
| Net income attributable to IRSA                           | Ps. 382,853 | 6,647                       | Ps. 122,116 |
| Plus (less): income (loss) impact of assumed conversions: |             |                             |             |
| Interest expense on convertible debt                      |             |                             | 1,214       |
| Foreign currency exchange gain on convertible debt        |             |                             | 11          |
| Income tax effects  |             |                             | (163)       |
| Net income attributable to IRSA plus assumed conversions  | Ps. 382,853 | Ps. 6,647                   | Ps. 123,178 |
| <b>Denominator:</b>                                       |             |                             |             |
| Weighted-average number of shares outstanding             | Ps. 578,676 | Ps. 578,676                 | Ps. 549,277 |
| Plus: incremental shares of assumed conversions:          |             |                             |             |
| Warrants (i)  |             |                             | 13,527      |
| Convertible Notes   |             |                             | 7,668       |
| Adjusted weighted-average number of shares                | Ps. 578,676 | Ps. 578,676                 | Ps. 570,472 |
| <b>Earnings per share under US GAAP:</b>                  |             |                             |             |
| Basic net income per common share                         | Ps. 0.66    | Ps. 0.01                    | Ps. 0.22    |
| Diluted net income per common share                       | Ps. 0.66    | Ps. 0.01                    | Ps. 0.22    |

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(i) Potential common shares related to the warrants have been calculated using the treasury-stock method as required by US GAAP.

***(k) Risks and uncertainties***

The Company is subject to certain business risks arising in connection with its operations which include, among others:

Risks associated with Argentine operations: A substantial part of the Company's operations and properties are located in Argentina. As a result, the Company financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing in Argentina.

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**27. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

***(k) Risks and uncertainties (continued)***

Risks associated with office and other buildings leases: The Company's lease revenues from its real estate operations may be adversely affected by (i) local or national economic conditions in the areas in which the properties are located, (ii) oversupply of office space or a reduction in demand for such space, (iii) increased competition from other real estate operators, (iv) changes in the ability of the Company or the tenants to provide for adequate maintenance and/or insurance, (v) increases in operating expenses, (vi) adverse changes in the regional or national economy, (vii) the bankruptcy or insolvency of, or a downturn in the business of, any of its major tenants, and/or (viii) the possibility that such tenants will not renew their leases as they expire. Unfavorable economic conditions could also result in the inability of tenants in certain sectors to meet their lease obligations and otherwise could adversely affect the Company's ability to attract and retain desirable tenants.

Risks associated with development properties activities: Include (i) the potential abandonment of development opportunities; (ii) construction costs may exceed the Company's original estimates, possibly making a project uneconomical; (iii) occupancy rates and rents at a newly completed project may be insufficient to make the project profitable; (iv) the Company's inability to obtain financing on favorable terms for the development of the project; (v) construction and lease-up may not be completed on schedule, resulting in increased debt service expense and construction costs; and (vi) the Company's inability to obtain, or the delays in obtaining, all necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations; (vii) preconstruction buyers may default on their purchase contracts or units in new buildings may remain unsold upon completion of constructions. (viii) sales prices for residential units may be insufficient to cover development cost.

Risks associated with the hotel industry: The success of the Company's operated hotels will depend, in large part, upon the Company's ability to compete in areas such as access, location, quality of accommodations, room rate structure, quality and scope of food and beverage facilities and other services and amenities. The Company's hotels may face additional competition if other companies decide to build new hotels or improve their existing hotels such that they are more attractive to potential guests. In addition, the profitability of the Company's hotels depends on (i) the Company's ability to form successful relationships with international operators to run the hotels; (ii) changes in travel patterns, including seasonal changes; and (iii) taxes and governmental regulations which influence or determine wages, prices, interest rates, construction procedures and costs.

Shopping center operating risks: The development, administration and profitability of shopping centers are impacted by various factors including: the accessibility and the attractiveness of the area where the shopping center is located, the intrinsic attractiveness of the shopping center, the flow of people and the level of sales of each shopping center rental unit, increasing competition from internet sales, the amount of rent collected from each shopping center rental unit and the fluctuations in occupancy levels in the shopping centers. In the event that there is an increase in operational costs, caused by inflation or other factors, it could have a material adverse effect on the Company if its tenants are unable to pay their higher rent obligations due to the increase in expenses.

Since May 28, 1997, Law No. 24,808 provides that tenants may rescind commercial lease agreements after the initial six months upon not less than sixty days written notice, subject to penalties of only one-and-a-half months rent if the tenant rescinds during the first year of the lease, and one-month rent if the tenant rescinds after the first year of the lease. The exercise of such rescission rights could materially and adversely affect the Company.

The Company's property is currently and will continue to be subject to risks incident to the ownership and operation of commercial real estate and residential development properties. The Company's lease sales from its real estate operations may be adversely affected by (i) local or national economic conditions in the areas in which the properties are located; (ii) oversupply of retail space or a reduction in demand for retail



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space; (iii) increased competition from other real estate operators; (iv) changes in the ability of the Company or the tenants to provide for adequate maintenance and/or insurance; (v) increases in operating expenses; and/or (vi) adverse changes in the regional or national economy. Other risks include the inability to collect rent due to bankruptcy or insolvency of tenants or otherwise, the need to periodically renovate, repair and release space and the costs thereof and the ability of a tenant to provide adequate maintenance and insurance. In addition, the failure to sell the property to be constructed, could have a material adverse effect on the Company.

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An economic downturn in the areas in which the shopping centers are located might adversely affect the Company's sales (through bankruptcy of tenants and reduction in the shopping center sales due to lower variable income). Increases in operating costs due to inflation and other factors may result in some tenants being unable or unwilling to pay rent or expense increases. In addition, the Company has several tenants occupying space in more than one shopping center and, as a result, if any of such tenants should experience financial difficulties and cease paying rent, the Company's operating results could be adversely affected. Furthermore, as leases on properties expire, the Company may be unable to find new tenants or tenants may enter into new leases on terms that are less favorable to the Company. The failure to lease such properties could have a material adverse effect on the Company.

**Credit card operating risks:** Credit card operations are subject to federal legislation and regulation. From time to time, such legislation, as well as competitive conditions, may affect, among other things, credit card finance charges. While the Company cannot predict the effect of future competitive conditions and legislation or the measures the Company might take in response thereto, a significant reduction in the finance charges imposed by Tarshop would have an adverse effect on the Company. In addition, adverse changes in general Argentine economic conditions, including, but not limited to changes in regulations affecting capital market access, market volatility, higher interest rates and increases in delinquencies, charge-offs and personal bankruptcies have a negative effect on the Company.

**(l) Summarized financial information of unconsolidated equity investees**

Pursuant to Rule 3-09 of Regulation S-X, the Company's significant equity investees are Banco Hipotecario S.A. and Metropolitan. Under Argentine GAAP, the Company's gain or (loss) on equity investees for the years ended June 30, 2010, 2009 and 2008 were Ps. 160.4 million, Ps. 61.5 million, and Ps. (13.2) million, respectively. Under Argentine GAAP, the Company's share of the net assets of equity investees as of June 30, 2010 and 2009 were Ps. 842.3 million and Ps. 569.5 million, respectively. The equity investment in Metropolitan was valued at zero and a financial liability of Ps 5.9 million was recognized representing the maximum commitment to fund Metropolitan's operations.

The table below shows summarized financial information of the Company's significant equity investees on a 100% basis:

**Banco Hipotecario S.A.**

|                          | <b>As of and for the year ended June 30,</b> |                       |
|--------------------------|--|-----------------------|
|                          | <b>2010</b>                                  | <b>2009</b>           |
| Current assets           | (i)  | (i)                   |
| Non-current assets       | (i)  | (i)                   |
| <b>Total assets</b>      | <b>Ps. 11,284,071</b>                        | <b>Ps. 11,909,440</b> |
| Current liabilities      | (i)  | (i)                   |
| Non-current liabilities  | (i)  | (i)                   |
| <b>Total liabilities</b> | <b>Ps. 8,385,272</b>                         | <b>Ps. 9,209,822</b>  |

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|                     |               |               |
|---------------------|---------------|---------------|
| Minority interest   | Ps.37,133     | Ps.36,881     |
| Shareholders equity | Ps. 2,861,666 | Ps. 2,662,737 |

|                   | For the year ended June 30, |               |              |
|-------------------|-----------------------------|---------------|--------------|
|                   | 2010                        | 2009          | 2008         |
| Revenues          | Ps. 1,222,309               | Ps. 1,016,159 | Ps. 696,591  |
| Gross profit      | Ps. 560,719                 | Ps. 400,851   | Ps. 145,898  |
| Net income (loss) | Ps. 198,929                 | Ps. 50,463    | Ps. (59,562) |

- (i) Balance sheets of banking entities are unclassified.

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|                   | <b>As of and for the year ended June 30,</b> |               |
|-------------------|--|---------------|
|                   | <b>2010</b>                                  | <b>2009</b>   |
| Total assets      | Ps. 850,393                                  | Ps. 868,750   |
| Total liabilities | Ps. 1,423,866                                | Ps. 1,410,383 |
| Members deficit   | Ps. (573,473)                                | Ps. (541,633) |
|                   | <b>For the year ended June 30,</b>           |               |
|                   | <b>2010</b>                                  | <b>2009</b>   |
| Revenues          | Ps. 235,264                                  | Ps. 252,640   |
| Net loss          | Ps. (12,725)                                 | Ps. (863,072) |

(ii) Balance sheet of real estate companies are unclassified

**(m) Severance indemnities**

Under Argentine law and labor agreements, the Company is required to make minimum severance payments to its dismissed employees without cause and employees leaving its employment in certain other circumstances. Under Argentine GAAP, severance payments are expensed as incurred. Under US GAAP, the Company follows the guidelines established by ASC No. 710-10 Compensation- General and ASC No. 712

Compensation- Nonretirement Postemployment Benefits which requires the accrual of severance costs if they relate to services already rendered, are related to rights that accumulate or vest, are probable of payment and are reasonably estimable. While the Company expects to make severance payments in the future, it is impossible to estimate the number of employees that will be dismissed without proper cause in the future, if any, and accordingly the Company has not recorded such liability.

**(n) Statements of cash flows classification differences**

The statements of cash flows presented in the primary financial statements are prepared based on Argentine GAAP amounts. Under US GAAP, the Company should follow the guidance in ASC No. 230 Statement of Cash Flows (ASC No. 230).

Under ASC No. 230, the total amounts of cash and cash equivalents at the beginning and end of a period shown in the statement of cash flows are required to be the same amounts as similarly titled items shown on the face of the balance sheet as of the respective dates. Note 18 to the primary financial statements shows this reconciliation for cash and cash equivalents under Argentine GAAP. However, certain differences may exist between cash and cash equivalents under Argentine GAAP and US GAAP. As described in Note 3.b., under Argentine GAAP, the Company considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. In particular, investments in mutual funds are considered to be cash equivalents by reference to the frequency with which liquidity is available according to Argentine GAAP practice and guidance. Under US GAAP, the original maturity is determined by reference to the stated term of the

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underlying securities or the timeframe for exercising any put features to the issuer and not by reference to the frequency with which liquidity may be available through an auction, a put feature to a third party, or otherwise. Therefore, for US GAAP purposes, certain mutual funds were not considered to be cash equivalents. In addition, under Argentine GAAP, the Company consolidated on a pro rata basis the accounts of Metroshop, CYRSA, Liveck, Baicom Networks and Puerto Retiro. Under US GAAP, proportionate consolidation is not appropriate since the Company did not exercise control over these investments. As a result, additional differences exist between the amounts of cash and cash equivalents reported in the primary statements of cash flows under Argentine GAAP than they would be reported under US GAAP.

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The following table reconciles the amounts of cash and cash equivalents under Argentine GAAP with the amounts of cash and cash equivalents under US GAAP

|   | <b>For the year ended June 30,</b> |                    |                    |
|---|------------------------------------|--------------------|--------------------|
|   | <b>2010</b>                        | <b>2009</b>        | <b>2008</b>        |
| Cash and cash equivalents as shown in the statements of cash flows under Argentine GAAP (Note 18) | Ps. 151,354                        | Ps. 185,942        | Ps. 389,004        |
| Less:   |                                    |                    |                    |
| Mutual funds not considered cash equivalents under US GAAP  | (23,780)                           |                    | (4,451)            |
| Deconsolidation of pro-rata investments under US GAAP   | (10,384)                           | (13,643)           | (14,749)           |
| <b>Total cash and cash equivalents under US GAAP</b>  | <b>Ps. 117,190</b>                 | <b>Ps. 172,299</b> | <b>Ps. 369,804</b> |

Under Argentine GAAP, the effects of exchange rates changes on cash and cash equivalents are not disclosed separately by presenting a fourth category as it is required by ASC No. 230. The effect of exchange rate changes on cash and cash equivalents for the fiscal years ended June 30, 2010, 2009 and 2008 were Ps. 2,340 million, Ps. 20,677 million and Ps.2,161 million, respectively.

Due to the difference in definition of cash and cash equivalents, there may be a difference in the amount reported for purchases and sales of investments not considered to be cash equivalents under investing activities in a statement of cash flows under US GAAP as compared to the same titled line items under Argentine GAAP.

Due to the deconsolidation of the pro rata investments under US GAAP, the cash flows from operating, investing and financing activities under US GAAP differ from the respective cash flows under Argentine GAAP, since each line item excludes the pro rata equity interest of the respective cash inflow or outflow.

In addition, certain differences exist in the classification of cash inflows or outflows as operating, investing or financing activities under US GAAP as compared to Argentine GAAP. These differences are:

Payments for the acquisition of a non controlling interest are classified as investing activities under Argentine GAAP while classified as financing activities under US GAAP;

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Dividends collected as return on investments are classified as investing activities under Argentine GAAP while classified as operating activities under US GAAP

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Based on the foregoing, the following table shows the cash flows from operating, investing and financing activities as well as the effect of exchange rate changes on cash and cash equivalents that would be reported in a statement of cash flows prepared under ASC No. 230:

|  | <b>For the year ended June 30,</b> |                      |                    |
|--|------------------------------------|----------------------|--------------------|
|  | <b>2010</b>                        | <b>2009</b>          | <b>2008</b>        |
| Net cash provided by operating activities                    | Ps. 294,062                        | Ps. 348,841          | Ps. 351,020        |
| Net cash used in investing activities                        | (526,705)                          | (466,771)            | (401,678)          |
| Net cash (used in) provided by financing activities          | 179,874                            | (58,898)             | 149,145            |
| Effect of exchange rate changes on cash and cash equivalents | (2,340)                            | (20,677)             | 2,161              |
| <b>Net (decrease) increase in cash and cash equivalents</b>  | <b>Ps. (55,109)</b>                | <b>Ps. (197,505)</b> | <b>Ps. 100,648</b> |

**(o) Comprehensive income**

ASC No. 220 Comprehensive Income ( ASC No. 220 ) establishes guidelines for the reporting and display of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general purpose Financial Statements. ASC No. 220 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a Financial Statement that is displayed with the same prominence as other Financial Statements. Accumulated other comprehensive income is presented below, net of income tax benefit/expense:

|  | <b>Year ended June 30, 2010</b> |                                     |                    |
|--|---------------------------------|-------------------------------------|--------------------|
|  | <b>IRSA</b>                     | <b>Non-controlling<br/>interest</b> | <b>Total</b>       |
| <b>Net income under US GAAP</b>  | <b>Ps. 382,853</b>              | <b>Ps. 83,304</b>                   | <b>Ps. 466,157</b> |
| Other comprehensive income:  |                                 |                                     |                    |
| Net change in unrealized holding gain on available-for-sale-securities, Hersha Hospitality Trust (i)                 | 72,439                          |                                     | 72,439             |
| Net change in unrealized holding loss on available-for-sale-securities, other (ii)                                   | (9,050)                         | 111                                 | (8,939)            |
| Net change in unrealized holding gain on retained interest in transferred mortgage and credit card receivables (iii) | 939                             | 543                                 | 1,482              |
| Net change in unrealized holding gain on available-for-sale-securities of equity investees                           | 188,336                         |                                     | 188,336            |



|                             |             |            |             |
|-----------------------------|-------------|------------|-------------|
| <b>Comprehensive income</b> | Ps. 635,517 | Ps. 83,958 | Ps. 719,475 |
|-----------------------------|-------------|------------|-------------|

- (i) Net of income taxes of Ps. 39,005.
- (ii) Net of income taxes of Ps. 4,878 and Ps. (65) for IRSA and the non-controlling interest, respectively.
- (iii) Net of income taxes of Ps. 798 for the non-controlling interest.

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|   | <b>Year ended June 30, 2009</b> |                                     |               |
|---|---------------------------------|-------------------------------------|---------------|
|   | <b>IRSA</b>                     | <b>Non-controlling<br/>interest</b> | <b>Total</b>  |
| <b>Net income (loss) under US GAAP</b>  | Ps. 6,647                       | Ps. (47,998)                        | Ps. (41,351)  |
| Other comprehensive income:   |                                 |                                     |               |
| Net change in unrealized holding loss on available-for-sale-securities, other (i)                                   | (13,588)                        | 734                                 | (12,854)      |
| Net change in unrealized holding gain on retained interest in transferred mortgage and credit card receivables (ii) | (2,733)                         | (1,645)                             | (4,378)       |
| Net change in unrealized holding gain on available-for-sale-securities of equity investees                          | (51,370)                        |                                     | (51,370)      |
| <b>Comprehensive income</b>   | Ps. (61,044)                    | Ps. (48,909)                        | Ps. (109,953) |

(i) Net of income taxes of Ps. 7,983 and Ps. (1,063) for IRSA and the non-controlling interest, respectively.

(ii) Net of income taxes of Ps. 2,358 for the non-controlling interest.

|   | <b>Year ended June 30, 2008</b> |                                     |              |
|---|---------------------------------|-------------------------------------|--------------|
|   | <b>IRSA</b>                     | <b>Non-controlling<br/>interest</b> | <b>Total</b> |
| <b>Net income under US GAAP</b>   | Ps. 122,116                     | Ps. 46,459                          | Ps. 168,575  |
| Other comprehensive income:   |                                 |                                     |              |
| Net change in unrealized holding gain on available-for-sale-securities, other (i)                                   | (27,792)                        | (1,611)                             | (29,403)     |
| Net change in unrealized holding gain on retained interest in transferred mortgage and credit card receivables (ii) | (1,830)                         | 3,779                               | 1,949        |
| Net change in unrealized holding gain on available-for-sale-securities of equity investees                          | (32,958)                        |                                     | (32,958)     |
| <b>Comprehensive income</b>   | Ps. 59,536                      | Ps. 48,627                          | Ps. 108,163  |

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(i) Net of income taxes of Ps. 13,666 and Ps. 2,167 for IRSA and the non-controlling interest, respectively.

(ii) Net of income taxes of Ps. 4,069 for the non-controlling interest.

Accumulated non-owner changes in equity (accumulated other comprehensive income) for the years ended June 30, 2010, 2009 and 2008 were as follows:

|  | <b>Year ended June 30, 2010</b> |                                    |                    |
|--|---------------------------------|------------------------------------|--------------------|
|  | <b>IRSA</b>                     | <b>Non-controllig<br/>interest</b> | <b>Total</b>       |
| Net change in unrealized holding gain on available-for-sale securities-Hersha Hospitaly Trust                  | Ps. 72,439                      | Ps.                                | Ps. 72,439         |
| Net change in unrealized holding gain on available-for-sale securities-other                                   | 334                             | 178                                | 512                |
| Net change in unrealized holding gain on retained interest in transferred mortgage and credit card receivables | (3,798)                         | 4,973                              | 1,175              |
| Change in other comprehensive income of equity investees   | 133,638                         |                                    | 133,638            |
| <b>Accumulated other comprehensive (loss) income</b>   | <b>Ps. 202,613</b>              | <b>Ps. 5,151</b>                   | <b>Ps. 207,764</b> |

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|  | <b>Year ended June 30, 2009</b> |                                     |              |
|--|---------------------------------|-------------------------------------|--------------|
|  | <b>IRSA</b>                     | <b>Non-controlling<br/>interest</b> | <b>Total</b> |
| Net change in unrealized holding gain on available-for-sale securities-Hersha Hospitaly Trust                  | Ps.                             | Ps.                                 | Ps.          |
| Net change in unrealized holding gain on available-for-sale securities-other                                   | 9,384                           | 67                                  | 9,451        |
| Net change in unrealized holding gain on retained interest in transferred mortgage and credit card receivables | (4,737)                         | 4,430                               | (307)        |
| Change in other comprehensive income of equity investees   | (54,698)                        |                                     | (54,698)     |
| <b>Accumulated other comprehensive (loss) income</b>   | Ps. (50,051)                    | Ps. 4,497                           | Ps. (45,554) |

|  | <b>Year ended June 30, 2008</b> |                                     |              |
|--|---------------------------------|-------------------------------------|--------------|
|  | <b>IRSA</b>                     | <b>Non-controlling<br/>interest</b> | <b>Total</b> |
| Net change in unrealized holding gain on available-for-sale securities-Hersha Hospitaly Trust                  | Ps.                             | Ps.                                 | Ps.          |
| Net change in unrealized holding gain on available-for-sale securities-other                                   | 22,972                          | (667)                               | 22,305       |
| Net change in unrealized holding gain on retained interest in transferred mortgage and credit card receivables | (2,004)                         | 6,075                               | 4,071        |
| Change in other comprehensive income of equity investees   | (3,328)                         |                                     | (3,328)      |
| <b>Accumulated other comprehensive (loss) income</b>   | Ps. 17,640                      | Ps. 5,408                           | Ps. 23,048   |

**(p) Pro-rata consolidation of jointly controlled companies**

Under Argentine GAAP the Company consolidates the accounts of jointly controlled companies on a pro-rata basis. Under US GAAP consolidation is not appropriate since the Company does not exercise control over these subsidiaries.

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Presented below is the consolidated condensed information of the Company as of June 30, 2010 and 2009 considering these companies as an equity investees:

|   | <b>As reported</b> | <b>As of and for the year ended June 30, 2010</b>  |  | <b>As adjusted</b> |
|---|--------------------|--|--|--------------------|
|   | <b>Ps.</b>         | <b>Eliminations of<br/>CYRSA S.A.,<br/>Canteras Natal<br/>Crespo S.A.,<br/>Baicom<br/>Networks S.A.,<br/>Metroshop S.A.,<br/>Puerto Retiro<br/>S.A. and Liveck<br/>S.A. accounts</b> | <b>Inclusion of CYRSA<br/>S.A., Canteras Natal<br/>Crespo S.A.,<br/>Baicom<br/>Networks S.A.,<br/>Metroshop S.A.,<br/>Puerto Retiro<br/>S.A.<br/>and Liveck S.A.<br/>as<br/>an equity investee</b> | <b>Ps.</b>         |
| Current assets                            | Ps. 1,190,332      | Ps. (265,969)  | Ps.  | Ps. 924,363        |
| Non-current assets                        | 4,443,109          | (55,087)   | 127,120  | 4,515,142          |
| <b>Total assets</b>                       | <b>5,633,441</b>   | <b>(321,056)</b>   | <b>127,120</b>   | <b>5,439,505</b>   |
| Current liabilities                       | 1,341,620          | (157,732)  |  | 1,183,888          |
| Non-current liabilities                   | 1,325,668          | (36,339)   | 961  | 1,290,290          |
| <b>Total liabilities</b>                  | <b>2,667,288</b>   | <b>(194,071)</b>   | <b>961</b>   | <b>2,474,178</b>   |
| Minority interest                         | 563,107            | (826)  |  | 562,281            |
| Shareholders equity                       | 2,403,046          | (126,159)  | 126,159  | 2,403,046          |
| Revenues                                  | 1,323,326          | (13,203)   |  | 1,310,123          |
| Gross profit                              | 848,031            | (6,083)  |  | 841,948            |
| <b>Net income</b>                         | <b>Ps. 334,501</b> | <b>Ps. (11,296)</b>  | <b>Ps. 11,296</b>  | <b>Ps. 334,501</b> |
| Net cash provided by operating activities | 239,943            | 47,875   |  | 287,818            |
| Net cash used in investing activities     | (455,979)          | (44,616)   |  | (500,595)          |
| Net cash provided by financing activities | 181,448            |  |  | 181,448            |

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|   | As reported        | As of and for the year ended June 30, 2009   |  | As adjusted        |
|---|--------------------|--|--|--------------------|
|   |                    | Eliminations of<br>CYRSA S.A.,<br>Canteras Natal<br>Crespo S.A.,<br>Metroshop S.A.,<br>Puerto Retiro S.A.<br>and Liveck S.A.<br>accounts | Inclusion of CYRSA<br>S.A., Canteras Natal<br>Crespo S.A.,<br>Metroshop S.A.,<br>Puerto Retiro<br>S.A.<br>and Liveck S.A.<br>as<br>an equity<br>investee |                    |
|   | Ps.                | Ps.  | Ps.  | Ps.                |
| Current assets                            | 891,869            | (40,145)   |  | 851,724            |
| Non-current assets                        | 4,044,118          | (143,556)  | 50,310   | 3,950,872          |
| <b>Total assets</b>                       | <b>4,935,987</b>   | <b>(183,701)</b>   | <b>50,310</b>  | <b>4,802,596</b>   |
| Current liabilities                       | 974,890            | (14,446)   | 1,803  | 962,247            |
| Non-current liabilities                   | 1,401,054          | (120,389)  |  | 1,280,665          |
| <b>Total liabilities</b>                  | <b>2,375,944</b>   | <b>(134,835)</b>   | <b>1,803</b>   | <b>2,242,912</b>   |
| Minority interest                         | 464,381            | (3,852)  | 3,493  | 464,022            |
| Shareholders' equity                      | 2,095,662          | (45,013)   | 45,013   | 2,095,662          |
| Revenues                                  | 1,220,584          | (14,697)   |  | 1,205,887          |
| Gross profit                              | 712,078            | (5,393)  |  | 706,685            |
| <b>Net income</b>                         | <b>Ps. 158,635</b> | <b>Ps. 21,467</b>  | <b>Ps. (21,467)</b>  | <b>Ps. 158,635</b> |
| Net cash provided by operating activities | 310,877            | 17,286   |  | 328,163            |
| Net cash used in investing activities     | (455,041)          | (16,181)   |  | (471,222)          |
| Net cash provided by financing activities | (58,898)           |  |  | (58,898)           |

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The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of acquisition for each transaction (in millions) of fiscal year 2008:

|                            | <b>Museo<br/>Renault</b> | <b>Bank<br/>Boston</b> | <b>Mendoza Plaza<br/>Shopping</b> |
|----------------------------|--------------------------|------------------------|-----------------------------------|
| Working capital            | 0.0                      | 0.0                    | 1.2                               |
| Goodwill                   | 3.5                      | 6.5                    | 0.0                               |
| Fixed assets               | 5.0                      | 167.8                  | 4.4                               |
| In place leases            | 0.2                      | 5.8                    | 1.3                               |
| Below market leases        | 0.0                      | (9.8)                  | (0.3)                             |
| Deferred income tax        | 1.9                      | 3.5                    | 2.5                               |
| <b>Net assets acquired</b> | <b>10.6</b>              | <b>173.8</b>           | <b>9.1</b>                        |

**2) Acquisition of Museo Renault, Bank Boston and Mendoza Plaza Shopping S.A.**

The following schedule presents 2008 supplemental unaudited pro forma information as if the transactions of fiscal year 2008 of Museo Renault, Torre Bank Boston and Mendoza Plaza Shopping S.A. had occurred on July 1, 2007. The unaudited pro forma information is presented based on information available, is intended for informational purposes only and is not necessarily indicative of and does not purport to represent what the Company's future financial condition or operating results will be after giving effect to the transactions and does not reflect actions that may be undertaken by management in integrating this business. In addition, this information does not reflect financial and operating benefits the Company expects to realize as a result of the transactions.

The following table summarizes the unaudited pro forma income statement information of the Company for the fiscal year ended 2008:

|  | <b>Year ended June 30,<br/>2008</b> |
|--|-------------------------------------|
| Revenues                               | Ps. 1,086,222                       |
| Net income                             | 57,880                              |
| Earning per share under Argentine GAAP | 0.11                                |

**(r) Noncontrolling interests**

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Under Argentine GAAP, the portion of equity in a subsidiary not attributable directly or indirectly to a parent is known as minority interest and is classified as a separate component between the liability and equity sections of the balance sheet (mezzanine section). Net income or loss for the period excludes earnings attributable to the minority interest. For purposes of earnings per share calculations, net income excludes earnings attributable to the minority interest. Therefore, no adjustments to income available to common shareholders are necessary for earnings attributable to the minority interest.

Under US GAAP, the Company adopted ASC No. 810 Consolidation ( ASC No. 810 ) effective July 1, 2009. ASC No. 810 establishes new accounting and reporting standards for the non-controlling interest, previously known as minority interest, in a subsidiary and for the deconsolidation of a subsidiary. This statement clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as a separate component within equity in the consolidated financial statements. Additionally, consolidated net income is to be reported with separate disclosure of the amounts attributable to the parent and the non-controlling interests. The Company retroactively restated the amounts shown as consolidated shareholders equity, consolidated statement of income, consolidated statement of cash flows and consolidated statements of comprehensive income as required by ASC No 810.

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**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**27. Differences between Argentine GAAP and US GAAP (continued)**

***II. Additional disclosure requirements (continued)***

***(r) Noncontrolling interests (continued)***

The Company has non-controlling interests in more than one subsidiary. Accordingly, the Company aggregated its various non-controlling interests in the consolidated financial statements. The adoption of ASC No. 810 resulted in a Ps. 509.3 million reclassification of non-controlling interests from the mezzanine section to shareholders equity on the June 30, 2010 consolidated balance sheet. Net income for the year ended June 30, 2010 was increased by Ps. 83.4 million as a result of the adoption. Prior to the adoption of ASC No. 810 non-controlling interests were deductions to income in arriving at net income. Under ASC No. 810, non-controlling interests are a deduction from net income used to arrive at net income attributable to Alto Palermo S.A. For purposes of earnings per share calculations, net income includes earnings attributable to the minority interest. Therefore, an adjustment to income available to common shareholders is necessary for earnings attributable to the non-controlling interest to determine income attributable to common shareholders of the controlling interest.

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The following is a summary of the Company's investments in real estate as of June 30, 2010 prepared in accordance with SEC Regulation S-X 12-28.

| Description                      | Land    | Buildings and improvements | Improvements | Total buildings and improvements | Accumulated depreciation | Net carrying value as of June 30 | Date of construction                             | Date acquired  | Life on which depreciation in latest income statements is computed |
|----------------------------------|---------|----------------------------|--------------|----------------------------------|--------------------------|----------------------------------|--|----------------|--|
| Alto Palermo Park                | 474     | 196                        |              | (11) 185                         | 659                      | 113 546                          | June 1996  | November 1997  | 23   |
| Av. de Mayo 695                  | 679     | 6,659                      |              | 6,659                            | 7,338                    | 2,849 4,489                      | July 1992  | March 1992     | 19   |
| Av. Madero 942                   |         |                            |              |                                  |                          |                                  | N/A  | July 1994-     | 10   |
|                                  |         |                            |              |                                  |                          |                                  |  | August 1994    |  |
| Bouchard 551                     | 88,097  | 72,560                     |              | 72,560                           | 160,657                  | 10,087 150,570                   |  | March, 2007    |  |
| Bouchard 710                     | 39,466  | 32,994                     |              | 32,994                           | 72,460                   | 7,199 65,261                     |  | May, 2005      | 28   |
| Constitución 111                 | 256     | 1,081                      |              | 1,081                            | 1,337                    | 440 897                          | September 1994-                                  | June 1994      | 18   |
|                                  |         |                            |              |                                  |                          |                                  | March 1995                                       | January 1994   |  |
| Constitución 159                 | 7,966   | 796                        |              | 796 (3,335)                      | 5,427                    | 5,427                            |  |                | 50   |
| Costeros Dique V                 | 4,260   | 19,077                     |              | 19,077                           | 23,337                   | 4,226 19,111                     | N/A  | June 2001      | 28   |
| Costeros Dique I Edificios A y B |         | 21,184                     |              | (21,184)                         |                          |                                  | September 1998                                   | March 1997     | 28   |
| Dock del Plata                   | 474     | 458                        |              | 458                              | 932                      | 68 864                           | N/A  | November, 2006 | 24   |
| Intercontinental Plaza           | 8,671   | 89,633                     |              | (17) 89,616                      | 98,287                   | 15,879 82,408                    | June 1996  | November, 1997 | 24   |
| Hotel Intercontinental           | 8,672   | 47,666                     |              | (17) 47,649                      | 56,321                   | 10,321 46,000                    |  |                |  |
| Hotel Libertador                 | 3,027   | 76,312                     | 2,213        | 78,525                           | 81,552                   | 45,184 36,368                    | October 1973-<br>November 1990-<br>December 1997 | March 1998     | 16   |
| Hotel Llao Llao                  | 24,973  | 86,648                     | 498          | 87,146                           | 112,119                  | 19,916 92,203                    |  | June 1997      | 15   |
| Terreno Catalinas Norte          | 100,804 | (100,804)                  | 100,804      |                                  | 100,804                  | 100,804                          | N/A  | March 1999     | 27   |
| Libertador 498                   | 4,041   | 32,301                     |              | (16,000) 16,301                  | 20,342                   | 5,685 14,657                     | N/A  | December 1995  | 22   |
| Libertador 602                   |         | 3,485                      |              | (3,485)                          |                          |                                  | N/A  | May 1996       | 22   |

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|                |        |        |      |        |        |        |        |           |                |  |    |
|----------------|--------|--------|------|--------|--------|--------|--------|-----------|----------------|--|----|
| Store Cruceros |        |        |      |        |        |        |        |           |                |  | 50 |
| Madero 1020    | 70     | 338    | (45) | 293    | 363    | 145    | 218    | N/A       | December 1995  |  | 10 |
| Maipú 1300     | 10,293 | 42,423 |      | 42,423 | 52,716 | 14,429 | 38,287 | N/A       | September 1995 |  | 23 |
| Rivadavia 2768 | 76     | 258    |      | 258    | 334    | 117    | 217    | June 1995 | November 1993  |  | 22 |

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****27. Differences between Argentine GAAP and US GAAP (continued)****II. Additional disclosure requirements (continued)****(s) Investments in real estate and accumulated depreciation (continued)**

| Land    | Buildings and improvement | Improvements | Sales | Total buildings and improvements | Impairment | Total   | Accumulated depreciation | Net carrying value as of June 30 | Date of construction | Date acquired                                  |
|---------|---------------------------|--------------|-------|----------------------------------|------------|---------|--------------------------|----------------------------------|----------------------|--|
| 12,496  |                           |              |       |                                  |            | 12,496  |                          | 12,496                           | N/A                  |  |
| 96      | 389                       |              |       | 389                              | (197)      | 288     | 91                       | 197                              | March 1995           | December 1994-<br>August 1994-<br>July 1994    |
| 2,547   | 14,463                    |              |       | 14,463                           |            | 17,010  | 6,074                    | 10,936                           | April-June 1994      | November 1991                                  |
| 77,251  | 85,532                    |              |       | 85,532                           |            | 162,783 | 7,587                    | 155,196                          | N/A                  | August 2007                                    |
| 3,010   | 2,055                     |              |       | 2,055                            |            | 5,065   | 280                      | 4,785                            | N/A                  | December 2008                                  |
| 109,065 | 121,229                   |              |       | 121,229                          |            | 230,294 | 10,517                   | 219,777                          | N/A                  | May 2008                                       |
| 3,660   | 63,702                    |              | (106) | 63,596                           |            | 67,256  | 2,636                    | 64,620                           | April 2009           | N/A  |
| 9,752   | 254,112                   | 97           |       | 254,209                          |            | 263,961 | 100,405                  | 163,556                          | November 1998        | N/A  |
| 8,694   | 42,785                    | 379,057      |       | 421,842                          |            | 430,536 | 295,552                  | 134,984                          | October 1990         | November 1997-<br>March 1998                   |
| 18,089  | 177,967                   | 2,331        |       | 180,298                          |            | 198,387 | 124,934                  | 73,453                           | October 1995         | November 1997-<br>December 1997                |
| 11,268  | 119,458                   | 1,795        |       | 121,253                          |            | 132,521 | 61,857                   | 70,664                           | June 1992            | June 1997                                      |
| 357     | 43,142                    | 631          |       | 43,773                           |            | 44,130  | 22,559                   | 21,571                           | September 1994       | March 1995-<br>September 1996-<br>January 2000 |

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|             |               |             |              |               |             |               |               |               |                    |                |
|-------------|---------------|-------------|--------------|---------------|-------------|---------------|---------------|---------------|--------------------|----------------|
|             | 49,210        | 2           |              | 49,212        |             | 49,212        | 40,400        | 8,812         | November 1993-     | November 1997  |
|             |               |             |              |               |             |               |               |               | December 1993      |                |
| 8,419       | 160,921       | 718         |              | 161,639       |             | 170,058       | 80,419        | 89,639        | September 1988     | October 1998   |
| 25,686      | 65,022        | 576         |              | 65,598        |             | 91,284        | 13,883        | 77,401        | November 2004      | N/A            |
| 10,546      | 110,479       |             | (2,993)      | 107,486       |             | 118,032       | 37,482        | 80,550        | June 1994          | December 2004  |
| 3,046       | 9,647         | 262         |              | 9,909         |             | 12,955        | 566           | 12,389        | Under construction | September 1999 |
| 123,568     | 436,431       | 39,025      |              | 475,456       |             | 599,024       | 15,670        | 583,354       | July 2009          | November, 2006 |
| 5,009       | 90,704        | 4,118       |              | 94,822        |             | 99,831        | 30,873        | 68,958        | March, 1990        | December, 2006 |
| 43,675      | 1,456         |             | (1,234)      | 222           |             | 43,897        | 13,549        | 30,348        | N/A                | N/A            |
| Ps. 778,533 | Ps. 2,281,969 | Ps. 532,127 | Ps. (45,092) | Ps. 2,769,004 | Ps. (3,532) | Ps. 3,544,005 | Ps. 1,001,992 | Ps. 2,542,013 |                    |                |

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****27. Differences between Argentine GAAP and US GAAP (continued)****II. Additional disclosure requirements (continued)****(s) Investments in real estate and accumulated depreciation (continued)**

|  | <b>2010</b>   | <b>Year ended June 30,</b> |               |
|--|---------------|----------------------------|---------------|
|  |               | <b>2009</b>                | <b>2008</b>   |
| Balance, beginning of the year                         | Ps. 3,411,553 | Ps. 3,191,939              | Ps. 2,625,519 |
| Additions during the year:                             |               |                            |               |
| Acquisition  | 100,804       |                            | 403,019       |
| Improvements   | 55,106        | 55,425                     | 230,958       |
| Recovery of impairment                                 | 359           | 1,083                      | 2,639         |
| Transfers from work-in-progress leasehold improvements |               | 319,834                    | 20,026        |
|  | 3,567,822     | 3,568,281                  | 3,282,161     |
| Deductions during the year:                            |               |                            |               |
| Sales  | (58,538)      | (156,728)                  | (90,222)      |
|  | (58,538)      | (156,728)                  | (90,222)      |
| Balance, end of the year                               | Ps. 3,509,284 | Ps. 3,411,553              | Ps. 3,191,939 |

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****27. Differences between Argentine GAAP and US GAAP (continued)****II. Additional disclosure requirements (continued)****(t) Mortgage receivable on real estate**

The following is a summary of the Company's mortgage receivable on real estate as of June 30, 2010 prepared in accordance with SEC S-X 12-29.

| Col. A.  | Col. B.       | Col. C.             | Col. D.      | Col. E.               | Col. F.    | Col. G.                      | Col. H.    |   |
|--|---------------|---------------------|--------------|-----------------------|------------|------------------------------|------------|---|
| Description                                    | Interest Rate | Final maturity date |              | Periodic payment term | Prior lien | Carrying amount of mortgages |            | Principal amount of loans subject to delinquent principal or interest |
|  |               |                     |              |                       |            | Face amount of mortgages     | mortgages  |   |
| Customer A                                     | 14%           | December 2012       |              | Semi-Annual           | None       | Ps. 30,680                   | Ps. 26,537 | None  |
| Customer B                                     | 10%           | August 2012         |              | Monthly               | None       | 3,856                        | 3,860      | None  |
| Customer C                                     | 6%            | June 2011           |              | Monthly               | None       | 3,113                        | 2,485      | None  |
| Mortgage receivables<br>Ps. 30,000-Ps. 49,999  | 14-17%        | September 2009      | January 2011 | Monthly               | None       | 57                           | 73         | None  |
| Mortgage receivables<br>Ps. 50,000 -Ps.69,999  | 14-16%        | May 2009            | April 2010   | Monthly               | None       | 282                          | 340        | None  |
| Mortgage receivables<br>Ps. 70,000-Ps.99,999   | 12-14%        | June 2009           | April 2015   | Monthly               | None       | 220                          | 254        | None  |
| Mortgage receivables<br>Ps. 120,000-Ps.139,999 | 14%           | June 2014           |              | Monthly               | None       | 128                          | 50         | None  |
| Mortgage receivables<br>Ps. 360,000-Ps.379,999 | 12%           | November 2012       |              | Monthly               | None       | 361                          | 314        | None  |
|  |               |                     |              |                       |            | Ps. 38,697                   | Ps. 33,913 |   |

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****27. Differences between Argentine GAAP and US GAAP (continued)*****II. Additional disclosure requirements (continued)******(t) Mortgage receivable on real estate (continued)***

The summary of activity in mortgage receivables is as follows:

|                             | <b>2010</b> | <b>Year ended June 30,<br/>2009</b> | <b>2008</b> |
|-----------------------------|-------------|-------------------------------------|-------------|
| Balance, beginning of year  | Ps. 10,449  | Ps. 1,343                           | Ps. 1,749   |
| Additions during the year:  |             |                                     |             |
| New mortgage loans          | 37,669      | 9,392                               | 328         |
| Deductions during the year: |             |                                     |             |
| Collections of principal    | (14,205)    | (286)                               | (734)       |
| Balance, end of year        | Ps. 33,913  | Ps. 10,449                          | Ps. 1,343   |

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**28. Other financial statement information**

The following tables present additional financial statement disclosures required under Argentine GAAP:

- a. Fixed assets, net
- b. Intangible assets, net
- c. Allowances and provisions
- d. Costs
- e. Foreign currency assets and liabilities
- f. Other expenses

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****28. Other financial statement information (continued)***a. Fixed assets*

| Principal account       | Original value                |                         |                          | Value as of end of year | Accumulated as of beginning of year | Depreciation Current year             |            |            | Accumulated as of end of year | Impairment | Net carrying value as of June 30, |            |  |
|-------------------------|-------------------------------|-------------------------|--------------------------|-------------------------|-------------------------------------|---------------------------------------|------------|------------|-------------------------------|------------|-----------------------------------|------------|--|
|                         | Value as of beginning of year | Additions and transfers | Deductions and transfers |                         |                                     | Increases / (decreases) and transfers | Amount (i) | 2010       |                               |            | 2009                              | 2008       |  |
| Facilities              | Ps. 186,383                   | Ps. 450                 | Ps. (43)                 | Ps. 186,790             | Ps. 83,171                          | Ps. (20)                              | Ps. 13,150 | Ps. 96,301 | Ps.                           | Ps. 90,489 | Ps. 103,212                       | Ps. 29,988 |  |
| Furniture and fixtures  | 77,906                        | 2,942                   | (830)                    | 80,018                  | 56,662                              | (134)                                 | 6,265      | 62,793     |                               | 17,225     | 21,244                            | 15,098     |  |
| Machinery and equipment | 9,154                         | 654                     | (5)                      | 9,803                   | 7,684                               | 1                                     | 962        | 8,647      |                               | 1,156      | 1,470                             | 428        |  |
| Computer equipment      | 64,263                        | 1,924                   | (382)                    | 65,805                  | 54,166                              | (270)                                 | 5,971      | 59,867     |                               | 5,938      | 10,097                            | 9,058      |  |
| Vehicles                | 1,107                         | 43                      | (16)                     | 1,134                   | 994                                 | (16)                                  | 47         | 1,025      |                               | 109        | 113                               | 208        |  |
| Leasehold improvements  | 24,377                        | 758                     |                          | 25,135                  | 19,107                              |                                       | 3,215      | 22,322     |                               | 2,813      | 5,270                             | 2,738      |  |
| Advances to suppliers   | 27,476                        | 6,194                   | (762)                    | 32,908                  | 14                                  |                                       |            | 14         |                               | 32,894     | 27,462                            | 61,108     |  |
| <b>Properties:</b>      |                               |                         |                          |                         |                                     |                                       |            |            |                               |            |                                   |            |  |
| Palermo Park            | 670                           |                         | (11)                     | 659                     | 122                                 | (9)                                   |            | 113        |                               | 546        | 548                               | 558        |  |
| C. de Mayo 595          | 7,338                         |                         |                          | 7,338                   | 2,615                               |                                       | 234        | 2,849      |                               | 4,489      | 4,723                             | 4,958      |  |
| C. Madero 942           |                               |                         |                          |                         |                                     |                                       |            |            |                               |            |                                   | 2,288      |  |
| Arcebuchard 551         | 160,657                       |                         |                          | 160,657                 | 7,759                               |                                       | 2,328      | 10,087     |                               | 150,570    | 152,898                           | 155,228    |  |
| Arcebuchard 710         | 72,460                        |                         |                          | 72,460                  | 6,177                               |                                       | 1,022      | 7,199      |                               | 65,261     | 66,283                            | 67,308     |  |
| Constitución 1111       | 1,337                         |                         |                          | 1,337                   | 397                                 |                                       | 43         | 440        |                               | 897        | 940                               | 988        |  |
| Constitución 1159       | 8,762                         |                         |                          | 8,762                   |                                     |                                       |            |            | (3,335)                       | 5,427      | 5,173                             | 4,108      |  |
| Esteros Dique IV        | 23,337                        |                         |                          | 23,337                  | 3,638                               |                                       | 588        | 4,226      |                               | 19,111     | 19,699                            | 20,288     |  |
| Esteros Dique II        |                               |                         |                          |                         |                                     |                                       |            |            |                               |            |                                   |            |  |
| Edificios A y B         | 21,184                        |                         | (21,184)                 |                         | 3,811                               | (3,994)                               | 183        |            |                               |            | 17,373                            | 17,928     |  |
| Dique IV                | 67,362                        | 442                     | (548)                    | 67,256                  | 378                                 |                                       | 2,258      | 2,636      |                               | 64,620     | 66,984                            |            |  |
| Elck del Plata          | 13,366                        | 371                     | (12,805)                 | 932                     | 675                                 | (729)                                 | 122        | 68         |                               | 864        | 12,691                            | 25,658     |  |
| Hotel                   |                               |                         |                          |                         |                                     |                                       |            |            |                               |            |                                   |            |  |
| Intercontinental        | 56,338                        |                         | (17)                     | 56,321                  | 8,589                               |                                       | 1,732      | 10,321     |                               | 46,000     | 47,749                            | 49,578     |  |
| Hotel Libertador        | 79,339                        | 2,213                   |                          | 81,552                  | 41,561                              |                                       | 3,623      | 45,184     |                               | 36,368     | 37,778                            | 36,968     |  |
| Hotel Llao Llao         | 111,621                       | 498                     |                          | 112,119                 | 15,530                              |                                       | 4,386      | 19,916     |                               | 92,203     | 96,091                            | 109,128    |  |
| Intercontinental        |                               |                         |                          |                         |                                     |                                       |            |            |                               |            |                                   |            |  |
| Plaza                   | 98,304                        |                         | (17)                     | 98,287                  | 11,799                              | (6)                                   | 4,086      | 15,879     |                               | 82,408     | 86,501                            | 90,528     |  |
| Plaza                   |                               |                         |                          |                         |                                     |                                       |            |            |                               |            |                                   | 28,348     |  |
| Hotel Libertador 498    | 36,342                        |                         | (16,000)                 | 20,342                  | 9,143                               | (4,153)                               | 695        | 5,685      |                               | 14,657     | 27,199                            | 39,638     |  |
| Hotel Libertador 602    | 3,485                         |                         | (3,485)                  |                         | 852                                 | (935)                                 | 83         |            |                               |            | 2,633                             | 2,738      |  |
| C. Madero 1020          | 408                           |                         | (45)                     | 363                     | 139                                 | (15)                                  | 21         | 145        |                               | 218        | 269                               | 698        |  |
| Sanipú 1300             | 52,716                        |                         |                          | 52,716                  | 13,046                              |                                       | 1,383      | 14,429     |                               | 38,287     | 39,670                            | 41,028     |  |
| Sanconquista 823        |                               |                         |                          |                         |                                     |                                       |            |            |                               |            |                                   | 18,448     |  |
| Sanvada via 2768        | 334                           |                         |                          | 334                     | 91                                  |                                       | 26         | 117        |                               | 217        | 243                               | 268        |  |

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|                        |         |         |      |         |         |        |         |        |         |         |
|------------------------|---------|---------|------|---------|---------|--------|---------|--------|---------|---------|
| anta María del         |         |         |      |         |         |        |         |        |         |         |
| anta                   | 12,496  |         |      | 12,496  |         |        |         | 12,496 | 12,496  | 12,496  |
| amiento 517            | 485     |         |      | 485     | 73      | 18     | 91      | (197)  | 197     | 355     |
| ore Cruceros           |         |         |      |         |         |        |         |        |         |         |
| talinas Norte          |         |         |      |         |         |        |         |        |         |         |
| ot of land             |         | 100,804 |      | 100,804 |         |        |         |        | 100,804 |         |
| ipacha 652             | 17,010  |         |      | 17,010  | 5,622   | 452    | 6,074   |        | 10,936  | 11,388  |
| lla Paolera 265        | 162,783 |         |      | 162,783 | 4,889   | 2,698  | 7,587   |        | 155,196 | 157,894 |
| aseo Renault           | 5,065   |         |      | 5,065   | 188     | 92     | 280     |        | 4,785   | 4,877   |
| ificio República       | 230,294 |         |      | 230,294 | 5,816   | 4,701  | 10,517  |        | 219,777 | 224,478 |
| <b>ork-in-progress</b> |         |         |      |         |         |        |         |        |         |         |
| que IV                 |         |         |      |         |         |        |         |        |         | 36,38   |
| <b>opping</b>          |         |         |      |         |         |        |         |        |         |         |
| <b>nters:</b>          |         |         |      |         |         |        |         |        |         |         |
| opping Abasto          | 263,864 | 97      |      | 263,961 | 91,277  | 9,128  | 100,405 |        | 163,556 | 172,586 |
| opping Alto            |         |         |      |         |         |        |         |        |         |         |
| ermo                   | 430,164 | 395     | (23) | 430,536 | 273,499 | 22,053 | 295,552 |        | 134,984 | 156,665 |
| opping Alto            |         |         |      |         |         |        |         |        |         |         |
| ellaneda               | 196,056 | 2,416   | (85) | 198,387 | 111,433 | 13,501 | 124,934 |        | 73,453  | 84,624  |
| opping Paseo           |         |         |      |         |         |        |         |        |         |         |
| corta                  | 130,726 | 1,795   |      | 132,521 | 56,706  | 5,151  | 61,857  |        | 70,664  | 74,020  |
| opping Alto Noa        | 43,499  | 631     |      | 44,130  | 20,418  | 2,141  | 22,559  |        | 21,571  | 23,081  |
| opping Buenos          |         |         |      |         |         |        |         |        |         |         |
| res Design             | 49,210  | 2       |      | 49,212  | 37,903  | 2,497  | 40,400  |        | 8,812   | 11,306  |
| opping Patio           |         |         |      |         |         |        |         |        |         |         |
| llrich                 | 169,340 | 718     |      | 170,058 | 72,436  | 7,983  | 80,419  |        | 89,639  | 96,903  |

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008**

(Amounts in thousands, except share data and as otherwise indicated)

**28. Other financial statement information (continued)***a. Fixed assets (continued)*

| Value as of beginning of year | Original value          |                          | Value as of end of year | Accumulated as of beginning of year | Depreciation |                                       |               | Accumulated as of end of year | Impairment    | Net carrying value as of |      |
|-------------------------------|-------------------------|--------------------------|-------------------------|-------------------------------------|--------------|---------------------------------------|---------------|-------------------------------|---------------|--------------------------|------|
|                               | Additions and transfers | Deductions and transfers |                         |                                     | Current year | Increases / (decreases) and transfers | Amount (i)    |                               |               | 2010                     | 2009 |
| Ps. 90,708                    | Ps. 576                 | Ps.                      | Ps. 91,284              | Ps. 11,272                          | Ps.          | Ps. 2,611                             | Ps. 13,883    |                               | Ps. 77,401    | Ps. 79,436               |      |
| 95,713                        | 4,118                   |                          | 99,831                  | 26,518                              |              | 4,355                                 | 30,873        |                               | 68,958        | 69,195                   |      |
| 121,025                       | 91                      | (3,084)                  | 118,032                 | 35,731                              | (2,962)      | 4,713                                 | 37,482        |                               | 80,550        | 85,294                   |      |
| 12,693                        | 262                     |                          | 12,955                  | 566                                 |              |                                       | 566           |                               | 12,389        | 12,127                   |      |
| 559,999                       | 39,025                  |                          | 599,024                 | 2,148                               |              | 13,522                                | 15,670        |                               | 583,354       | 557,852                  |      |
| 43,675                        | 1,456                   | (1,234)                  | 43,897                  | 11,814                              | 15           | 1,720                                 | 13,549        |                               | 30,348        | 31,616                   |      |
| Ps. 3,840,831                 | Ps. 168,875             | Ps. (60,576)             | Ps. 3,949,130           | Ps. 1,116,429                       | Ps. (13,227) | Ps. 149,759                           | Ps. 1,252,961 | Ps. (3,532)                   | Ps. 2,692,637 |                          |      |
| Ps. 3,537,561                 | Ps. 602,470             | Ps. (299,201)            | Ps. 3,840,830           | Ps. 1,002,446                       | Ps. (19,236) | Ps. 133,223                           | Ps. 1,116,433 | Ps. (ii) (3,891)              |               | Ps. 2,720,506            |      |
| Ps. 2,927,000                 | Ps. 706,627             | Ps. (96,066)             | Ps. 3,537,561           | Ps. 892,076                         | Ps. (2,899)  | Ps. 113,269                           | Ps. 1,002,446 | Ps. (ii) (4,974)              |               |                          |      |

(i) The allocation of annual depreciation charges in the consolidated statements of income is included in Other expenses (Note 28.f.), except for Ps. 2,068, Ps. 1,420 and Ps. 366 for the years ended June 30, 2010, 2009 and 2008, respectively, passed-through to tenants.

(ii) Net of the depreciation of the year for Ps. 2, Ps. 10 and Ps. 36 for the years ended June 30, 2010, 2009 and 2008 and recovery of impairment of Ps. 361 for the year ended 2010, Ps. 1,073 for the year ended 2009 and Ps. 2,603 for the year ended 2008.

**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****28. Other financial statement information (continued)****b. Intangible assets, net:**

| Principal account                            | Original value                      |                                |                            | Accumulated<br>as of<br>beginning<br>of<br>year | Amortization<br>Current year  |               | Accumulated<br>as of end<br>of<br>year | Net carrying value as of June 30, |            |           |
|--|-------------------------------------|--------------------------------|----------------------------|---|-------------------------------|---------------|--|-----------------------------------|------------|-----------|
|  | Value as of<br>beginning<br>of year | Additions<br>/<br>(deductions) | Value as of<br>end of year |   | Increases<br>/<br>(decreases) | Amount<br>(i) |  | 2010                              | 2009       | 2008      |
| Preoperating<br>and organization<br>expenses | Ps. 31,745                          | Ps. 12,944                     | Ps. 44,689                 | Ps. 16,971                                      | Ps. (436)                     | Ps. 5,129     | Ps. 21,664                             | Ps. 23,025                        | Ps. 14,774 | Ps. 3,702 |
| Customers                                    | 705                                 |                                | 705                        | 36  |                               | 59            | 95                                     | 610                               | 669        |           |
| Intangible assets                            |                                     |                                |                            |   |                               |               |  |                                   |            |           |
| Saving<br>expenses                           |                                     |                                |                            |   |                               |               |  |                                   |            |           |
| -Torre<br>BankBoston                         | 5,644                               |                                | 5,644                      | 3,350   |                               | 1,720         | 5,070                                  | 574                               | 2,294      | 4,140     |
| -Museo Renault                               | 198                                 |                                | 198                        | 125   |                               | 73            | 198                                    |                                   | 73         | 152       |
| -Edificio<br>República                       | 555                                 |                                | 555                        | 260   |                               | 208           | 468                                    | 87                                | 295        | 551       |
| Non-compete<br>agreement                     |                                     | 12,174                         | 12,174                     |   |                               | 3,044         | 3,044                                  | 9,130                             |            |           |
| Concession<br>Arcos del<br>Gourmet           |                                     | 20,873                         | 20,873                     |   |                               | 714           | 714                                    | 20,159                            |            |           |
| Trademarks                                   | 1,029                               | 400                            | 1,429                      | 575   |                               | 42            | 617                                    | 812                               | 454        | 67        |
| Total as of<br>June 30, 2010                 | Ps. 39,876                          | Ps. 46,391                     | Ps. 86,267                 | Ps. 21,317                                      | Ps. (436)                     | Ps. 10,989    | Ps. 31,870                             | Ps. 54,397                        |            |           |
| Total as of<br>June 30, 2009                 | Ps. 26,762                          | Ps. 13,114                     | Ps. 39,876                 | Ps. 18,150                                      | Ps. (22)                      | Ps. 3,189     | Ps. 21,317                             |                                   | Ps. 18,559 |           |
| Total as of<br>June 30, 2008                 | Ps. 18,612                          | Ps. 8,150                      | Ps. 26,762                 | Ps. 15,790                                      | Ps.                           | Ps. 2,360     | Ps. 18,150                             |                                   |            | Ps. 8,612 |

(i) The allocation of annual amortization charges in the consolidated statements of income is included in Other expenses (Note 28.f.); except for Ps. 10 and Ps. 20 for the years ended 2009 and 2008 allocated in Cost .



**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****28. Other financial statement information (continued)***c. Allowances and provisions*

| Item  | Balances as of<br>beginning<br>of year | Additions  | Deductions   | Carrying value of June 30, |             |             |
|---|--|------------|--------------|----------------------------|-------------|-------------|
|   |  |            |              | 2010                       | 2009        | 2008        |
| <b>Deducted from current assets:</b>                  |  |            |              |                            |             |             |
| Allowance for doubtful accounts                       | 128,964(i)                             | 30,253(ii) | (45,066)     | 114,151                    | 128,964     | 104,721     |
| Allowance for impairment of investments               | 10,198                                 | (vii)      | (2,775)      | 7,423                      | 10,198      | 11,423      |
| Total as of June 30, 2010                             | Ps. 139,162                            | Ps. 30,253 | Ps. (47,841) | Ps. 121,574                |             |             |
| Total as of June 30, 2009                             | Ps. 116,144                            | Ps. 93,697 | Ps. (70,679) |                            | Ps. 139,162 |             |
| Total as of June 30, 2008                             | Ps. 56,076                             | Ps. 74,378 | Ps. (14,310) |                            |             | Ps. 116,144 |
| <b>Deducted from non-current assets:</b>              |  |            |              |                            |             |             |
| Allowance for doubtful mortgage receivable            | 2,208                                  |            |              | 2,208                      | 2,208       | 2,208       |
| Allowance for doubtful accounts                       | 2,708                                  |            | (1,458)      | 1,250                      | 2,708       | 1,956       |
| Allowance for impairment of undeveloped plots of land | 50                                     |            |              | 50                         | 50          | 360         |
| Allowance for impairment of fixed assets              | 3,891                                  | 2(iii)     | (361)        | 3,532                      | 3,891       | 4,974       |
| Allowance for impairment of inventories               | 1,029                                  | 870(vi)    | (1,742)      | 157                        | 1,029       | 1,111       |
| Allowance for impairment of non-current investments   | 1,891(vii)                             | 1,721(vii) | (2,497)      | 1,115                      | 1,891       | 577         |
| Total as of June 30, 2010                             | Ps. 11,777                             | Ps. 2,593  | Ps. (6,058)  | Ps. 8,312                  |             |             |
| Total as of June 30, 2009                             | Ps. 11,186                             | Ps. 2,066  | Ps. (1,475)  |                            | Ps. 11,777  |             |
| Total as of June 30, 2008                             | Ps. 13,374                             | Ps. 639    | Ps. (2,827)  |                            |             | Ps. 11,186  |

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| <b>Included in current liabilities:</b>     |     |           |     |          |     |         |     |       |     |       |     |       |
|---|-----|-----------|-----|----------|-----|---------|-----|-------|-----|-------|-----|-------|
| Provision for contingencies                 |     | 2,594(iv) |     | 2,095(v) |     | (1,799) |     | 2,890 |     | 2,594 |     | 1,787 |
| Total as of June 30, 2009                   | Ps. | 2,594     | Ps. | 2,095    | Ps. | (1,799) | Ps. | 2,890 |     |       |     |       |
| Total as of June 30, 2008                   | Ps. | 1,787     | Ps. | 4,673    | Ps. | (3,866) |     |       | Ps. | 2,594 |     |       |
| Total as of June 30, 2007                   | Ps. | 7,595     | Ps. | 1,570    | Ps. | (7,378) |     |       |     |       | Ps. | 1,787 |
| <b>Included in non-current liabilities:</b> |     |           |     |          |     |         |     |       |     |       |     |       |
| Provision for contingencies                 |     | 5,537(iv) |     | 3,305(v) |     | (902)   |     | 7,940 |     | 5,537 |     | 7,899 |
| Total as of June 30, 2010                   | Ps. | 5,537     |     | 3,305    |     | (902)   | Ps. | 7,940 |     |       |     |       |
| Total as of June 30, 2009                   | Ps. | 7,899     | Ps. | 1,739    | Ps. | (4,101) |     |       | Ps. | 5,537 |     |       |
| Total as of June 30, 2008                   | Ps. | 12,732    | Ps. | 2,226    | Ps. | (7,059) |     |       |     |       | Ps. | 7,899 |

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**IRSA Inversiones y Representaciones Sociedad Anónima**

**Notes to the Consolidated Financial Statements**

**for the years ended June 30, 2010, 2009 and 2008**

**(Amounts in thousands, except share data and as otherwise indicated)**

**28. Other financial statement information (continued)**

*c. Allowances and provisions (continued)*

- (i) Doubtful accounts are disclosed in Other expenses (Note 28.f.).
- (ii) Related to off set and recovery of the year.
- (iii) Includes recovery of impairment of Ps. 361 disclosed in Gain from operations and holdings of real estate assets, net .
- (iv) Includes Ps. 560 shown in Other expenses, net (Note 9) and Ps. 4,840 shown in Other expenses (Note 28.f.).
- (v) Related to utilization of the year except for Ps.861 included in Other expenses, net (Note 9) and Ps. 321 related to recovery of the year.
- (vi) Includes recovery of impairment of Ps. 730 disclosed in Gain from operations and holdings of real estates assets, net and Ps. 1,012 related to utilization of the year.
- (vii) Included in Net income (loss) from retained interest in securitized receivables.

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****28. Other financial statement information (continued)***d. Costs*

|  | 2010        | Year ended June 30,<br>2009 | 2008        |
|--|-------------|-----------------------------|-------------|
| <b>I. Cost of sales</b>                                      |             |                             |             |
| Stock as of beginning of year                                | Ps. 187,707 | Ps. 182,780                 | Ps. 256,203 |
| Plus:  |             |                             |             |
| Expenses (Note 28.f.)  | 14,004      | 8,773                       | 4,678       |
| Transfers to fixed assets                                    |             |                             | (4,856)     |
| Transfers from fixed assets                                  | 43,984      | 78,870                      |             |
| Transfers from undeveloped parcels of land                   | 7,789       | 5,406                       | 4,611       |
| Capitalized interest   | 1,932       | 7,087                       |             |
| Sale of business   | 21,902      |                             |             |
| Adjustment to purchase price of inventory (i)                | 83,512      | 41,053                      | 70,237      |
| Stock as of end of year                                      | (311,516)   | (187,707)                   | (182,780)   |
| Subtotal   | 49,314      | 136,262                     | 148,093     |
| Plus:  |             |                             |             |
| Gain from recognition of inventories at net realizable value | 33,831      | 12,056                      | 2,832       |
| Results from holding of real estate assets                   |             |                             | (31)        |
| <b>Cost of properties sold</b>                               | 83,145      | 148,318                     | 150,894     |
| <b>II. Cost of leases</b>                                    |             |                             |             |
| Expenses (Note 28.f.)  | 189,783     | 138,352                     | 124,993     |
| <b>Cost of properties leased</b>                             | 189,783     | 138,352                     | 124,993     |
| <b>III. Cost of fees for services</b>                        |             |                             |             |
| Expenses (Note 28.f.)  |             | 253                         | 529         |
| <b>Cost of fees for services</b>                             |             | 253                         | 529         |
| <b>IV. Cost of hotel activities</b>                          |             |                             |             |
| Stock as of beginning of year                                | 2,125       | 3,220                       | 2,957       |
| Purchases of the year  | 1,016       | (1,095)                     | 263         |
| Expenses (Note 28.f.)  | 102,897     | 98,889                      | 84,220      |
| Stock as of end of year                                      | (3,141)     | (2,125)                     | (3,220)     |
| <b>Cost of hotel activities</b>                              | 102,897     | 98,889                      | 84,220      |

|                                      |             |             |             |
|--------------------------------------|-------------|-------------|-------------|
| <b>V. Cost of consumer financing</b> |             |             |             |
| Expenses (Note 28.f.)                | 99,470      | 122,694     | 103,587     |
| <b>Cost of consumer financing</b>    | 99,470      | 122,694     | 103,587     |
| <b>TOTAL COSTS</b>                   | Ps. 475,295 | Ps. 508,506 | Ps. 464,223 |

(i) Includes Ps.8,200 related to the square meters that shall be received to the balance from the sale of business (see note 2. g.A.8).

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****28. Other financial statement information (continued)***e. Foreign currency assets and liabilities*

| Captions                                       | Currency        | Amount of<br>foreign<br>currency | Current<br>Exchange<br>rate (i) | Total as of June 30, |                |
|--|-----------------|----------------------------------|---------------------------------|----------------------|----------------|
|  |                 |                                  |                                 | 2010                 | 2009           |
| <b>Assets</b>                                  |                 |                                  |                                 |                      |                |
| <b>Current assets</b>                          |                 |                                  |                                 |                      |                |
| Cash and banks:                                |                 |                                  |                                 |                      |                |
| Cash on hand                                   | US\$            | 209                              | 3.891                           | Ps. 815              | Ps. 485        |
| Cash on hand                                   | Euros           | 4                                | 4.769                           | 18                   | 28             |
| Cash on hand                                   | Reales          |                                  |                                 |                      | 4              |
| Cash on hand                                   | Libras          | 2                                | 5.819                           | 14                   | 5              |
| Cash on hand                                   | Pesos Uruguayos | 7                                | 0.162                           | 1                    | 1              |
| Cash on hand                                   | BRL             | 3                                | 2.070                           | 6                    |                |
| Bank accounts                                  | US\$            | 10,004                           | 3.891                           | 38,926               | 40,600         |
| Bank accounts                                  | Euros           | 354                              | 4.769                           | 1,689                | 2,370          |
| Checks to be deposited                         | US\$            | 34                               | 3.891                           | 134                  | 48             |
| Investments:                                   |                 |                                  |                                 |                      |                |
| Other investments                              | US\$            | 4                                | 3.891                           | 16                   |                |
| Mutual funds                                   | US\$            | 26,814                           | 3.891                           | 104,335              | 128,121        |
| Shares of public companies                     | US\$            | 291                              | 3.891                           | 1,132                | 21,603         |
| Shares of public                               | Euros           | 818                              | 4.769                           | 2,930                |                |
| Accounts receivable, net                       | US\$            | 10,972                           | 3.891                           | 42,692               | 26,179         |
| Accounts receivable, net                       | Pesos Uruguayos | 352                              | 0.162                           | 57                   | 21             |
| Related Parties                                | US\$            | 1,448                            | 3.891                           | 5,636                | 374            |
| Other receivables and prepaid expenses:        |                 |                                  |                                 |                      |                |
| Metropolitan, put option                       | US\$            | 12,455                           | 3.891                           | 48,461               | 44,877         |
| Related parties                                | US\$            | 8,898                            | 3.891                           | 34,623               | 10,758         |
| Receivables from the sale of shares            | US\$            | 9,194                            | 3.891                           | 35,772               | 70,642         |
| Prepaid expenses and series                    | US\$            | 242                              | 3.891                           | 943                  | 16,177         |
| Guarantee of defaulted credits                 | US\$            |                                  |                                 |                      | 4,206          |
| Guarantee deposits                             | US\$            | 188                              | 3.891                           | 733                  | 12             |
| Others   | US\$            | 203                              | 3.891                           | 789                  | 969            |
| Others   | UYP             | 6                                | 0.162                           | 1                    |                |
| <b>Total current assets</b>                    |                 |                                  |                                 | <b>319,723</b>       | <b>367,480</b> |
| <b>Non-current assets</b>                      |                 |                                  |                                 |                      |                |
| Investments:                                   |                 |                                  |                                 |                      |                |
| Advance payments for the acquisition of shares | US\$            | 6,000                            | 3.891                           | 23,346               | 2,254          |
| Hersha Hospitality Trust                       | US\$            | 52,566                           | 3.891                           | 204,553              |                |
| Others   | US\$            | 100                              | 3.891                           | 393                  |                |

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|   |      |       |       |             |             |
|---|------|-------|-------|-------------|-------------|
| Accounts receivable, net                | U\$S | 4,377 | 3,891 | 17,030      | 1,373       |
| Other receivables and prepaid expenses: |      |       |       |             |             |
| Others                                  | U\$S | 30    | 3,891 | 117         | 174         |
| <b>Total non-current assets</b>         |      |       |       | 245,439     | 3,801       |
| <b>Total assets as of June 30, 2010</b> |      |       |       | Ps. 565,162 |             |
| <b>Total assets as of June 30, 2009</b> |      |       |       |             | Ps. 371,281 |

(i) Official exchange rate prevailing as of June 30, 2010.

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****28. Other financial statement information (continued)*****e. Foreign currency assets and liabilities (continued)***

| Captions                                     | Currency | Amount<br>of<br>foreign<br>currency | Current<br>Exchange<br>rate (i) | Total as of June 30, |                      |
|--|----------|-------------------------------------|---------------------------------|----------------------|----------------------|
|  |          |                                     |                                 | 2010                 | 2009                 |
| <b>Liabilities</b>                           |          |                                     |                                 |                      |                      |
| <b>Current liabilities</b>                   |          |                                     |                                 |                      |                      |
| Trade accounts payable:                      |          |                                     |                                 |                      |                      |
| Trade accounts payable                       | U\$S     | 6,885                               | 3.931                           | Ps. 27,064           | Ps. 2,040            |
| Trade accounts payable                       | Euros    | 39                                  | 4.818                           | 188                  |                      |
| Related parties                              | U\$S     | 30                                  | 3.931                           | 119                  | 542                  |
| Mortgage payables                            | U\$S     |                                     |                                 |                      | 1,930                |
| Advances from customers                      | U\$S     | 7,330                               | 3.931                           | 28,814               | 12,800               |
| Taxes payable                                | U\$S     | 23                                  | 3.931                           | 89                   |                      |
| Short-Term debt                              | U\$S     | 23,311                              | 3.931                           | 91,635               | 103,171              |
| Other liabilities:                           |          |                                     |                                 |                      |                      |
| Liabilities from the purchase of shares      | U\$S     | 6,258                               | 3.931                           | 24,599               | 78,870               |
| Related Parties                              | U\$S     | 69                                  | 3.931                           | 270                  |                      |
| Guarantee deposits                           | U\$S     | 681                                 | 3.931                           | 2,677                | 2,187                |
| Others                                       | U\$S     | 759                                 | 3.931                           | 2,985                |                      |
| <b>Total current liabilities</b>             |          |                                     |                                 | <b>178,440</b>       | <b>201,540</b>       |
| <b>Non-current liabilities</b>               |          |                                     |                                 |                      |                      |
| Advances from customers                      | U\$S     |                                     | 3.931                           |                      | 56,822               |
| Seller financing                             | U\$S     | 3,095                               | 3.931                           | 12,166               |                      |
| Long-Term debt                               | U\$S     | 284,645                             | 3.931                           | 1,118,941            | 999,557              |
| Other liabilities:                           |          |                                     |                                 |                      |                      |
| Loans with shareholders of related parties   | U\$S     | 185                                 | 3.931                           | 726                  | 13,290               |
| Hersha option payable                        | U\$S     | 4,247                               | 3.931                           | 16,693               |                      |
| Guarantee deposits                           | U\$S     | 987                                 | 3.931                           | 3,880                | 4,286                |
| Others                                       | U\$S     | 1,500                               | 3.931                           | 5,897                |                      |
| <b>Total non-current liabilities</b>         |          |                                     |                                 | <b>1,158,303</b>     | <b>1,073,955</b>     |
| <b>Total liabilities as of June 30, 2010</b> |          |                                     |                                 | <b>Ps. 1,336,743</b> |                      |
| <b>Total liabilities as of June 30, 2009</b> |          |                                     |                                 |                      | <b>Ps. 1,275,495</b> |

- (i) Official exchange rate prevailing as of June 30, 2010.

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**Table of Contents****IRSA Inversiones y Representaciones Sociedad Anónima****Notes to the Consolidated Financial Statements****for the years ended June 30, 2010, 2009 and 2008****(Amounts in thousands, except share data and as otherwise indicated)****28. Other financial statement information (continued)***f. Other expenses*

| Cost of properties leased | Cost of properties sold | Cost of fees for services | Cost of hotel activities | Cost of consumer financing | Cost of pass-through expenses | Cost of collective promotion fund | Cost of expenses recovery | Administrative | Selling | Financing | Total as of June 30, 2010 | Total as of June 30, 2009 |
|---------------------------|-------------------------|---------------------------|--------------------------|----------------------------|-------------------------------|-----------------------------------|---------------------------|----------------|---------|-----------|---------------------------|---------------------------|
| Ps.                       | Ps.                     | Ps.                       | Ps.                      | Ps.                        | Ps.                           | Ps.                               | Ps.                       | Ps. 49,848     | Ps.     | Ps.       | Ps. 49,848                | Ps. 24,556                |
| 326                       | 156                     |                           | 3,560                    | 14,983                     | 9,506                         | (34)                              | (9,472)                   | 29,009         | 19,731  |           | 67,765                    | 53,789                    |
| 704                       | 584                     |                           | 38,802                   | 23,118                     | 69,862                        | 7,807                             | (77,669)                  | 53,142         | 37,666  |           | 154,016                   | 152,652                   |
|                           |                         |                           | 8,846                    |                            |                               |                                   |                           | 2,066          | 908     |           | 11,820                    | 12,450                    |
| 133,082                   | 158                     |                           | 12,688                   | 2,462                      | 2,068                         |                                   | (2,068)                   | 4,538          | 5,750   | 874       | 159,552                   | 134,972                   |
| 26,096                    | 3,334                   |                           | 7,913                    | 78                         | 53,140                        | 262                               | (53,402)                  | 885            |         |           | 38,306                    | 27,514                    |
| 153                       | 3                       |                           | 3,873                    |                            | 5,817                         |                                   | (5,817)                   | 799            | 207     |           | 5,035                     | 4,957                     |
|                           |                         |                           |                          |                            | 2                             |                                   | (2)                       | 1,212          |         |           | 1,212                     | 1,028                     |
|                           |                         |                           |                          |                            | 18                            | 46,457                            | (46,475)                  |                | 27,769  |           | 27,769                    | 23,531                    |
|                           |                         |                           |                          | 19                         | 3,728                         | 112                               | (3,840)                   | 1,019          |         |           | 1,038                     | 5,396                     |
|                           | 4,190                   |                           | 3,825                    | 40,092                     |                               |                                   |                           | 1,941          | 5,110   |           | 55,158                    | 74,909                    |
|                           | 11                      |                           | 340                      | 1,484                      | 2,248                         | 249                               | (2,497)                   | 1,243          | 2,194   |           | 5,272                     | 4,619                     |
| 2,504                     | 5,196                   |                           |                          | 13,338                     | 32,818                        | 2,617                             | (35,435)                  | 31,548         |         |           | 52,586                    | 79,820                    |
|                           | 1                       |                           |                          |                            |                               |                                   |                           | 625            |         |           | 626                       | 504                       |
|                           |                         |                           |                          |                            | 47                            |                                   | (47)                      |                |         | 146,402   | 146,402                   | 120,959                   |
|                           | 18                      |                           |                          |                            |                               |                                   |                           | 3,913          |         |           | 3,931                     | 2,826                     |
|                           |                         |                           |                          |                            |                               |                                   |                           | 709            |         |           | 709                       | 352                       |
|                           |                         |                           |                          |                            |                               |                                   |                           |                | 30,253  |           | 30,253                    | 92,204                    |
|                           |                         |                           |                          |                            |                               |                                   |                           |                | (5,867) |           | (5,867)                   |                           |





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**REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors and Shareholders of

Banco Hipotecario S.A.

We have audited the accompanying consolidated balance sheets of Banco Hipotecario S.A. and its subsidiaries (collectively referred to as the Bank ) as of June 30, 2010 and 2009 and the related consolidated statements of income, of changes in shareholders' equity and of cash flows for each of the three twelve-month periods in the period ended June 30, 2010. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Hipotecario S.A. and its subsidiaries at June 30, 2010 and 2009, and the results of their operations and their cash flows for each of the three twelve-month periods in the period ended June 30, 2010 in conformity with accounting rules prescribed by the Banco Central de la República Argentina (the BCRA ).

The Bank's consolidated financial statements have been prepared in accordance with Argentine Banking GAAP, which differs in certain significant respects from US GAAP. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by US GAAP and regulations of the SEC. These consolidated financial statements include solely a reconciliation of net income and shareholders' equity to US GAAP. Pursuant to Item 17 of Form 20-F, this reconciliation does not include disclosure of all information that would be required by US GAAP and regulations of the SEC. Information relating to the nature and effect of the differences between accounting rules prescribed by the BCRA and US GAAP is presented in Note 34 to the consolidated financial statements.

Price Waterhouse & Co S.R.L.

**Diego Sisto**  
**Partner**

Buenos Aires, Argentina

August 9, 2010, except for notes 34 and 35 as to which the date is December 28, 2010.

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**Table of Contents****BANCO HIPOTECARIO SA AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

As of June 30, 2010 and 2009

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated))

|   | 2010                  | June 30, | 2009                  |
|---|-----------------------|----------|-----------------------|
| <b>ASSETS</b>   |                       |          |                       |
| Cash and due from banks   | Ps. 129,122           | Ps.      | 95,335                |
| Banks and correspondents  | 683,657               |          | 1,132,566             |
|   | 812,779               |          | 1,227,901             |
| Government and corporate securities (Note 8)  | 3,333,736             |          | 1,483,079             |
| Loans (Note 9)  |                       |          |                       |
| Mortgage loans  | 1,851,651             |          | 2,078,621             |
| Other loans   | 2,908,358             |          | 2,407,457             |
|   | 4,760,009             |          | 4,486,078             |
| Plus: Accrued interest receivable   | 42,672                |          | 53,164                |
| Less: Allowance for loan losses (Note 10)   | (171,303)             |          | (235,713)             |
|   | 4,631,378             |          | 4,303,529             |
| Other receivables from financial transactions (Note 11)                                       |                       |          |                       |
| Securities receivable under repurchase agreements   |                       |          | 1,288,305             |
| Amounts receivable under derivative financial instruments (Note 20)                           | 869,929               |          | 1,153,430             |
| Loans in trust pending securitization   | 45,477                |          | 61,286                |
| Amounts receivable under reverse repurchase agreements of government and corporate securities | 63,620                |          | 98,401                |
| Other (Note 11)   | 870,721               |          | 865,070               |
|   | 1,849,747             |          | 3,466,492             |
| Plus: Accrued interest receivable   | 9,664                 |          | 8,442                 |
| Less: Allowance for Other receivables from financial transactions                             | (59,330)              |          | (55,373)              |
|   | 1,800,081             |          | 3,419,561             |
| Investments in other companies  | 66                    |          | 66                    |
| Miscellaneous receivables (Note 12)   | 514,346               |          | 1,287,077             |
| Bank premises and equipment (Note 13)   | 112,159               |          | 106,905               |
| Miscellaneous assets (Note 14)  | 22,165                |          | 16,201                |
| Intangible assets (Note 13)   | 56,209                |          | 63,561                |
| In-process items  | 1,152                 |          | 1,560                 |
| <b>Total Assets</b>   | <b>Ps. 11,284,071</b> |          | <b>Ps. 11,909,440</b> |

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****BANCO HIPOTECARIO SA AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (Continued)**

As of June 30, 2010 and 2009

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

|   | 2010             | June 30 | 2009             |
|---|------------------|---------|------------------|
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>  |                  |         |                  |
| <b>LIABILITIES</b>  |                  |         |                  |
| Deposits  |                  |         |                  |
| Checking accounts   | Ps. 106,617      |         | Ps. 68,853       |
| Saving accounts   | 313,553          |         | 215,598          |
| Time deposits   | 3,910,517        |         | 3,019,774        |
| Other deposit accounts  | 60,009           |         | 62,695           |
|   | 4,390,696        |         | 3,366,920        |
| Plus: Accrued interest payable  | 54,504           |         | 45,310           |
|   | 4,445,200        |         | 3,412,230        |
| Other liabilities from financial transactions   |                  |         |                  |
| Other banks and international entities (Note 17)  | 20,194           |         | 96,549           |
| Bonds (Note 18)   | 2,336,525        |         | 2,989,203        |
| Argentine Central Bank (Note 16)  | 17,130           |         | 20,697           |
| Amounts payable under derivative financial instruments (Note 20)  | 819,500          |         | 999,458          |
| Borrowings under repurchase agreements collateralized by government securities                                    |                  |         | 1,113,288        |
| Obligation to return securities acquired under reverse repurchase agreements of government and private securities | 71,396           |         | 96,543           |
| Collections and other transactions on behalf of third parties   | 22,212           |         | 15,376           |
| Other   | 254,760          |         | 153,054          |
|   | 3,541,717        |         | 5,484,168        |
| Plus: Accrued interest payable  | 26,254           |         | 67,168           |
|   | 3,567,971        |         | 5,551,336        |
| Miscellaneous liabilities   |                  |         |                  |
| Taxes   | 21,948           |         | 23,421           |
| Sundry creditors (Note 22)  | 82,244           |         | 56,662           |
| Other (Note 22)   | 39,618           |         | 25,921           |
|   | 143,810          |         | 106,004          |
| Reserve for contingencies (Note 15)   | 226,323          |         | 138,971          |
| In-process items  | 1,968            |         | 1,281            |
| Non-controlling interest  | 37,133           |         | 36,881           |
| <b>Total Liabilities</b>  | <b>8,422,405</b> |         | <b>9,246,703</b> |
| <b>SHAREHOLDERS EQUITY</b>  |                  |         |                  |
| Common stock  | 1,428,900        |         | 1,428,900        |
| Treasury stock  | 105,091          |         | 105,091          |

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|  |               |               |
|--|---------------|---------------|
| Inflation adjustment of common stock             | 683,124       | 683,124       |
| Reserves   | 437,461       | 397,908       |
| Retained earning                                 | 207,090       | 47,714        |
| <b>Total Shareholders Equity</b>                 | 2,861,666     | 2,662,737     |
| <b>Total Liabilities and Shareholders Equity</b> | Ps.11,284,071 | Ps.11,909,440 |

The accompanying notes are an integral part of these consolidated financial statements.

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**Table of Contents****BANCO HIPOTECARIO SA AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

For the twelve-month periods ended June 30, 2010, 2009 and 2008

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated))

|  | 2010        | 2009        | 2008          |
|--|-------------|-------------|---------------|
| <b>Financial income</b>  |             |             |               |
| Interest on loans and other receivables from financial transactions    | Ps. 718,233 | Ps. 938,895 | Ps. 485,931   |
| Income from government and corporate securities                        | 504,019     | 75,037      | 204,973       |
| Other  | 57          | 2,227       | 5,687         |
|  | 1,222,309   | 1,016,159   | 696,591       |
| <b>Financial expenses</b>  |             |             |               |
| Interest on deposits and other liabilities from financial transactions | 614,166     | 573,582     | 527,924       |
| Contributions and taxes on financial income                            | 47,424      | 41,726      | 22,769        |
|  | 661,590     | 615,308     | 550,693       |
| Provision for loan losses (Note 10)                                    | 100,150     | 209,844     | 149,861       |
| <b>Income from services</b>  |             |             |               |
| Insurance premiums   | 106,748     | 107,946     | 97,899        |
| Commissions (Note 23)  | 244,336     | 168,570     | 131,068       |
| Other (Note 23)  | 125,036     | 112,337     | 60,474        |
|  | 476,120     | 388,853     | 289,441       |
| <b>Expenses for services</b>   |             |             |               |
| Insurance claims   | 14,528      | 10,517      | 7,870         |
| Commissions (Note 23)  | 122,394     | 105,612     | 85,719        |
| Contributions and taxes on income from services                        | 11,940      | 11,117      | 6,354         |
|  | 148,862     | 127,246     | 99,943        |
| <b>Administrative expenses</b>   |             |             |               |
| Salaries and social security contributions                             | 276,977     | 222,559     | 160,618       |
| Advertising expenses   | 37,264      | 7,880       | 16,350        |
| Value added tax and other taxes  | 26,559      | 19,757      | 21,763        |
| Directors and Syndics fees   | 11,150      | 8,965       | 5,726         |
| Fees for administrative services                                       | 75,402      | 77,249      | 74,598        |
| Maintenance and repairs  | 16,213      | 9,657       | 7,573         |
| Electricity and communications   | 27,255      | 18,794      | 16,584        |
| Depreciation of bank premises and equipment                            | 13,616      | 14,366      | 11,506        |
| Rent   | 15,379      | 14,197      | 11,484        |
| Other  | 63,551      | 62,847      | 62,258        |
|  | 563,366     | 456,271     | 388,460       |
| <b>Net income (loss) from financial transactions</b>                   | Ps. 224,461 | Ps. (3,657) | Ps. (202,925) |

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****BANCO HIPOTECARIO SA AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (Continued)****For the twelve-month periods ended June 30, 2010, 2009 and 2008****(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

|   | 2010    | 2009    | 2008     |
|---|---------|---------|----------|
| Miscellaneous income  |         |         |          |
| Penalty interest  | 9,817   | 11,269  | 6,749    |
| Loans recoveries  | 87,382  | 125,612 | 153,983  |
| Other (Note 24)   | 15,677  | 33,224  | 23,341   |
|   | 112,876 | 170,105 | 184,073  |
| Miscellaneous expenses  |         |         |          |
| Provision for other contingencies and miscellaneous receivables | 49,752  | 44,671  | 11,155   |
| Other (Note 24)   | 62,835  | 56,282  | 20,267   |
|   | 112,587 | 100,953 | 31,422   |
| Income (loss) before income taxes and Non-controlling interest  | 224,750 | 65,495  | (50,274) |
| Income taxes (Note 26)  | 24,351  | 11,512  | 3,734    |
| Non-controlling interest  | (1,470) | (3,520) | (5,554)  |
| Net income (loss) for the period                                | 198,929 | 50,463  | (59,562) |

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****BANCO HIPOTECARIO SA AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

For the twelve-month periods ended June 30, 2010, 2009 and 2008

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated))

|  | Common<br>stock<br>(Note 28) | Paid<br>in<br>capital | Treasury<br>stock<br>(Note 28) | Inflation<br>adjustment<br>of common<br>stock<br>(Note 28) | Reserves<br>Legal<br>(Note 28) | Voluntary<br>(Note<br>28) | Retained earnings<br>/<br>(Accumulated<br>deficit) | Total shareholders<br>equity |
|--|------------------------------|-----------------------|--------------------------------|--|--------------------------------|---------------------------|--|------------------------------|
| <b>Balance as of June 30,<br/>2007</b>   | Ps. 1,500,000                | Ps.                   | Ps.                            | Ps. 717,115  | Ps. 68,868                     | Ps.                       | Ps. 425,313  | Ps. 2,711,296                |
| Retained earnings<br>distribution approved by the<br>General Shareholders<br>Meeting held on May 23,<br>2008 Legal Reserve   |                              |                       |                                |  | 75,044                         |                           | (75,044)   |                              |
| Net loss for the period  |                              |                       |                                |  |                                |                           | (59,562)   | (59,562)                     |
| <b>Balance as of June 30,<br/>2008</b>   | Ps. 1,500,000                | Ps.                   | Ps.                            | Ps. 717,115  | Ps. 143,912                    | Ps.                       | Ps. 290,707  | Ps. 2,651,734                |
| Retained earnings<br>distribution approved by the<br>General Shareholders<br>Meeting held on April 29,<br>2009 Legal Reserve |                              |                       |                                |  | 253,996                        |                           | (253,996)  |                              |
| Board Meeting 243 held on<br>January 21, 2009  |                              |                       |                                |  |                                |                           | (39,460)   | (39,460)                     |
| Treasury stock (Note 28.a.)  | (71,100)                     |                       | 105,091                        | (33,991)   |                                |                           |  |                              |
| Net income for the period  |                              |                       |                                |  |                                |                           | 50,463   | 50,463                       |
| <b>Balance as of June 30,<br/>2009</b>   | Ps. 1,428,900                | Ps.                   | Ps. 105,091                    | Ps. 683,124  | Ps. 397,908                    | Ps.                       | Ps. 47,714   | Ps. 2,662,737                |
| Retained earnings<br>distribution approved by the<br>General Shareholders<br>Meeting held on April 30,<br>2010 Legal Reserve |                              |                       |                                |  | 39,553                         |                           | (39,553)   |                              |
| Net income for the period  |                              |                       |                                |  |                                |                           | 198,929  | 198,929                      |
| <b>Balance as of June 30,<br/>2010</b>   | Ps. 1,428,900                | Ps.                   | Ps. 105,091                    | Ps. 683,124  | Ps. 437,461                    | Ps.                       | Ps. 207,090  | Ps. 2,861,666                |

The accompanying notes are an integral part of these consolidated financial statements



**Table of Contents****BANCO HIPOTECARIO SA AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOW**

For the twelve-month periods ended June 30, 2010, 2009 and 2008

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

|   | 2010               | 2009                 | 2008               |
|---|--------------------|----------------------|--------------------|
| <b>Cash flows from operating activities:</b>  |                    |                      |                    |
| Net income (loss)   | Ps. 198,929        | Ps. 50,463           | Ps. (59,562)       |
| Adjustments to reconcile net income to net cash provided by Cash Flows from operating activities: |                    |                      |                    |
| Provision for loan losses and for contingencies and miscellaneous receivables, net of reversals   | 149,902            | 254,515              | 161,016            |
| Net gain on investment government securities  | (151,380)          | (52,145)             | (94,929)           |
| Gain on derivative financial instruments  | (48,655)           | (43,550)             | (112,934)          |
| Depreciation and amortization   | 28,433             | 26,937               | 19,254             |
| Net gain on sale of premises and equipment and miscellaneous assets                               | (1,599)            | (16,581)             | (5,775)            |
| Net Indexing (CER and CVS) of loans and deposits  | 45,935             | 89,626               | 69,112             |
| Net Interest and indexing (CER) of borrowings and compensations from Argentine Central Bank       |                    | 36,766               | 26,860             |
| Non-controlling interest  | 1,470              | 3,520                | 5,554              |
| Net change in trading investments   | (481,200)          | (581,347)            | 392,838            |
| Net reverse repurchase agreements of government and corporate securities                          |                    | 207,041              | (180,839)          |
| Net change in other assets  | 539,730            | (1,086,227)          | 171,676            |
| Net change in other liabilities   | (1,323,655)        | (186,617)            | (141,733)          |
| <b>Net cash (used in) provided by operating activities</b>  | <b>(1,042,090)</b> | <b>(1,297,599)</b>   | <b>250,538</b>     |
| <b>Cash flows from investing activities:</b>  |                    |                      |                    |
| (Increase)/Decrease in loans, net   | (1,151,335)        | 17,681               | (920,684)          |
| Proceeds from securitization of consumer loans  | 762,120            |                      | 50,514             |
| Proceeds from maturities of investments   | 556,126            | 535,131              | 499,116            |
| Proceeds from sales of investments  | 79,650             |                      |                    |
| Proceeds from sale of premises and equipment  | 1,570              | 4,887                | 5,468              |
| Purchases of premises and equipment, miscellaneous and intangible assets                          | (33,856)           | (33,552)             | (57,421)           |
| <b>Net cash provided by (used in) investing activities</b>  | <b>214,275</b>     | <b>524,147</b>       | <b>(423,007)</b>   |
| <b>Cash flows from financing activities:</b>  |                    |                      |                    |
| Increase in deposits, net   | 1,023,776          | 1,458,835            | 1,043,585          |
| Principal payments on bonds, notes, and other debts   | (612,894)          | (221,987)            | (293,316)          |
| (Decrease)/Increase in borrowings, net  | (116,139)          | 36,443               | (254,193)          |
| <b>Net cash provided by financing activities</b>  | <b>294,743</b>     | <b>1,273,291</b>     | <b>496,076</b>     |
| Net increase/(decrease) in cash and cash equivalents  | (533,071)          | 499,839              | 323,607            |
| Cash and cash equivalents at the beginning of the period  | 1,227,901          | 647,691              | 327,673            |
| Effect of foreign exchange changes on cash and cash equivalents                                   | 117,949            | 80,371               | (3,589)            |
| <b>Cash and cash equivalents at the end of the period</b>   | <b>Ps. 812,779</b> | <b>Ps. 1,227,901</b> | <b>Ps. 647,691</b> |

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Supplemental disclosure of cash flow information:

|   |            |            |           |
|---|------------|------------|-----------|
| Cash paid for interest                          | Ps. 31,720 | Ps. 27,588 | Ps. 5,965 |
| Cash paid for presumptive minimum income tax    | 19,944     | 18,765     | 26,197    |
| Non-cash transactions involving securitizations | 38,106     |            | 8,914     |

**The accompanying notes are an integral part of these consolidated financial statements.**

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**Table of Contents****BANCO HIPOTECARIO SA AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****As of and for the twelve-month periods ended June 30, 2010, 2009 and 2008****(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)****1. General***a. Description of business*

Banco Hipotecario SA (herein after referred to as the **Bank** or **BHSA** ), is a commercial bank, organized under the laws of Argentina.

The Bank historically has provided general banking services, focused on individual residential mortgage loans and construction-project loans directly to customers as well as indirectly through selected banks and other financial intermediaries throughout Argentina. In 2004, as part of its business diversification strategy, the Bank resumed the mortgage lending and expanded its product offerings, beginning to offer personal loans, credit card loans and also engaging in mortgage loan securitizations, mortgage loan servicing, other corporate loans and mortgage-related insurance in connection with its lending activities.

*b. Basis of presentation*

The consolidated financial statements of the Bank have been prepared in accordance with the rules of Banco Central de la República Argentina ( **Argentine Central Bank** or **BCRA** ) which prescribes the accounting reporting and disclosure requirements for banks and financial institutions in Argentina ( **Argentine Banking GAAP** ). These rules differ in certain respects from generally accepted accounting principles in Argentina ( **Argentine GAAP** ) applicable to enterprises in general. The significant differences between Argentine Banking GAAP and Argentine GAAP are described in Note 6 to the consolidated financial statements. Argentine Banking GAAP and Argentine GAAP also differ in certain significant respects from generally accepted accounting principles in the United States of America ( **US GAAP** ). Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by US GAAP and regulations of the Securities and Exchange Commission ( **SEC** ). These consolidated financial statements include solely a reconciliation of net income and shareholders' equity to US GAAP. Pursuant to Item 17 of Form 20-F, this reconciliation does not include disclosure of all information that would be required by US GAAP and Regulation S-X of the SEC. See Note 34 for details.

Certain disclosures required by the Argentine Banking GAAP have not been presented herein since they are not required under US GAAP or the SEC and are not considered to be relevant to the accompanying consolidated financial statements taken as a whole.

*c. Principles of consolidation*

The consolidated financial statements include the accounts of the Bank and its subsidiaries over which the Bank has effective control. The percentages directly or indirectly held in those companies' capital stock as of June 30, 2010 and 2009 are as follows:

| <b>Issuing Company</b>                                  | <b>% of participation</b> |
|---|---------------------------|
| BHN Sociedad de Inversión Sociedad Anónima              | 99.99%                    |
| BHN Seguros Generales Sociedad Anónima                  | 99.98%                    |
| BACS Banco de Crédito y Securitización Sociedad Anónima | 70.00%                    |
| BH Valores Sociedad de Bolsa SA                         | 100.00%                   |

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**BANCO HIPOTECARIO SA AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of and for the twelve-month periods ended June 30, 2010, 2009 and 2008**

**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

All significant intercompany accounts and transactions have been eliminated in consolidation.

*d. Presentation of financial statements in constant Argentine pesos*

The financial statements have been adjusted for inflation in conformity with the guidelines set in Communication A 551 of the Argentine Central Bank up to the financial year ended December 31, 1994, and prepared in accordance with the standards laid down by CONAU 1 Circular. As from January 1, 1995, and according to the authorization accorded by Resolution N° 388 of the Argentine Central Bank's Superintendency of Financial and Exchange Institutions, the Bank discontinued the adjustment for inflation of its financial statements until December 31, 2001. As from January 1, 2002, as a result of the application of Communication A 3702 which established the repeal of any legal and regulatory rule that did not allow companies to restate their accounting balances at period-end currency values, the Bank resumed the application of the adjustment for inflation in accordance with the rules issued in due time by the Argentine Central Bank using the adjustment coefficient derived from the domestic wholesale price index published by the National Statistics and Census Institute (INDEC). Furthermore, it has been considered that the accounting measurements derived from the changes in the purchasing power of the currency between December 31, 1994 and 2001 are stated in the currency value as of the latter date.

On March 25, 2003, the Executive Branch issued Decree 664 establishing that the financial statements for years ending as from that date are to be stated in nominal currency. Consequently, in accordance with Communication A 3921 of the BCRA, the restatement of the financial statements was discontinued as from March 1, 2003.

**2. Pending events derived from the system's crisis in late 2001**

As a consequence of the crisis that took place in Argentina during 2001 and 2002, the National government adopted measures that influenced the banking activity, and specifically the Bank's activity, among which were: i) a single free exchange market system was established, ii) Deposits and Loans in US dollars or any other foreign currency granted by the Argentine financial system were converted into pesos, iii) compensations to the Financial System for the effects of the asymmetric pesification process, iv) certain adjustments to the Reorganization and Bankruptcy Laws and v) conversion of provincial public debt.

*Compensation granted by the National Government to financial institutions.*

*Asymmetric pesification*

Through Decree 905, the Government established the issuance of National Government Compensating Bonds to compensate financial institutions for the negative effects on their equities of the conversion into pesos at different exchange rates of receivables and obligations denominated in foreign currency, as provided for by Law 25561, Decree 214 and its amendments and complementary rules, and to cover the negative difference between assets and liabilities denominated in foreign currency arising from their conversion into pesos, as established by the above-mentioned regulations.

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**BANCO HIPOTECARIO SA AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of and for the twelve-month periods ended June 30, 2010, 2009 and 2008**

**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

The Bank complied with the reporting requirements established by Sections 28 and 29 of Decree 905 Compensation to financial institutions, applying for such purpose the regulations in force and particular criteria, exercising the following options:

National Government Compensating Bond in US dollars, due 2012: Compensatory bond difference between assets and liabilities converted into pesos at Ps. 1.00, for the exchange rate difference of Ps. 0.40, converted into pesos at the Ps. 1.40 =US\$ 1 rate: US\$ 374,647 thousand (consolidated amount).

National Government Hedge Bond in US dollars, due 2012: Hedge Bond difference between assets and liabilities in US dollars, net of the compensating bond: US\$ 845,729 thousand (consolidated amount).

In September 2002, October 2005 and February 2008, the Argentine Central Bank credited US\$ 356,015 thousand, US\$ 16,761 thousand and US\$ 1,871 thousand in BODEN 2012, respectively, as compensation (consolidated amount).

Between September 2005 and January 2006, hedge BODEN 2012 for US\$ 773,531 thousand were subscribed.

On June 26, 2009 the remaining subscription of hedge bonds and of their detached coupons took place and Banco Hipotecario and BACS subscribed an original nominal value of US\$ 72,196 thousand. As of June 30, 2010 there was no amount of hedge bond to be received pending of delivery.

*Mortgage refinancing system*

On November 6, 2003, Law 25798, regulated by Decree N° 1284/03, established the creation of a system for the refinancing of mortgage loans and of a restructuring unit for the purpose of analyzing loans arranged prior to the application of the Convertibility Law 23928.

On December 12, 2006, the National Congress approved Law 26177 modifying the Mortgage Refinancing System. The new law establishes the Reestructuring Unit, which will be in charge of the analysis and proposal of refinancing of mortgage loans agreed among awardees and the ex Banco Hipotecario Nacional, settled before the Convertibility Law (Law 23928).

On November 21, 2007, National Congress through Law N° 26313, established a mandatory procedure for restructuring mortgage loans included in Section 23 of Law 25798, pursuant to the guidelines of Law 26177. For such purpose, a new calculation of some mortgage loans originated by the former Banco Hipotecario Nacional before April 1, 1991 was established. On December 19, 2008, through Decree 2107/08 the government issued regulations explaining its application. This law applies only to non-performing mortgage loans granted before April 1, 1991 and requires a new balance calculation for loans affected. Banco Hipotecario SA, as legal successor to the former Bank, has estimated that it has enough loan allowances to face possible negative economic effects that could arise from this situation.

*Effects in trusts*

Trusts subject to the pesification of foreign currency assets and liabilities at the \$1.00=US\$1 rate established by Law 25561 and Decree 214, as they were created under Argentine legislation. Certain holders of Class A debt securities have started declarative actions against the trustee pursuant to the application of the pesification measures set forth in Law 25561 and Decree 214, in order to maintain the currency of origin of said securities. In these declarative actions, the Bank acted together with BACS as third party. The trustee has duly answered to this claim, being the final resolution to this situation is still pending.



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**BANCO HIPOTECARIO SA AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of and for the twelve-month periods ended June 30, 2010, 2009 and 2008**

**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

**3. Comprehensive financial debt restructuring**

The financial debt restructuring process resulting from the significant adverse changes that took place in Argentina in 2002, which affected the Bank's balance sheet and financial position, ended on December 29, 2003. On that date, the term for receiving exchange offers expired and the Bank accepted all existing validly offered securities in view of compliance with the conditions for the Bank's exchange offers and the simultaneous restructuring of all its outstanding debt with bank creditors. On January 14, 2004, the total final principal on validly offered securities of Ps. 2,662,242, representing approximately 93% of the total principal on the outstanding securities existing at that date, was settled.

After January 14, 2004, the settlement date of the transaction, the Bank continued to exchange negotiable obligations with holders adhering to the offering late. At June 30, 2010, the outstanding face value of the obligations exchanged amounted to US\$ 8,995 thousand and Euro 10,695 thousand.

At the date of these financial statements, the Bank honored the total amount of amortization and interest according to the contractual terms.

**4. Exposure to the Public Sector**

As of June 30, 2010, the Bank maintains Ps. 2,304,085, in government-related assets:

- a) Government securities for Ps. 2,216,421 (excluding Argentine Central Bank Bills).
- b) Loans to the national, provincial and municipal governments for Ps. 59,456.
- c) Other receivables for financial transactions for Ps. 28,208 of which Ps. 21,942 corresponds to SISVIAL Financial Trust's debt securities and Ps. 6,266 corresponds to OCT transactions.

As of June 30, 2010 and 2009, the Bank has Ps. 17,088 and Ps. 20,654, respectively, in advances to be requested from Argentine Central Bank for the acquisition of the Hedge Bond (BODEN 2012).

The net exposure to the Public Sector, without considering liquid assets in BCRA accounts, amounts to Ps. 2,286,997 and Ps. 2,920,840 at June 30, 2010 and 2009, respectively.

Communication A 4546 dated July 9, 2006, stated that, as from July 1, 2007, exposure to the Public Sector may not exceed 35% of total assets as of the last day of the previous month.

As of June 30, 2010 and 2009 the Bank's exposure to the public sector represents 20.2% and 24.5% of its total assets, respectively.

**5. Significant Accounting Policies**

The following is a summary of significant accounting policies used in the preparation of the consolidated financial statements.

**5.1. Foreign Currency Assets and Liabilities**

Foreign currency assets and liabilities are translated at the prevailing exchange rate at period-end. Transactions denominated in foreign currencies are translated into pesos at the prevailing exchange rates on the date of transaction settlement. Foreign currency transactions net gains or losses are recorded within Financial income or Financial expenses in the accompanying consolidated statements of income.





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**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

**5.2. Government and Corporate Securities**

*Held for investment*

**BODEN 2012**

BODEN US\$ 2012 received as compensatory bonds, are recognized at their technical value (the adjusted balance of each instrument according to contractual conditions), in accordance with the rules issued by the BCRA.

**BONAR 2014**

On January 30, 2009, Global 08 Guaranteed Loans for a face value of 226,310,100 were tendered under the debt exchange contemplated under Joint Resolution 8/2009 and 5/2009 of the Treasury and Finance Secretaries of the Ministry of Economy, and BONAR in Argentine Pesos Badlar + 275 bps. 2014 for a face value of 705,803,810 were received, whose acquisition cost was Ps. 369,304. The above mentioned guaranteed loans had been purchased from Deutsche Bank on January 29, 2009.

The Bonds received in exchange for debt as resolved by Joint Resolution 8/2009 and 5/2009 of the Treasury and Finance Secretaries of the Ministry of Economy, BONAR in Argentine Pesos Badlar + 275 bps. 2014, are classified in *Investment Securities*, have been valued at cost. This value increases monthly on the basis of the internal rate of return resulting from the interest rate which, used as discount, equates the present value of the cash flows with the initial value. On March 22, 2010, the Board of Directors resolved to reclassify the holdings of said securities to *Held for trading* on a stepwise basis (25% per quarter). As of June 30, 2010, 50% of the holdings of said securities have been reclassified.

At June 30, 2009, the government securities classified as *Investment Securities* have been recognized at their carrying value as of September 30, 2008, and they increased monthly on the basis of the internal rate of return resulting from the interest rate which, used as discount, equates the present value of the cash flows with the initial value.

*Held for trading quoted*

Securities classified as *held for trading quoted* are marked to market, at the Buenos Aires Stock Exchange spot quotation, and any changes in their market value is recognized as a gain or loss in the consolidated income statement.

*Held for trading unquoted*

Secured Bonds ( *BOGAR* ) issued by the Provincial Government within the framework of Decree 1579/02 are recorded at the higher value arising from comparing the listed value as of the measurement date and the book value of preceding month, net of contra accounts and financial services collected since such date as required by the BCRA.

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Discount Bonds exchanged for sovereign debt have been recorded at the lower of (a) the aggregate nominal cash flow until maturity, under the contractual conditions of the new securities, and (b) the carrying value of the securities offered, which is equivalent to the present value of the Secured Bonds.

The unlisted Government securities, Argentine Central Bank debt instruments and corporate securities have been recognized at the acquisition cost subject to an exponential increase based on the internal rate of return.

**5.3. Loans**

The portfolio of performing loans and loans with 90 days or less past due, has been recorded at principal amounts, net of amortization, adjusted by CER (Reference Stabilization Index), and CVS (Adjustment Salary Variation Index), where applicable, plus accrued interest and net of allowance for loan losses.

Other loans to the public sector has been recorded at their net book value as of January 31, 2009, net of contra accounts and financial services collected after that date.

Loans to the non-financial private sector originally granted in foreign currency prior to December 2001 have been converted into pesos at the exchange rate of Ps. 1.00 per US dollar, as established by Law 25561, Decree 214 and complementary rules and amendments. Since February 3, 2002, the CER and CVS have been applied to the amount of those loans and maximum rates have been established, depending on the borrower.

Law 25796 established the elimination of the CVS since April 2004.

**5.4. Interest accruals and adjustments of principal amounts (CER and CVS)**

In general lending and certain borrowing transactions in local and foreign currency, interest is recognized on a compounded basis, which provides for an increasing effective rate over the life of the loan. Interest accruals for loans past due more than 90 days, were discontinued.

Adjustments of principal amounts from the application of the CER and CVS, were accrued as established by BCRA regulations.

Interest is recognized on a cash basis on past due loans of more than 90 days, after reducing the balance of accrued interest.

**5.5. Derivative Financial Instruments**

Currency swaps are valued on the basis of the net asset or liability derived from the accrual of interest receivable in Euros or US dollar, minus the accrual of interest payable in US dollar or Euros (both derived from the current coupon of the swap).

Credit currency swap are valued discounting the lending and borrowing cash flows applying to that effect the market rates obtained from similar instruments with known quotations in stock exchanges and markets.

Interest rate swaps to hedge against the rate risk attached to liabilities accruing fixed interest rates and assets accruing variable interest rates are valued on the basis of the net asset or liability derived from the accrual of interest receivable (on a fixed interest rate basis) minus the accrual of interest payable (on a variable interest rate basis), both derived from the current coupon of the swap.

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Forward transactions have been recorded, under Other Receivables from Financial Brokerage and / or Other Liabilities Resulting from Financial Brokerage, as the case may be, the difference between the agreed foreign currency exchange rate and such exchange rate at the end of the period according with the future prices

The general settlement method for futures does not require delivery of the traded underlying asset. Rather, settlement is carried on a daily basis for the difference, if any, between the closing price of the underlying asset and the closing price or value of the underlying asset corresponding to the previous day, the difference in price being charged to income.

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The Bank accounted for the transfer of mortgage loans to mortgage trusts and the issuance of mortgage bonds, as a sale and recorded its retained interest in the securitization trusts at their principal amounts. A gain or loss is recognized for the difference between the cash proceeds received and the principal balance of mortgage loans underlying the mortgage bonds sold. Retained interests relating to certificates of participation are adjusted on a monthly basis to reflect the net results of the Bank's equity in the trusts.

The certificates of participation have been valued according to the equity method of accounting, net of allowances. In addition, debt securities issued by the trust are recorded at face value, adjusted by CER, when applicable, plus accrued interest, net of allowances and less the negative amount of the equity method applied to the certificates of participation, when applicable.

**5.7. Allowance for Loan Losses**

Allowances for loan losses recorded at June 30, 2010 and 2009, cover the minimum reserves required by the BCRA, and were estimated based on the debtors payment capacity and cash-flows analysis for commercial loans and clients aging for consumer loans, and were calculated considering the guarantees of the loans.

Pursuant to the guidelines of Law 24441 on Housing and Construction Financing, the criterion followed by the Bank to set up reserves for construction projects, where the fiduciary ownership is transferred, consists in classifying debtors on the basis of the evaluation of the future cash-flows of the individual project financed by the Bank.

The table below includes the categories and the minimum percentages of allowances established by the BCRA according to the clients' aging and their payment capacity:

| Situation | Allowance to be recorded (in %) |                    |
|-----------|---------------------------------|--------------------|
|           | With preferred guarantees       | With no guarantees |
| 1         | 1%                              | 1%                 |
| 2         | 3%                              | 5%                 |
| 3         | 5%                              | 12%                |
| 4         | 25%                             | 50%                |
| 5         | 50%                             | 100%               |

As a result of the policies adopted, and in line with BCRA rules, at June 30, 2010 and 2009 the Bank has recorded in memorandum accounts Ps. 906,449 and Ps. 923,644, respectively, for loans charged off from the Bank's assets three months after the date on which those loans were fully reserved.

The BCRA established regulations for the classification and provisioning of refinanced consumer loan portfolios. For such purpose, consumer loans refinancing generate the freezing of the debtor classification and provision before refinancing. The regulations are the following: i) the classification of refinanced loans is maintained for three installments (or until collection of an equivalent amount), ii) the improvement of the situation of the refinanced client is based on paid installments (periodical, monthly or quarterly payment financing) or on the percentage of paid capital (sole payment financing or periodical payment, when over two months or irregular payment), iii) timely payment of the refinanced payments (or default of no more than 31 days) is a requirement for improving the situation, iv) advance payments and/or prepayments to access refinancing or after it are calculated in equivalent installments to measure the possibility of improving the client's situation and v) in case the refinanced client shows arrears of more than 31 days, the theoretical default days are determined by adding the number of days in default in

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refinancing and minimum default in the category the debtor had at the time of refinancing, and based on these theoretical default days, he or she is be reclassified in the category corresponding to said default, as if it was real.

Based on the foregoing, the Board of Directors of the Bank believes that the allowance for loan losses set up are sufficient to cover the minimum reserves required by Argentine Banking GAAP rules.

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**5.8. Mortgage Related Insurance**

The Bank records provisions for incurred but not reported insurance claims and pending insurance claims based on historical loss experience. The Bank provides property damage, life and unemployment insurance for its mortgage loan customers as well as for debtors of loans which the Bank services. Income from insurance premiums is recognized as it is charged as a component of the monthly loan installment under Income from services in the accompanying consolidated statement of income.

The Bank has set up a reserve for incurred but not reported and pending insurance claims for Ps.1,181 as of June 30, 2010 and 2009, respectively.

The Bank discontinues accruing insurance premiums for individual loans when the related loan is over 90 days past due.

**5.9. Loans in trust pending securitization**

The Bank has executed various financial trust agreements under which it has transferred the fiduciary ownership of certain of its mortgage loans to other financial entities as trustees for the benefit of trust. Once the mortgage loans have been transferred, the trust fund issues the corresponding debt securities and certificates of participation and remits the proceeds to the Bank. The Bank may also retain an ownership interest in the trust in the form of debt securities or certificates of participation.

These receivables, corresponding to pesified mortgage loans registered in the name of the trustee, are recorded as an asset of the Bank, since the trustee has not issued the corresponding debt securities and certificates participation, and therefore the Bank maintains the dual roles of trustor and sole beneficiary.

All the loans in trust at June 30, 2010 are held in a trust where the Bank is the only beneficiary and are not intended to be securitized.

**5.10. Investments in Other Companies**

Investments in Other Companies include equity interest in companies where a Non-controlling interest is held.

Under Argentine Banking GAAP, the equity method is used to account for investments where a significant influence in the corporate decision making process exists.

Permanent equity investments in companies where corporate decision are not influenced, are accounted for at the lower of cost and the equity method. As of June 30, 2010 and 2009 these investments were recorded at cost.

**5.11. Bank Premises and Equipment and Miscellaneous Assets**

Bank premises and equipment are recorded at cost, adjusted for inflation (as described in Note 1.d), less accumulated depreciation.

Depreciation is computed under the straight-line method over the estimated useful lives of the related assets. The estimated useful lives for bank premises and equipment are as follows:

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|                         |          |
|-------------------------|----------|
| Buildings               | 50 years |
| Furniture and fixtures  | 10 years |
| Machinery and equipment | 5 years  |
| Other                   | 5 years  |

The cost of maintenance and repairs of these properties is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of income.

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The Bank has recorded under Miscellaneous assets properties received in lieu of payment of loans. These assets are initially recognized at the lower of market value or the value of the loan, net of allowances and subsequently, adjusted for inflation (as described in Note 1.d), and depreciation. Depreciation of Miscellaneous assets is also computed under the straight-line method over the estimated useful of the related assets.

**5.12. Intangible Assets, Net**

Intangible assets represent software expenses as well as start-up costs. These assets are carried at cost, adjusted for inflation (as described in Note 1.d), less accumulated amortization. Intangible assets are amortized under the straight-line method over their estimated useful life.

**5.13. Other Financial Instruments**

As of June 30, 2009, the Bank recorded Ps. 45,878 (asset position) as reverse repurchase agreements involving government securities.

At June 30, 2009 in order to offset the CER index-adjustable foreign currency assets and liabilities the Bank enter into several repurchase agreements with certain international entities, which, in aggregate amounted to US\$ 675,950 of face value of BODEN 2012.

Underlying assets of repurchase agreements with BODEN 2012 have been recorded following the criteria mentioned in the first paragraph of Note 5.2. Government and Corporate Securities Held for Investment.

**5.14. Miscellaneous receivables**

The receivables have been valued at the amounts actually transacted. At June 30, 2009 BODEN 2012 deposited as collateral, have been valued following the criteria described in the mentioned in the first paragraph of Note 5.2. Government and Corporate Securities Held for Investment.

**5.15. Non-controlling interest**

The breakdown of supplementary equity interests recorded in Non-controlling interest in the accompanying consolidated balance sheets is as follows:

|   | %      | June 30           |                   |
|---|--------|-------------------|-------------------|
|   |        | 2010              | 2009              |
| BHN Sociedad de Inversión SA              | 0.01%  | Ps. 1             | Ps. 1             |
| BACS Banco de Crédito y Securitización SA | 30.00% | Ps. 37,132        | Ps. 36,880        |
| <b>Total</b>                              |        | <b>Ps. 37,133</b> | <b>Ps. 36,881</b> |

**5.16. Dismissal indemnities**

The disbursements in respect to dismissal indemnities are expensed in the year in which they occur.

**5.17. Deposits**



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Deposits have been valued at their placement value, plus adjustments from application of the CER and accrued interest, when applicable.

### **5.18. Reserve for contingencies**

Reserve for contingencies are recorded when is probable and the amount of loss can be reasonably estimated. The Bank records them in Reserve for contingencies, under Liabilities. These reserves cover various items, such as insurance risk, provisions for lawsuits, other contingencies, etc.

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The Bank has set up provisions recorded at the present value of the remaining payment for its employees' retirement plans.

**5.19. Other liabilities from financial transactions**

Unsubordinated negotiable obligations have been valued at their residual value plus interests accrued.

**5.20. Income Tax**

The Bank recognizes income tax charges and liabilities on the basis of the tax returns corresponding to each fiscal year at the statutory tax rates. As of June 30, 2010, 2009 and 2008, the corporate tax rate was 35%. Under Argentine Banking GAAP the Bank does not recognize deferred income taxes.

**5.21. Reclassifications**

Certain immaterial balances from prior periods have been reclassified to conform to the twelve-month period ended June 30, 2010 presentation.

**5.22. Statements of Cash Flows**

The consolidated statements of cash flows were prepared using the measurement methods prescribed by the BCRA, but in accordance with the presentation requirements of ASC 230.

For purposes of reporting cash flows, Cash and cash equivalents include Cash and due from banks .

**5.23. Use of Estimates**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the financial statement dates and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include those required in the accounting of allowances for loan losses and the reserve for contingencies. Since management's judgment involves making estimates concerning the likelihood of future events, the actual results could differ from those estimates which would have a positive or negative effect on future period results.

**6. Summary of differences between Argentine Banking GAAP and Argentine GAAP**

The Bank's accounting policies and financial statement presentation generally conform to the rules prescribed by the Argentine Central Bank which prescribes the reporting and disclosure policies for all banks and financial institutions in Argentina. These rules differ in certain respects from Argentine GAAP. The following is a summary of the principal differences between Argentine Banking GAAP and Argentine GAAP:

Valuation criteria

a) Compensation received, per Sections 28 and 29 of National Executive Branch Decree 905/02, and investment account securities

As of June 30, 2010 and 2009, the Bank carries the government securities received in the Government Securities , Miscellaneous receivables and Other Receivables for financial transactions captions, respectively, arising from the compensation established by Sections 28 and 29 of National Executive Branch Decree 905/02 and recorded at their technical value. Under Argentine GAAP, those assets should be marked to market with the resulting gain or loss reflected in the income statement, unless the Bank demonstrates the ability and the intention to maintain these securities upon maturity.

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b) Accounting for income taxes

The Bank determines income tax at the statutory rate applicable to the estimated taxable income, without considering the effect of any timing differences between the accounting and taxable results. Under Argentine GAAP applicable in the Autonomous City of Buenos Aires, income tax must be recognized according to the deferred tax method and, therefore, deferred tax assets or liabilities based on temporary differences must be recognized.

c) Secured Bonds and other government securities

As established by Decree 1579/02 the Bank and the Fiduciary Fund for the Provincial Development exchanged loans to the provincial governments for Provincial Secured Loans (BOGAR) which at June 30, 2010 and 2009 have been disclosed under Government and Corporate Securities.

At those dates, the Bank valued those assets at the higher value arising from comparing the listed value as of the measurement date and the book value as of the preceding month, net of contra accounts and financial services collected since such date, as established by the BCRA. Those granted as collateral for advances granted by the Governing Entity for the subscription of the bonds foreseen in Decree 905/02 have been valued at the value admitted for purposes of setting up guarantees in accordance with the regulations of Controlling Entity. Under Argentine GAAP, those assets should be valued at their quotation values net of estimated selling expenses, charging the quotation differences to the results for each fiscal period or year, except if there were the ability and intent to hold them until maturity.

Discount Bonds have been recorded at the lower of (a) the aggregate nominal cash flow until maturity, under the contractual conditions of the new securities, and (b) the carrying value of the securities offered, which is equivalent to the present value of the Secured Bonds. Under Argentine GAAP, those bonds should be valued at their quotation value less estimated selling expenses.

The Bonds received in exchange for debt as resolved by Joint Resolution 8/2009 and 5/2009 of the Treasury and Finance Secretaries of the Ministry of Economy, BONAR in Argentine Ps. Badlar + 275 bps. 2014, classified in Investment Securities, have been valued at cost. This value increases monthly on the basis of the internal rate of return resulting from the interest rate which, used as discount, equates the present value of the cash flows with the initial value. Under Argentine GAAP those bonds should be valued at their quotation value less estimated selling expenses.

d) Derivatives

Under Argentine Banking GAAP, derivatives financial instruments have been valued according to the criterion described in Note 5.5. Under Argentine GAAP, the derivatives financial instruments must be recorded at fair value.

e) Receivables and debts stemming from refinancing

Under Argentine GAAP, when certain receivables and debts are replaced by others the terms and conditions thereof are substantially different to the original ones, the existing account shall be closed and a new receivable or debt shall be recorded, the accounting measurement thereof shall be made on the best possible estimate of the amount payable or receivable, discounted at a market rate that reflects market valuations on the time value of money and the specific risks of such assets and liabilities. Said transactions are valued under Argentine Banking GAAP standards based on the rates contractually agreed upon and, as the case may be, the risk is measured pursuant to the classification and provisioning criteria specifically set forth.

f) Financial Trusts

Under Argentine Banking GAAP, the certificates of participation in financial trusts have been valued according to the equity method of accounting, net of allowances. In addition, debt securities issued by the trust are recorded at face value, adjusted by CER, when applicable, plus accrued interest, net of allowances and less the negative amount of the equity method applied to the certificates of participation, when applicable. Under Argentine GAAP the certificates of participation and debt securities must be recorded at the lesser of the amortized cost and the fair value.

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g) Commissions, Interest and Costs related to Loans and Credit Cards

Pursuant to Argentine GAAP, certain items for commissions, fees, charges and costs incurred in connection with loans or credit cards, should be capitalized according to future income. This criterion is not applied under Argentine Banking GAAP.

**7. Restricted Assets**

At June 30, 2010, the Bank has deposited Ps. 91.121 (in US\$) as collateral for the currency swap transaction. At June 30, 2009, the Bank has deposited Ps. 235,454 (in US\$) and BODEN 2012 for Ps. 631,875 as collateral for the currency swap and repo transactions.

As of June 30, 2010 and 2009, the Bank maintains deposits amounting to Ps. 65,020 and Ps. 122,987 in LEBAC and Ps. 6,266 and Ps. 29,503 in BODEN 2012 as collateral for OTC transactions.

As of June 30, 2010 and 2009, the Bank maintains deposits amounting to Ps. 19,910 and Ps. 12,314 as collateral for Visa credit card transactions.

As of June 30, 2010 and 2009, BACS Banco de Crédito y Securitización SA maintains deposits to Ps. 22,558 and Ps. 22,208 in BOGAR and Mortgage loans, as collateral for the advance received from Central Bank.

As of June 30, 2010 and 2009, Mercado de Valores de Buenos Aires SA's share belonging to BH Valores SA Sociedad de Bolsa (ex-Hexagon Argentina SA Sociedad de Bolsa) is pledged on behalf of Chubb Argentina de Seguros SA.

**8. Government and Corporate securities**

Government and Corporate Securities held by the Bank consist of the following balances:

|   | June 30,     |            |
|---|--------------|------------|
|   | 2010         | 2009       |
| <b>Held for investment</b>  |              |            |
| BODEN 2012- Compensatory bond (denominated in US\$) (*)               | Ps.1,664,742 | Ps.263,780 |
| Argentine government bonds (denominated in Pesos)                     | 171,461      | 431,173    |
| <b>Held for Trading</b>   |              |            |
| <b>Quoted</b>   |              |            |
| Argentine government bonds (denominated in Pesos)                     | 257,864      | 41,700     |
| Argentine government bonds (denominated in US\$)                      |              | 121,212    |
| Corporate equity securities (denominated in Pesos)                    | 76,240       | 26,913     |
| Argentine Central Bank bills Lebac's (denominated in Pesos)           | 662,134      | 360,110    |
| Corporate equity securities (denominated in US\$)                     | 1,174        | 33,776     |
| <b>Unquoted</b>   |              |            |
| BOGAR Provincial Public Debt (denominated in Pesos)                   | 76,432       | 175,661    |
| Other national and Guaranteed government bonds (denominated in Pesos) | 27,343       | 28,754     |

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|  |              |              |
|--|--------------|--------------|
| National and Guaranteed government bonds (denominated in US\$) | 18,578       |              |
| Argentine Central Bank bills Lebacks (denominated in Pesos)    | 377,768      |              |
| Total  | Ps.3,333,736 | Ps.1,483,079 |

(\*) As of June 30, 2009 the bank has registered Ps.1,874,301 in Other receivables from financial transactions and in Miscellaneous receivables corresponding to repo and currency swap transactions. As of June 30, 2010, these transactions have been expired and BODEN Bonds were reclassified to Government and Corporate Securities .

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The bank recorded in their financial statements an income from government and corporate securities for an amount of Ps. 504,019 as of June 30, 2010, mainly due to the trading operations agreed by the bank and the accrual interest of BONAR 2014 and Argentine Central Bills (Lebacs/Nobacs).

**9. Loans**

Descriptions of the categories of loans in the accompanying balance sheets include:

*Mortgage loans:*

*Construction project loans* loans made to various entities for the construction of housing units

*Individual residential mortgage loans* mortgage loans made to individuals to finance the acquisition, construction, completion, enlargement, and/or remodeling of their homes

*Other loans:*

*Certain financial and non-financial sector loans including loans to credit cardholders and to individuals*

*Public Loans loans to National Government and Provinces*

Under Argentine Central Bank regulations, the Bank must disclose the composition of its loan portfolio by non-financial Public sector, and financial and non-financial private sector. Additionally, the Bank must disclose the type of collateral pledged on non-financial private sector loans. The breakdown of the Bank's loan portfolio in this regard is as follows:

|                               | June,      |            |
|-------------------------------|------------|------------|
|                               | 2010       | 2009       |
| Non-financial public sector   | Ps. 56,854 | Ps. 73,455 |
| Financial sector              | 25,270     | 5,625      |
| Non-financial private sector  |            |            |
| With preferred guarantees (a) | 1,855,087  | 2,081,545  |
| Without preferred guarantees  |            |            |
| Personal loans                | 396,356    | 580,892    |
| Credit Card Loans             | 1,128,946  | 879,535    |
| Overdraft facilities          | 527,405    | 345,229    |



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|                                       |               |               |
|---------------------------------------|---------------|---------------|
| Other loans                           | 736,430       | 519,797       |
| Accrued interest receivable           | 42,672        | 53,164        |
| Reserve for loan losses (see Note 10) | (171,303)     | (235,713)     |
| Total                                 | Ps. 4,631,378 | Ps. 4,303,529 |

(a) Preferred guarantees include first priority mortgages or pledges, cash, gold or public sector bond collateral, certain collateral held in trust, or certain guarantees by the Argentine government.

**10. Allowance for loan losses**

The activity in the allowance for loan losses for the periods presented is as follows:

|                                | June 30,    |             |
|--------------------------------|-------------|-------------|
|                                | 2010        | 2009        |
| Balance at beginning of period | Ps. 235,713 | Ps. 214,551 |
| Provision charged to income    | 100,150     | 209,844     |
| Loans charged off              | (164,560)   | (188,682)   |
| Balance at end of period       | Ps. 171,303 | Ps. 235,713 |

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**11. Other receivables from financial transactions**

The breakdown of other receivables from financial transactions, by type of guarantee for the periods indicated, is as follows:

|  | June 30,      |               |
|--|---------------|---------------|
|  | 2010          | 2009          |
| Preferred guarantees, including deposits with the Argentine Central Bank | Ps. 632,347   | Ps. 529,833   |
| Unsecured guarantees (1)   | 1,227,064     | 2,945,101     |
| Subtotal   | 1,859,411     | 3,474,934     |
| Less: Allowance for losses (2)   | (59,330)      | (55,373)      |
| Total  | Ps. 1,800,081 | Ps. 3,419,561 |

(1) Includes Ps.869,929 and Ps.1,153,430 of Amounts receivable under derivative financial instruments, as of June 30, 2010 and 2009 and Ps.1,288,305 of Securities receivables under repurchase agreements of BODEN 2012 as of June 30, 2009.

(2) As of June 30, 2010 and 2009 includes Ps. 16,162 of allowances for losses of loans in trust pending securitization.

The breakdown of the caption "Other" included in the balance sheet is as follows:

|  | June 30,    |             |
|--|-------------|-------------|
|  | 2010        | 2009        |
| Subordinated mortgage-backed bonds     | Ps. 307,069 | Ps. 295,692 |
| Certificates of participation          | 208,814     | 178,085     |
| Bonds held in the Bank's portfolio (1) | 103,912     | 111,987     |
| Bonds unquoted                         | 88,099      | 64,786      |
| Collateral for OTC transactions        | 71,286      | 152,490     |
| Other                                  | 91,541      | 62,030      |
| Total                                  | Ps. 870,721 | Ps. 865,070 |

(1) The Bank carries long-term Negotiable Obligations for Ps. 65,047 and Ps. 83,361 as of June 30, 2010 and 2009, respectively, held in its portfolio for purposes of their possible exchange with holders that did not participate in the initial offering.

**12. Miscellaneous receivables**

Miscellaneous receivables are comprised of the following for the periods indicated:

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|  | June 30,    |               |
|--|-------------|---------------|
|  | 2010        | 2009          |
| Withholdings, credits and prepaid income tax               | Ps. 7,521   | Ps. 9,665     |
| Receivables from governmental entities                     | 494         | 596           |
| Recoverable expenses, taxes, and advances to third parties | 40,133      | 60,017        |
| Attachments for non-restructured ON                        | 24,682      | 50,765        |
| Guarantee deposit (1)                                      | 91,121      | 867,329       |
| Presumptive minimum income Credit tax (Note 27)            | 137,230     | 122,850       |
| Receivables from master servicing activities               | 4,336       | 10,111        |
| Other Directors fees                                       | 3,097       | 2,044         |
| Advance payment Acquisition of Tarshop SA (Note 35.3)      | 21,074      |               |
| Loans to Bank staff  | 93,083      | 93,393        |
| Other  | 95,277      | 73,339        |
| Subtotal   | 518,048     | 1,290,109     |
| Less: Allowance for collection risks                       | (3,702)     | (3,032)       |
| Total  | Ps. 514,346 | Ps. 1,287,077 |

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- (1) As of June 30, 2010 guarantee deposits comprised Ps. 91,121 (in US\$) granted as collateral to deposit securing financial agreements. As of June 30, 2009 these deposits comprised Ps. 235,454 (in US\$) and Ps. 631,875 to BODEN 2012. The decrease in the guarantee deposits was mainly due to the expiration of borrowing under repurchase agreements and derivatives financial instruments collateralized by government securities and cash.

**13. Bank Premises and Equipment and Intangible Assets**

The book values of major categories of bank premises and equipment and total accumulated depreciation as of the periods indicated are as follows:

|                          | June 30,    |             |
|--------------------------|-------------|-------------|
|                          | 2010        | 2009        |
| Land and buildings       | Ps. 122,969 | Ps. 106,679 |
| Furniture and fixtures   | 26,686      | 26,337      |
| Machinery and equipment  | 74,507      | 73,442      |
| Other                    | 3,175       | 3,057       |
| Accumulated depreciation | (115,178)   | (102,610)   |
| Total                    | Ps. 112,159 | Ps. 106,905 |

Intangible assets, net of accumulated amortization, as of the end of periods indicated are as follows:

|  | June 30,   |            |
|--|------------|------------|
|  | 2010       | 2009       |
| Third parties fees, re-engineering, restructuring and capitalized software costs | 56,209     | 63,561     |
| Total  | Ps. 56,209 | Ps. 63,561 |

**14. Miscellaneous assets**

Miscellaneous assets consists of the following as of the end of each period:

|                          | June 30,   |            |
|--------------------------|------------|------------|
|                          | 2010       | 2009       |
| Properties held for sale | Ps. 14,195 | Ps. 13,384 |
| Assets leased to others  | 4,862      | 4,862      |
| Other                    | 10,811     | 5,200      |

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|                          |                   |                   |
|--------------------------|-------------------|-------------------|
| Accumulated depreciation | (7,703)           | (7,245)           |
| <b>Total</b>             | <b>Ps. 22,165</b> | <b>Ps. 16,201</b> |

**15. Reserve for contingencies**

The reserve for contingencies as of the end of each period is as follows:

|  | <b>June 30,</b>    |                    |
|--|--------------------|--------------------|
|  | <b>2010</b>        | <b>2009</b>        |
| Legal Contingencies (1)                                    | Ps. 90,329         | Ps. 96,641         |
| Incurred but not reported and pending insurance claims (2) | 1,181              | 1,181              |
| Contingency risks (4)                                      | 38,558             | 30,759             |
| Tax Provision  | 10,643             | 10,390             |
| Bonds subject to lawsuits (3)                              | 85,612             |                    |
| <b>Total</b>   | <b>Ps. 226,323</b> | <b>Ps. 138,971</b> |

(1) Includes legal contingencies and expected legal fees.

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- (2) As of June 30, 2010 and 2009, it is composed of: Debts to insured for Ps. 1,181 (outstanding claims for Ps. 559, IBNR for Ps. 622).
- (3) Includes Negotiable obligations past due whose holders did not enter to the comprehensive financial debt restructuring mentioned in note 3.
- (4) Comprised of:

|   | June 30,   |            |
|---|------------|------------|
|   | 2010       | 2009       |
| Contingency sale of non-performing mortgage portfolio | Ps. 1,164  | Ps. 364    |
| Retirement plans                                      | 30,531     | 28,146     |
| Others  | 6,863      | 2,249      |
| Total   | Ps. 38,558 | Ps. 30,759 |

**16. Other Liabilities from Financial Transactions Argentine Central Bank**

The amounts outstanding corresponding to the Argentine Central Bank debt and advances, as of the end of the twelve month periods are as follows:

|  | June 30,   |            |
|--|------------|------------|
|  | 2010       | 2009       |
| Advances to be requested for the acquisition of the Hedge bond (1) | Ps. 17,088 | Ps. 20,654 |
| Other  | 42         | 43         |
| Total  | Ps. 17,130 | Ps. 20,697 |

- (1) Includes the advance to be request by the BCRA of BACS Banco de Crédito y Securitización SA. Accrued interest plus CER amounted to Ps.10,314 and Ps.11,623 at June 30, 2010 and 2009, respectively.

**17. Other Liabilities from Financial Transactions Other Banks and International Entities**

The breakdown of the bank debt is as follows:

| Description | Annual interest rate | Maturity date | June 30, |      |
|-------------|----------------------|---------------|----------|------|
|             |                      |               | 2010     | 2009 |

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|  |       |      |               |               |
|--|-------|------|---------------|---------------|
| Warehousing Credit Line Agreement with IFC | 8.60% | 2009 |               | 46,341        |
| Interbank loans in pesos                   | 9.50% | 2010 | 20,194        | 50,208        |
| <b>Total</b>                               |       |      | <b>20,194</b> | <b>96,549</b> |

On January 17, 2006 BACS Banco de Crédito y Securitización SA executed a Warehousing Credit Line Agreement with International Finance Corporation. Under this agreement IFC grants the Bank line of credit for up to of US\$ 50,000 thousand in two tranches of US\$ 25,000 thousand for a term of three years. This debt was extinguished on July 15, 2009.

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**18. Other Liabilities from Financial Transactions Bonds**

The balance of the negotiable obligations has been included in the Other liabilities for financial transactions caption. The residual face values of the different negotiable obligation series issued are as follows:

|   | Issue date | Maturity date |     | Annual interest rate | June 30,  |           |
|---|------------|---------------|-----|----------------------|-----------|-----------|
|   |            |               |     |                      | 2010      | 2009      |
| <b>GMTN</b>                                 |            |               |     |                      |           |           |
| Series I (US\$ 300,000 thousand)            | 17/04/98   | 17/04/03      | a-c | 10.000%              |           | 7,864     |
| Series XVI (US\$ 125,000 thousand)          | 17/02/00   | 17/02/03      | a-c | 12.625%              |           | 18,763    |
| Series XVII (EURO 100,000 thousand)         | 27/03/00   | 27/03/02      | a-c | 9.000%               |           | 53        |
| Series XXIII (EURO 150,000 thousand)        | 06/02/01   | 06/02/04      | a-c | 10.750%              |           | 14,235    |
| Series XXIV (US\$ 107,000 thousand)         | 15/03/02   | 15/03/05      | a-c | 9.000%               |           | 261       |
| Series XXV (EURO 165,700 thousand)          | 15/03/02   | 15/06/05      | a-c | 8.000%               |           | 5,355     |
| Long term bond (US\$ 449,880 thousand)      | 15/09/03   | 01/12/13      | b   | 3.0 6.0%             | 369,206   | 445,960   |
| Long term bond (EURO 278,367 thousand)      | 15/09/03   | 01/12/13      | b   | 3.0 6.0%             | 581,347   | 808,269   |
| Series 4 (US\$ 150,000 thousand)            | 16/11/05   | 16/11/10      | a   | 9.750%               | 127,944   | 137,509   |
| Series 4-Tranche II (US\$ 100,000 thousand) | 26/01/06   | 16/11/10      | a   | 9.750%               | 393,106   | 379,259   |
| Series 5 (US\$ 250,000 thousand)            | 27/04/06   | 27/04/16      | a   | 9.750%               | 864,922   | 905,604   |
| Series 6 (US\$ 150,000 thousand)            | 21/06/07   | 21/06/10      | a   | 11.250%              |           | 266,071   |
|   |            |               |     |                      | 2,336,525 | 2,989,203 |

(a) fixed interest rate

(b) variable interest rate

(c) Negotiable obligations past due whose holders did not enter to the comprehensive financial debt restructuring mentioned in note 3 have been reclassified to Reserve for contingencies Bonds subject to lawsuits

The contractual maturities of bonds are as follows as of June 30, 2010:

|               |               |
|---------------|---------------|
| June 30, 2011 | Ps. 758,689   |
| June 30, 2012 | 237,639       |
| June 30, 2013 | 237,639       |
| June 30, 2014 | 237,639       |
| Thereafter    | 864,919       |
| Total         | Ps. 2,336,525 |



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The General Shareholders Meeting held on May 23, 2008, approved the creation of a new Global Program for issuing Negotiable Obligations, not convertible into shares, with or without collateral, for an amount of up to two billion US dollars (US\$ 2,000,000,000) or the equivalent thereof in pesos.

On April 30, 2010, the General Ordinary Shareholders Meeting resolved, within the scope of the Global Program referred above, to delegate on the Board of Directors the broadest powers to determine the time, amount, within five years as from the CNV's authorization date or the maximum term to be fixed in future regulations, as well as the other terms and conditions of each Series to be issued.

On November 16, 2010, the Bank has paid the pending amounts of Series 4 and Series 4 (Tranche II)

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**19. Level I American Depositary Receipts Program**

On March 27, 2006 the US Securities and Exchange Commission (SEC) has made effective the Level I American Depositary Receipts, ADR program.

This program allows foreign investors to buy the Bank's stock through the secondary market where ADRs are traded freely within the United States. The Bank of New York has been appointed as depositary institution.

**20. Derivative Financial Instruments**

The Bank has carried out its financial risk management through the subscription of several derivative financial instruments. The following are the derivative financial instruments outstanding as of June 30, 2010 and 2009:

| Type of Contract               | Notional | Net Book Value         |         | Amounts of Gain or |          | Fair Value |         |
|--------------------------------|----------|------------------------|---------|--------------------|----------|------------|---------|
|                                | Amount   | Asset/(Liabilities)(a) |         | (Loss) (b)         |          | 2010       | 2009    |
|                                | 2010     | 2010                   | 2009    | 2010               | 2009     | 2010       | 2009    |
| Cross Currency Swaps (1) (c)   | 815,158  | 6,789                  | 114,970 | 3,701              | 1,352    | 1,816      | 75,217  |
| Credit Currency Swaps (2) (c)  | 323,513  | 48,249                 | 40,921  | (16,709)           | (46,890) | 48,249     | 23,582  |
| Interest Rate Swaps (3) (d)    |          |                        | (183)   |                    | (4,648)  |            | (5,826) |
| Forwards (4) (c)               | 4,302    | 49                     |         | (46)               |          | 49         |         |
| Futures (5) (c)                | 934,497  |                        |         | (65,949)           | 208,805  |            |         |
| Currency Swap Contract (6) (c) |          |                        | (1,510) |                    | 3,302    |            | (1,510) |

- (a) Balance Sheet classification: Assets: Other receivable from financial transactions. Amounts receivable under derivative financial instruments. Liabilities: Other liabilities from financial transactions. Amounts payable under derivative financial instruments.
- (b) Statements of Income classification: Gain: Financial Income. Interest on loans and other receivables from financial transactions. Loss: Financial Expenses. Interest on deposits and other liabilities from financial transactions.
- (c) Underlying: Foreign currency.
- (d) Underlying: Interest rate.

1. Cross Currency Swaps: Cross currency swaps were carried out in order to reduce the volatility of the Bank's results derived from variations in the Euro quotation, in view of the net liability position of that currency, stemming from the restructuring of Euro-denominated negotiable obligations. Through these transactions, the Bank receives Euros, in exchange for a certain amount of US dollars. The Bank records the changes in the assets and liabilities position in Euros and US dollars plus the corresponding interest rate. Within this framework, the following transactions have been carried out:

On March 5, 2004, the Bank and Deutsche Bank AG executed a currency swap contract for Euros 100,020 thousand which due date shall be December 1, 2013. This swap has been partially reversed with a contra swap whose residual values amount to US\$ 27,423 thousand.

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On October 29, 2004, the Bank and Credit Suisse First Boston executed a currency swap contract for Euros 46,676 thousand which due date shall be December 1, 2013.

The net book value as of June 30, 2010 and 2009 amounts of Ps. 6,789 and Ps. 114,970.

2. Credit Currency Swaps: in order to reduce the volatility of the Bank's results derived from variations in the CER index, in view the net liability position stemming from obligations in pesos adjustable by said index,

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related to the financial assistance to be requested from the Argentine Central Bank for the subscription of BODEN 2012 pursuant to the provisions of Section 29, subsect. g) of Decree 905/02, the Bank carried out currency swap transactions paying US dollars and receiving in exchange CER index. The Bank has subscribed directly its rights to receive hedge BODEN 2012, therefore, it has not asked for BCRA's financial assistance, and the hedge for which the aforementioned contracts were implemented has partially ended. As of June 30, 2010, these transactions were valued discounting the lending and borrowing cash flows applying to that effect the market rates obtained from similar instruments with known quotations in stock exchanges and markets. Such change complies with professional accounting standards and has been reported to the BCRA. Within this framework, the following transactions have been carried out:

On January 25, 2005, the Bank entered into a currency swap contract (Cross Currency Swap) with Deutsche Bank AG which due date shall be August 3, 2012. According to this transaction, the Bank receives interest at a rate of 2% on a notional principal of Ps. 267,613 adjusted by applying the CER and pays interest at 180-day LIBOR plus 435 basis points on a notional principal of US\$ 56,250 thousand without transfer of principal on each due date.

On February 1, 2005, the Bank entered into a currency swap contract (Cross Currency Swap) with Credit Suisse First Boston which due date shall be August 3, 2012. According to this transaction, the Bank receives interest at a rate of 2% on a principal of Ps. 53,292 adjusted by applying the CER and pays interest at 180-day LIBOR plus 420 basis points on a principal of US\$ 11,250 thousand. The net book value as of June 30, 2010 and 2009 amounts of Ps. 48,249 and Ps. 40,921.

3. Interest rate swaps: In order to partially cover the issuance of debt at fixed rate and giving consideration to the holdings of floating rate NOBAC, interest rate swap agreements have been subscribed through which the Bank receives a fixed rate (established in 9.35% and 10.20%) and pays a variable rate BADLAR. The last of these transactions was settled on June 2010. The net book value as of June 30, 2009 amounts of Ps. (183).
  
4. Forward transactions: US dollar forward transactions have been carried out, the settlement of which, in general, is made without delivery of the underlying asset but by means of the payment in Pesos of currency differences. These transactions were performed mainly as hedge for foreign currency positions. Transactions with settlement in Pesos were also made upon maturity.
  
5. Futures: Future currency transactions have been carried out through which the forward purchase and sale of foreign currencies (US dollar) was agreed upon. These transactions were performed as hedge for foreign currency position. Settlement is carried on a daily basis for the difference.
  
6. On July 17, 2006, BACS entered into a currency swap contract with a local Financial Entity. According to this transaction, the Bank receives Argentine pesos adjusted by CER on a notional principal of Ps. 48,300 and pays interest fixed rates of 12.3% without transfer of principal on each due date. On July 17, 2009 this transaction was settled. The net book value as of June 30, 2009 amounts of Ps. (1,510).

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Through memorandums N° 48/08, 52/08 and Note 313/ 48 /09 from the BCRA s Financial and Exchange Institutions Superintendency, certain observations were raised regarding the valuation criteria applied to some of the derivative instruments mentioned above. According to the Superintendency, these derivative instruments should be valued at fair value according to the criteria required by the Professional Accounting Standards. To that effect and considering the new criteria, the Bank adopted a prudent criterion and proceeded to adjust the transactions referred in item 2 of this note by charging them against the fiscal year results, considering that the Accounting Manual does not provide a method for calculating these amounts in the case of swap transactions agreed upon without delivery of the underlying assets. On the other hand, the valuations of swap transactions agreed upon with delivery of the underlying assets are recorded following the criteria provided in the Account Plan and Manual for forward purchases and sales of Foreign Currency. Such situation was reported to the BCRA by means of note dated December 21, 2009 and ratified by means of a note dated February 22, 2010 by the BCRA.

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**21. Securitization of mortgage and consumer loans**

The Bank created separate mortgage trusts under its US securitization program and Cédulas Hipotecarias Argentina program; and a consumer trust under BACS's Global Trust Securities Program. For each mortgage or consumer trust, the Bank transfers a portfolio of mortgages or consumer loans originated by banks and other financial institutions in trust to the relevant trustee. The trustee then issues Class A senior Bonds, Class B subordinated bonds and certificates of participation. The trust's payment obligations in respect of these instruments are collateralized by, and recourse is limited to, the trust's assets consisting of the portfolio of mortgage or consumer loans and any reserve fund established by the Bank for such purpose. The securitizations were recorded as sales, and accordingly, the mortgage and consumer loans conveyed to the trusts are no longer recorded as assets of the Bank.

At the date of these financial statements the following trust funds have been set up:

|   | Debt Securities<br>Class A1/AV | Debt Securities<br>Class A2/AF | Debt Securities<br>Class B | Participation<br>Certificates | Total   |
|---|--------------------------------|--------------------------------|----------------------------|-------------------------------|---------|
| <b>BHN II Issued on 05.09.97 (*)</b>            |                                |                                |                            |                               |         |
| Face value in Ps.                               | 44,554                         | 51,363                         | 3,730                      | 6,927                         | 106,574 |
| Declared Maturity Date                          | 03.25.2001                     | 07.25.2009                     | 03.25.2012                 | 05.25.2013                    |         |
| <b>BHN III Issued on 10.29.97 (*)</b>           |                                |                                |                            |                               |         |
| Face value in Ps.                               | 14,896                         | 82,090                         | 5,060                      | 3,374                         | 105,420 |
| Declared Maturity Date                          | 05.31.2017                     | 05.31.2017                     | 05.31.2018                 | 05.31.2018                    |         |
| <b>BHN IV Issued on 03.15.00 (*)</b>            |                                |                                |                            |                               |         |
| Face value in Ps.                               | 36,500                         | 119,500                        | 24,375                     | 14,625                        | 195,000 |
| Declared Maturity Date                          | 03.31.2011                     | 03.31.2011                     | 01.31.2020                 | 01.31.2020                    |         |
| <b>BACS I Issued on 02.15.2001 (*)</b>          |                                |                                |                            |                               |         |
| Face value in Ps.                               | 30,000                         | 65,000                         | 12,164                     | 8,690                         | 115,854 |
| Declared Maturity Date                          | 05.31.2010                     | 05.31.2010                     | 06.30.2020                 | 06.30.2020                    |         |
| <b>BACS Funding I Issued on 11.15.2001 (*)</b>  |                                |                                |                            |                               |         |
| Face value in Ps.                               |                                |                                |                            | 29,907                        | 29,907  |
| Declared Maturity Date                          |                                |                                |                            | 11.15.2031                    |         |
| <b>BACS Funding II Issued on 11.23.2001 (*)</b> |                                |                                |                            |                               |         |
| Face value in Ps.                               |                                |                                |                            | 12,104                        | 12,104  |
| Declared Maturity Date                          |                                |                                |                            | 11.23.2031                    |         |
| <b>BHSA I Issued on 02.01.2002</b>              |                                |                                |                            |                               |         |
| Face value in Ps.                               |                                |                                |                            | 43,412                        | 43,412  |
| Declared Maturity Date                          |                                |                                |                            | 02.01.2021                    |         |
| <b>CHA II Issued on 11.19.2004</b>              |                                |                                |                            |                               |         |
| Face value in Ps.                               | 39,950                         |                                | 4,995                      | 5,002                         | 49,947  |
| Declared Maturity Date                          | 12.31.2011                     |                                | 01.31.2016                 | 01.31.2013                    |         |
| <b>CHA III Issued on 04.07.2005</b>             |                                |                                |                            |                               |         |

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|                             |            |            |            |        |
|-----------------------------|------------|------------|------------|--------|
| Face value in Ps.           | 50,000     | 6,250      | 6,270      | 62,520 |
| Declared Maturity Date      | 04.30.2012 | 12.31.2013 | 01.31.2020 |        |
| CHA IV Issued on 6.22.2005  |            |            |            |        |
| Face value in Ps.           | 54,900     | 4,848      | 4,849      | 64,597 |
| Declared Maturity Date      | 01.31.2013 | 07.31.2023 | 07.31.2023 |        |
| CHA V Issued on 10.20.2005  |            |            |            |        |
| Face value in Ps.           | 53,301     |            | 11,700     | 65,001 |
| Declared Maturity Date      | 12.31.2014 |            | 04.30.2023 |        |
| CHA VI Issued on 04.07.2006 |            |            |            |        |
| Face value in Ps.           | 56,702     |            | 12,447     | 69,149 |
| Declared Maturity Date      | 12.31.2016 |            | 12.31.2026 |        |

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|                               | Debt Securities<br>Class A1/AV | Debt Securities<br>Class<br>A2/AF | Debt Securities<br>Class B | Participation<br>Certificates | Total   |
|-------------------------------|--------------------------------|-----------------------------------|----------------------------|-------------------------------|---------|
| CHA VII Issued on 09.27.2006  |                                |                                   |                            |                               |         |
| Face value in Ps.             | 58,527                         |                                   |                            | 12,848                        | 71,375  |
| Declared Maturity Date        | 08.31.2017                     |                                   |                            | 02.28.2028                    |         |
| CHA VIII Issued on 03.26.2007 |                                |                                   |                            |                               |         |
| Face value in Ps.             | 61,088                         |                                   |                            | 13,409                        | 74,497  |
| Declared Maturity Date        | 08.31.2024                     |                                   |                            | 08.31.2028                    |         |
| CHA IX Issued on 08.28.2009   |                                |                                   |                            |                               |         |
| Face value in Ps.             | 192,509                        |                                   |                            | 10,132                        | 202,641 |
| Declared Maturity Date        | 02.07.2027                     |                                   |                            | 07.07.2027                    |         |
| CHA X Issued on 08.28.2009    |                                |                                   |                            |                               |         |
| Face value in Ps.             |                                |                                   |                            | 17,224                        | 17,224  |
| Face value en US\$            | 85,001                         |                                   |                            |                               | 85,001  |
| Declared Maturity Date        | 01.07.2027                     |                                   |                            | 06.07.2028                    |         |
| CHA XI Issued on 12.21.2009   |                                |                                   |                            |                               |         |
| Face value in Ps.             | 204,250                        |                                   |                            | 10,750                        | 215,000 |
| Declared Maturity Date        | 03.10.2024                     |                                   |                            | 10.10.2024                    |         |

(\*) Trusts subject to the pesification of foreign currency assets and liabilities at the \$1.00=US\$1 rate established by Law 25561 and Decree 214, as they were created under Argentine legislation. Certain holders of Class A debt securities have started declarative actions against the trustee pursuant to the application of the pesification measures set forth in Law 25561 and Decree 214, in order to maintain the currency of origin of said securities. In these declarative actions, the Bank acted together with BACS as third party. The trustee has duly answered to this claim, being the final resolution to this situation is still pending.

**22. Miscellaneous Liabilities**

Sundry creditors and other miscellaneous liabilities consist of the following as of the end of each period:

|                                   | 2010       | June 30,<br>2009 |
|-----------------------------------|------------|------------------|
| Sundry creditors:                 |            |                  |
| Accrued fees and expenses payable | Ps. 71,179 | Ps. 44,747       |
| Unallocated collections           | 4,033      | 2,947            |
| Withholdings and taxes payable    | 4,868      | 6,611            |
| Other                             | 2,164      | 2,357            |
| Total                             | Ps. 82,244 | Ps. 56,662       |



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| Other:                                     |            |            |  |
|--|------------|------------|--|
| Directors and Syndics accrued fees payable | Ps. 3,919  | Ps. 2,843  |  |
| Payroll withholdings and contributions     | 10,857     | 9,432      |  |
| Gratifications                             | 9,325      | 4,944      |  |
| Salaries and social securities             | 15,517     | 8,702      |  |
| Total                                      | Ps. 39,618 | Ps. 25,921 |  |

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As of and for the twelve-month periods ended June 30, 2010, 2009 and 2008

(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)

**23. Income from Services and Expenses on Services***Income from Services Commissions and Other*

Commissions earned consist of the following for each period:

|  | 2010               | June 30,<br>2009   | 2008               |
|--|--------------------|--------------------|--------------------|
| Loan servicing fees from third parties | Ps. 13,123         | Ps. 9,316          | Ps. 2,599          |
| Commissions from FONAVI                | 9,897              | 7,092              | 5,660              |
| Commissions for credit cards           | 185,122            | 150,713            | 104,649            |
| Other                                  | 36,194             | 1,449              | 18,160             |
| <b>Total</b>                           | <b>Ps. 244,336</b> | <b>Ps. 168,570</b> | <b>Ps. 131,068</b> |

Other income from services is comprised of the following for each period:

|  | 2010               | June 30,<br>2009   | 2008              |
|--|--------------------|--------------------|-------------------|
| Reimbursement of loan expenses paid by third parties | Ps. 28,660         | Ps. 65,512         | Ps. 33,203        |
| Other  | 96,376             | 46,825             | 27,271            |
| <b>Total</b>   | <b>Ps. 125,036</b> | <b>Ps. 112,337</b> | <b>Ps. 60,474</b> |

*Expenses on Services Commissions*

Commissions expensed consist of the following for each period:

|                                       | 2010               | June 30,<br>2009   | 2008              |
|---------------------------------------|--------------------|--------------------|-------------------|
| Structuring and underwriting fees     | Ps. 6,716          | Ps. 6,353          | Ps. 8,209         |
| Retail bank originations              | 30                 | 41                 | 52                |
| Collections                           | 515                | 295                | 360               |
| Banking services                      | 103,420            | 91,582             | 63,066            |
| Commissions paid to real state agents | 11,713             | 7,341              | 14,032            |
| <b>Total</b>                          | <b>Ps. 122,394</b> | <b>Ps. 105,612</b> | <b>Ps. 85,719</b> |



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**24. Other Miscellaneous Income and Miscellaneous Expenses**

Other miscellaneous incomes are comprised of the following for each year:

|   | 2010       | June 30,<br>2009 | 2008       |
|---|------------|------------------|------------|
| Income on operations with premises and equipment and miscellaneous assets | Ps. 1,599  | Ps. 16,581       | Ps. 5,743  |
| Rental income   | 1,675      | 1,693            | 630        |
| Bank loan interest  | 9,384      | 8,850            | 3,909      |
| Recovery of guarantee funds   |            |                  | 7,495      |
| Other   | 3,019      | 6,100            | 5,564      |
| Total   | Ps. 15,677 | Ps. 33,224       | Ps. 23,341 |

Other miscellaneous expenses are comprised of the following for each period:

|   | 2010       | June 30,<br>2009 | 2008       |
|---|------------|------------------|------------|
| Depreciation of miscellaneous assets    | Ps. 482    | Ps. 443          | Ps. 455    |
| Gross revenue tax                       | 3,653      | 870              | 473        |
| Other taxes                             | 11,540     | 15,187           | 7,566      |
| BOGAR valuation adjustment              |            | 20,062           |            |
| Debit card discounts                    | 6,278      | 1                | 5          |
| Credit card and others discounts        | 20,759     | 1,139            | 1,736      |
| Benefits prepayments                    | 8,072      | 3,034            | 157        |
| Donations                               | 3,703      | 1,243            | 2,283      |
| Allocation of mortgage loan relief fund |            |                  | 1,351      |
| Other                                   | 8,348      | 14,303           | 6,241      |
| Total                                   | Ps. 62,835 | Ps. 56,282       | Ps. 20,267 |

**25. Balances in Foreign Currency**

The balances of assets and liabilities denominated in foreign currency (principally in US dollars and Euros) are as follows:

|                         | US\$    | Euro<br>(in Pesos) | Yen | Total   |
|-------------------------|---------|--------------------|-----|---------|
| Assets:                 |         |                    |     |         |
| Cash and due from banks | 379,674 | 23,034             | 3   | 402,711 |

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|   |           |           |   |           |
|---|-----------|-----------|---|-----------|
| Government and corporate securities           | 1,684,494 |           |   | 1,684,494 |
| Loans   | 402,087   |           |   | 402,087   |
| Other receivables from financial transactions | 258,288   | 754,848   |   | 1,013,136 |
| Miscellaneous receivables                     | 123,824   | 4         |   | 123,828   |
| In-process items                              | 1         |           |   | 1         |
| Total as of June 30, 2010                     | 2,848,368 | 777,886   | 3 | 3,626,257 |
| Total as of June 30, 2009                     | 4,236,585 | 1,046,404 | 3 | 5,282,992 |
| Liabilities:                                  |           |           |   |           |
| Deposits                                      | 641,417   |           |   | 641,417   |
| Other liabilities from financial transactions | 2,521,502 | 681,153   |   | 3,202,655 |
| Miscellaneous liabilities                     | 248       | 7         |   | 255       |
| Total as of June 30, 2010                     | 3,163,167 | 681,160   |   | 3,844,327 |
| Total as of June 30, 2009                     | 4,936,917 | 980,197   |   | 5,917,114 |

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**26. Income Tax**

Prior to January 1, 1996, the Bank was exempt from the payment of income tax. Beginning January 1, 1996, the Bank was only exempt from the payment of income tax on income from its operations, assets, and interest income attributable to its residential mortgage lending activities. Effective October 1997, as a result of conversion to a *sociedad anónima*, the Bank is subject to income tax in Argentina except on its income attributable to mortgage loan commitments made prior to that date.

As a general rule, the income tax law allows the deduction of expenses incurred to obtain or maintain the source of taxable income. For purposes of deducting from the taxable revenues those expenses incurred to obtain jointly taxable and non taxable income, expenses should be segregated accordingly.

Furthermore, the fiscal rule gives prerogative to the direct allocation method rather than the apportionment method to determine the deductible expenses. Thus, the apportionment method should only be used when it is not possible to make direct allocation of expenses to the taxable revenue.

The Bank has a tax net operating loss carry forward of Ps. 165,557 and Ps. 463,539 at June 30, 2010 and 2009, respectively.

**27. Presumptive Minimum Income Tax**

The Bank is subject to presumptive minimum income tax. Pursuant to this tax regime, the Bank is required to pay the greater of the income tax or the presumptive minimum income tax. Any excess of the presumptive minimum income tax over the income tax may be carried forward and recognized as a tax credit against future income taxes payable over a 10-year period. The presumptive minimum income tax provision is calculated on an individual entity basis at the statutory asset tax rate of 1% and is based upon the taxable assets of each company as of the end of the year, as defined by Argentine law. For financial entities, the taxable basis is 20% of their computable assets.

As accepted by the BCRA, at June 30, 2010 the Bank capitalized the Ps.137,230 tax credit corresponding to the fiscal years between 2000 and 2009.

The tax credit balances held by BHSA at the closing date of these financial statements are the following:

| <b>Fiscal Year</b> | <b>Tax credit balance</b> |
|--------------------|---------------------------|
| 2000               | 6,034                     |
| 2001               | 5,084                     |
| 2002               | 12,516                    |
| 2003               | 12,471                    |
| 2004               | 15,517                    |
| 2005               | 12,889                    |
| 2006               | 15,581                    |
| 2007               | 18,634                    |
| 2008               | 18,519                    |
| 2009               | 19,944                    |

Additionally, at June 30, 2010 and 2009, BH Valores SA capitalized the Ps. 41 tax credit.



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**28. Shareholders Equity**

The following information relates to the statements of changes in the Bank's shareholders' equity.

**(a) Common Stock**

Prior to June 30, 1997, the Bank's capital stock consisted of assigned capital with no par value owned 100% by the Argentine government. In accordance with the by-laws approved as a result of the conversion of the Bank to a *sociedad anónima*, the Bank's capital stock was established at Ps.1,500,000 and divided into four classes of ordinary common shares.

As of June 30, 2010, the Bank's capital stock consists of:

| Shareholder   | Class of Shares | Number of Shares | Total % Ownership | Voting Rights |
|---|-----------------|------------------|-------------------|---------------|
| Argentine government (through FFFRI) (b)<br><i>Banco Nación</i> , as trustee for the Bank's<br><i>Programa de Propiedad Participada</i> (a) | A               | 658,530,880      | 43.9%             | 1 vote        |
| Argentine government (through FFFRI)  | B               | 75,000,000       | 5.0%              | 1 vote        |
| Public investors (c) (d)  | C               | 75,000,000       | 5.0%              | 1 vote        |
|   | D               | 691,469,120      | 46.1%             | 3 votes       |
|   |                 | 1,500,000,000    | 100%              |               |

(a) The Bank's *Programa de Propiedad Participada* (PPP) is the Bank's employee stock ownership plan.

(b) Under the Bylaws, the affirmative vote of the holders of Class A Shares is required in order to effectuate: (i) mergers or spin-offs; (ii) an acquisition of shares (constituting a Control Acquisition or resulting in the Bank being subject to a control situation); (iii) the transfer to third parties of a substantial part of the loan portfolio of the Bank, (iv) a change in the Bank's corporate purpose; (v) the transfer of the Bank's corporate domicile outside of Argentina, and (vi) the voluntary dissolution of the Bank.

(c) For so long as Class A Shares represent more than 42% of the Bank's capital, the Class D Shares shall be entitled to three votes per share, except that holders of Class D Shares will be entitled to one vote per share in the case of a vote on: (i) a fundamental change in the Bank's corporate purpose; (ii) a change of the Bank's domicile to be outside of Argentina; (iii) dissolution prior to the expiration of the Bank's corporate existence; (iv) a merger or spin-off in which the Bank is not the surviving corporation; and (v) a total or partial recapitalization following a mandatory reduction of capital.



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(d) By reason of the expiration on January 29, 2009 of the Total Return Swap that had been executed and delivered on January 29, 2004 (See 5.13), Deutsche Bank AG transferred to the Bank 71,100,000 ordinary Class D shares in Banco Hipotecario Sociedad Anónima with face value \$ 1 each, which are available for the term and in the conditions prescribed by the Argentine Companies Law, in its Section 221. The Class B shares have been set aside for sale to the Bank's employees in the future pursuant to the PPP on terms and conditions to be established by the Argentine government. Any Class B shares not acquired by the Bank's employees at the time the Bank implements the PPP will automatically convert into Class A shares. The Class C shares are eligible for sale only to companies engaging in housing construction or real estate activities. Any Class B shares transferred by an employee outside the PPP will automatically convert to Class D shares or Class C shares transferred to persons not engaged in construction or real estate activities will automatically convert into Class D shares.

***(b) Restriction on the distribution of profits***

No profits may be distributed when any financial year does not produce profits.

Argentine Central Bank Communication A 4152 dated June 2, 2004 left without effect the suspension of the distribution of profits established by Communication A 3574. However, those banks that proceed to such distribution must be previously authorized by the Financial and Exchange Institutions Superintendency.

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Through Communiqué A 4526 dated April 24, 2006, the BCRA established that when the Legal Reserve is used to absorb losses, earnings shall not be distributed until the reimbursement thereof. Should the balance prior to the absorption exceed 20% of the Capital Stock plus the Capital Adjustment, profits may be distributed once the latest value is reached.

For purposes of determining distributable balances, the net difference arising from the book value and the market quotation shall be deducted from retained earnings, in the event the Entity records government debt securities and/or debt securities issued by the BCRA not valued at market prices, with volatility published by such entity.

Pursuant to its Communication A 5072, BCRA established that no dividend distribution shall be admitted in so far as: a) the amounts deposited as minimum cash requirements on average in Pesos, foreign currency or in Government securities were less than the requirements pertaining to the most recently closed position or the position as projected taking into account the effect of the distribution of dividends, and/or b) the amounts deposited as minimum capital requirements were less than the requirements recalculated as previously mentioned plus a 30% increase, and/or c) the Entity has received financial aid from the BCRA on grounds of illiquidity as set forth in Section 17 of BCRA's Charter.

**29. Employee Benefit Plan**

The Bank is obligated to make employer contributions to the National Pension Plan System determined on the basis of the total monthly payroll. These expenses are recorded in Salaries and social security contributions under the Administrative expenses caption in the accompanying consolidated statements of income.

**30. Financial Instruments with Off-Balance Sheet Risk**

In the normal course of its business the Bank is party to financial instruments with off-balance sheet risk in order to meet the financing needs of its customers. These instruments expose the Bank to credit risk in addition to amounts recognized in the balance sheets. These financial instruments include commitments to extend credit.

Commitments to extend credit are agreements to lend to a customer at a future date, subject to such customers meeting of pre-defined contractual milestones. Typically, the Bank will commit to extend financing for construction project lending on the basis of the certified progress of the work under construction. Most arrangements require the borrower to pledge the land or buildings under construction as collateral. As of June 30, 2010 and 2009, the commitments to extend credit under these arrangements amounted to approximately Ps.361,123 and Ps.24,170, respectively. Furthermore, the Bank has a unilateral and irrevocable right to reduce or change the credit card limit, thus it considered there is no off-balance sheet risk. The total unused credit card limit at June 30, 2010 and 2009 amounts to Ps. 1,861,243 and Ps. 1,498,517.

In the opinion of management, the Bank's outstanding commitments do not represent unusual credit risk. The Bank's exposure to credit loss in the event of nonperformance by the other party is represented by the contractual notional amount of those commitments.

The Bank accounts for items drawn on other banks in memorandum accounts until such time as the related item clears or is accepted. In the opinion of management, the Bank's risk of loss on these clearing transactions is not significant as the transactions primarily relate to collections on behalf of third parties. The amounts of clearing items in process were Ps. 59,264 and Ps 34,328 as of June 30, 2010 and 2009, respectively.

Additionally, the Bank recorded in memorandum accounts other guarantees provided for Ps.111,853 and Ps. 888,129 as of June 30, 2010 and 2009 respectively.

**31. Out-of-court reorganization plan**

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On June 9, 2004, the Bank requested approval of an out-of-court reorganization plan from the Federal Court of Original Jurisdiction on Commercial Matters N° 14, Clerk's Office N° 28. On October 29, 2004 that court rejected the plan submitted, because it considered that financial institutions may not resort to this type of proceeding. The Bank filed an appeal against the lower court decision, which was rejected by a decision issued by Division D of the Federal Court of Appeals in Commercial Matters; notice thereof was served in May 31, 2006. Against this last Resolution, on June 15, 2006, the Bank filed an extraordinary appeal before the ante la Argentine Supreme Court of Justice, which was granted on October 13, 2006; therefore, this court shall make the final decision on the issue.

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Through Resolution N° 282 dated August 16, 2006, the Superintendent of Financial and Exchange Institutions of the BCRA decided to conduct a preliminary investigation on the Bank, its Directors, members of the Syndics Committee and the Financial area Manager (who held office at that time), since it considered the provisions of item 1.3 of Resolution by the BCRA Board of Directors N° 301 dated July 24, 2003, have been violated, since it established that the Bank needed to eliminate all references to an out-of-court reorganization plan, to the terms of the external liabilities restructuring plan submitted before the monetary authority, within the framework of the provisions of Communication A 3940. This was informed to the National Securities Commission (CNV) on September 29, 2006. The Bank, as well as its Directors, members of the Supervisory Committee and the Financial area Manager have duly submitted the corresponding deposition requesting to be exempted from any kind of penalty, since to the best of their knowledge no punishable actions took place.

**32. Tax Claim**

Through note N° 42/08 dated June 3, 2008, the Federal Tax Commission served the Bank notice about a Declaratory Order issued by Executive Committee N° 4, dated September 28, 2007, stating the following: i) Banco Hipotecario SA's right to collect commissions on National Housing Fund resource transfers to the Provinces and to the Autonomous City of Buenos Aires expired on July 23, 2007, ii) this task shall be transferred to Banco Nación Argentina, and iii) Banco Hipotecario SA shall refrain from withholding such banking commission as from the day following notice thereof and shall credit the respective accounts with the commissions collected after July 23, 2007.

On July 23, 2008, the Bank objected said order by arguing the following: i) the incompetence of the Federal Tax Commission for issuing such order, based on the legal origin of the Bank's exclusive right to centralize and distribute FONAVI funds; ii) the incorrect interpretation of the provisions of decree 927/97, containing the regulations for Law 24855, Act for Privatizing former Banco Hipotecario Nacional, since it only obliged the Bank to maintain the service provision conditions in force at the time of passing said law during 10 years, without any expiration provisions regarding the role of the Bank in the process, and iii) the unlawfulness of requiring a retroactive reimbursement of commissions, giving consideration to the fact they were collected for services that were effectively rendered on behalf of the Department of Urban Development and Housing.

As of the date of these financial statements, no decision about the objection had been made yet, and funds were still being sent to the Bank for distribution to the Provinces, in accordance with the directives of the Department of Urban Development and Housing.

**33. ANSES Master agreement**

On May 13 and July 3, 2009, the Bank executed a Master Agreement with the Argentine Social Security Office (ANSES), whereby, under the provisions of Law 26425, the ANSES promised to provide an initial financing amount and subsequent disbursements aimed at financing the roll-out of the Bank's Home Financing Plan, involving a total of up to 37,000 homes, over the next three years.

The disbursement amount committed by the ANSES is US\$ 300,000 thousand.

**34. Summary of Significant Differences between Argentine Banking GAAP and US GAAP**

The Bank's consolidated financial statements have been prepared in accordance with Argentine Banking GAAP, which differs in certain significant respects from US GAAP. Such differences involve methods of measuring the amounts shown in the consolidated financial statements, as well as additional disclosures required by US GAAP and regulations of the SEC. These consolidated financial statements include solely a reconciliation of net income and shareholders' equity to US GAAP. Pursuant to Item 17 of Form 20-F, this reconciliation does not include disclosure of all information that would be required by US GAAP and regulations of the SEC.



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***a. Loan origination fees and costs***

Under Argentine Banking GAAP, the Bank does not defer loan origination fees and costs on mortgage, personal and credit card loans.

In accordance with US GAAP, under ASC 310-20 loan origination fees and certain direct loan origination costs should be recognized over the life of the related loan as an adjustment of yield.

Therefore the shareholders' Equity adjustment between Argentine Banking GAAP and US GAAP as of June 30, 2010 and 2009 amounted to Ps. 6,204 and 11,469, respectively.

***b. Allowance for loan losses***

The Bank's accounting for its allowance for loan losses differs in some significant respects with practices of US-based banks.

Under Argentine Banking GAAP, the allowance for loan losses is calculated according to specific criteria. This criterion is different for commercial loans (those in excess of Ps. 750) and consumer loans. Loan loss reserves for commercial loans are principally based on the debtors' payment capacity and cash-flows analysis. Loan loss reserves for consumer loans are based on the client's aging. Argentine banks may maintain other reserves to cover potential loan losses which management believes to be inherent in the loan portfolio, and other Argentine Central Bank required reserves.

Under US GAAP, the allowance for loan losses should be in amounts adequate to cover inherent losses in the loan portfolio at the respective balance sheet dates. Specifically:

- a) Loans considered impaired in accordance with ASC 310-10 Accounting for Creditors for Impairment of a Loan are valued at the present value of the expected future cash flows discounted at the loan's effective contractual interest rate or at the fair value of the collateral if the loan is collateral dependent. Under ASC 310-10, a loan is considered impaired when, based on current information, it is probable that the borrower will be unable to pay contractual interest or principal payments as scheduled in the loan agreement. ASC 310-10 applies to all loans except smaller-balance homogeneous consumer loans, loans carried at the lower of cost or fair value, debt securities, and leases. The Bank applies ASC 310-10 to all commercial loans classified as With problems, Insolvency Risks and Uncollectible or commercial loans more than 90 days past due. The Bank specifically calculates the present value of estimated cash flows for commercial loans in excess of Ps.750 and more than 90 days past due. For commercial and other loans in legal proceedings, loans in excess of Ps.750 are specifically reviewed either on a cash-flow or collateral-value basis, both considering the estimated time to settle the proceedings.

As of June 30, 2010 and 2009, the result of applying ASC 310-10, shows that the Bank recorded an adjustment to Shareholders' Equity for US GAAP purposes of Ps. 37,295 and Ps. 17,522, respectively.

- b) In addition, the Bank has performed a migration analysis for mortgage, credit cards and consumer loans following the ASC 450-20 and historical loss ratios were determined by analyzing historical losses, in order to calculate the allowance required for smaller-balance impaired loans and unimpaired loans for U.S. GAAP purposes. Loss estimates are analyzed by loan type and thus for homogeneous groups of clients. Such historical ratios were updated to incorporate the most recent data reflecting current economic conditions, industry

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performance trends, geographic or obligor concentrations within each portfolio segment, and any other pertinent information that may affect the estimation of the allowance for loan losses.

As a result of the analysis mentioned before, the Bank recorded an adjustment to Shareholders' Equity for US GAAP purposes of Ps. (24,167) and Ps. (98,158), for 2010 and 2009, respectively.

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for hedge accounting to be applied the derivative and the hedged item must meet strict designation and effectiveness tests.

The Bank's derivatives do not qualify for hedge accounting treatment under US GAAP. Therefore gains and losses are recorded in earnings in each period.

Under US GAAP, the Bank estimates the fair value of the receivable and payable on the derivative instrument. As of June 30, 2010 and 2009 the difference between Argentine Banking GAAP and US GAAP amounts to Ps. (4,972) and Ps. (62,735), respectively.

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Under US GAAP, derivatives should be recorded at fair value, on a net basis, and therefore the Bank's assets and liabilities should both be decreased by approximately Ps. 432,600 and Ps. 443,100 at June 30, 2010 and 2009, respectively.

***d. Compensatory and hedge bonds***

In connection with the Bank's right (but not the obligation) to purchase the hedge bond, under Argentine Banking GAAP the Bank has recognized it at their equivalent value as if the Bank had the associated bonds in their possession (technical value), and recognized the associated liability to fund the hedge bonds as if the Bank had executed the debt agreement with the Argentine Central Bank. The receivable is denominated in US dollars bearing interest at Libor whereas the liability to the Argentine Central Bank is denominated in pesos with interest being accrued at CER plus 2%, each retroactive to February 3, 2002.

As of June 30, 2005, the Bank obtained the benefit of the hedge bond to be purchased as the transaction was approved by the Argentine Central Bank. During September 2005, the Bank started to purchase the bonds.

Therefore, for US GAAP purposes, the Bank started recognizing the fair value of the option to receive the Hedge bond in the period ended June 30, 2005. As of June 30, 2010 there was no amount of hedge bond to be received pending of delivery.

During the year there were no sales of BODEN 2012 Bonds. In addition, according with contractual conditions of the bond, amortization of 12.5% of face value have occurred in August 3, 2009.

In connection with the Compensatory Bonds received or receivable by the Bank they were recognized at the technical value (nominal value plus interest accrued) according to Argentine Banking GAAP. Under US GAAP such amounts should initially be recognized at their quoted market value (limited to the amounts of the loss BHSA suffered in connection with the asymmetric pesification). Thereafter, Compensatory Bonds received are classified as available for sale securities and recognized at market value with the gains or losses recognized as a charge or credit to equity through other comprehensive income.

The Bank has evaluated whether there was a decline in the value of the security that is other-than temporary as defined by ASC 320-10. As of June 30, 2010 the fair value is greater than the amortized cost of the investment, according with the following:

|  | 2010           |            |              |                        |                                | 2009           |            |              |                        |                                |
|--|----------------|------------|--------------|------------------------|--------------------------------|----------------|------------|--------------|------------------------|--------------------------------|
|  | Amortized Cost | Book Value | Market Value | Unrealized (Loss)/Gain | Shareholders equity Adjustment | Amortized Cost | Book Value | Market Value | Unrealized (Loss)/Gain | Shareholders equity Adjustment |
| BODEN 2012   | 1,549,649      | 1,671,009  | 1,565,775    | 16,079                 | (105,234)                      | 1,937,039      | 2,157,744  | 1,565,024    | (372,015)              | (592,720)                      |
| <i>(In thousands of \$)</i>  |                |            |              |                        |                                |                |            |              |                        |                                |
| The net income adjustment amounts Ps. 99,392, Ps. 11,683 and 179,408 as of June 30, 2010, 2009 and 2008. |                |            |              |                        |                                |                |            |              |                        |                                |

As of June 30, 2010 the fair value of the bonds exceeded their amortized cost, therefore, for US GAAP purposes, we concluded that there was not recognition of impairment.



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*e. Other government securities***Discount Bonds**

As of June 30, 2004 the Bank held certain defaulted Argentine government bonds. Such bonds were not quoted in the public market. On January 2005, the Bank accepted the offer to exchange its defaulted government securities for Discount Bonds in pesos issued under the Argentine debt restructuring. On April 1, 2005 the government securities were exchange.

For US GAAP purposes and in accordance with ASC 310-20, satisfaction of one monetary asset (in this case a defaulted government securities) by the receipt of another monetary asset (in this case Discount Bonds) from the creditor is generally based on the market value of the asset received in satisfaction of the debt. In this particular case, the Bonds being received are significantly different in structure and in interest rates than the securities swapped. Therefore, the fair value of the Bonds was determined on the balance sheet date based on their market value and will constitute the cost basis of the asset. Any difference between the old asset and the fair value of the new asset is recognized as a gain or loss.

Under Argentine Banking GAAP, the Discount Bonds have been recorded at the lower of the total future nominal cash payments up to maturity, specified by the terms and conditions of the new securities tendered as of March 17, 2005, equivalent to the present value of the BOGAR Bonds cash flows at that date.

As of June 30, 2010 and 2009 the Discount Bonds were considered available for sale securities for US GAAP purposes according with ASC 320-10 and recorded at fair value with the unrealized gains and losses recognized as a charge or credit to equity through other comprehensive income.

The Bank has evaluated whether there was a decline in the value of the security that is other-than temporary as defined by ASC 320-10. As of June 30, 2010 and 2009 the fair value of the investment is less than its amortized cost, according with the following:

|                             | 2010           |            |              |                        |                                | 2009           |            |              |                        |                                |
|-----------------------------|----------------|------------|--------------|------------------------|--------------------------------|----------------|------------|--------------|------------------------|--------------------------------|
|                             | Amortized Cost | Book Value | Market Value | Unrealized (Loss)/Gain | Shareholders equity Adjustment | Amortized Cost | Book Value | Market Value | Unrealized (Loss)/Gain | Shareholders equity Adjustment |
| <i>(In thousands of \$)</i> |                |            |              |                        |                                |                |            |              |                        |                                |
| Discount                    |                |            |              |                        |                                |                |            |              |                        |                                |
| Bonds                       | 14,103         | 27,171     | 11,593       | (2,510)                | (15,578)                       | 13,529         | 28,146     | 8,847        | (4,682)                | (19,299)                       |

A number of factors were considered in performing analysis of securities. Those factors include, among others:

1. intends to sell the security,

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2. is more likely than not to be required to sell the security before recovering its cost; or
  
3. does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell) that is, a credit loss. This credit loss is based on the present value of cash flows expected to be collected from the debt security. If a credit loss exists but an entity does not intend to sell the impaired debt security and is more likely than not to be required to sell before recovery, the impairment is other than temporary. It should therefore be separated into:

1. the estimated amount relating to the credit loss, and
  
2. all other changes in fair value.

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Only the estimated credit loss amount is recognized in profit or loss; the remaining change in fair value is recognized in other comprehensive income. This approach more closely aligns the impairment models for debt securities and loans by reflecting only credit losses as impairment in profit and loss.

The Bank as a result of its analysis has determined that unrealized losses on Discount Bonds are temporary in nature based on its ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery, the financial condition of the issuer and the recoveries in fair values after the balance sheet date and the bank expects to recover the security's entire amortized cost.

***Bonar Bonds***

On January 30, 2009, Global 08 Guaranteed Loans for a face value of 226,310,100 were tendered under the debt exchange contemplated under Joint Resolution 8/2009 and 5/2009 of the Treasury and Finance Secretaries of the Ministry of Economy, and BONAR in Argentine Pesos Badlar + 275 bps. 2014 for a face value of 705,803,810 were received, whose acquisition cost was Ps. 369,304, which were valued as mentioned in Note 5.2. The above mentioned guaranteed loans had been purchased from Deutsche Bank on January 29, 2009.

For US GAAP purposes and in accordance with ASC 310-20, satisfaction of one monetary asset (in this case Global 08 Guaranteed Loans) by the receipt of another monetary asset (in this case Bonar Bonds) from the creditor is generally based on the market value of the asset received in satisfaction of the debt. In this particular case, the Bonds being received are significantly different in structure and in interest rates than the securities swapped. Therefore, the fair value of the Bonds was determined on the balance sheet date based on their market value and will constitute the cost basis of the asset. Any difference between the old asset and the fair value of the new asset is recognized as a gain or loss.

Under Argentine Banking GAAP, these Bonds have been valued at cost. This value increases monthly on the basis of the internal rate of return resulting from the interest rate which, used as discount, matches the cash flow's present value with the initial value. As mentioned in note 5.2, the board of Directors resolved to record the Bonar Bonds at fair value. Under US GAAP these securities were classified as AFS and no reclassification between categories were made.

The Bank has evaluated whether there was a decline in the value of the security that is other-than temporary as defined by ASC 310-10. As of June 30, 2010 the fair value of the investment is greater than its amortized cost, consequently no impairment was recognized for US GAAP purposes.

Shareholders' Equity adjustment between Argentine Banking GAAP and US GAAP as of June 30, 2010 and 2009 amounted to Ps. 34,637 and Ps. 95,314, respectively.

The Bank has evaluated whether there was a decline in the value of the security that is other-than temporary as defined by ASC 320-10. As of June 30, 2010 the fair value is greater than the amortized cost of the investment, according with the following:

| 2010                           |            |              |                        | 2009                           |            |              |                        |
|--------------------------------|------------|--------------|------------------------|--------------------------------|------------|--------------|------------------------|
| Amortized Cost                 | Book Value | Market Value | Unrealized (Loss)/Gain | Amortized Cost                 | Book Value | Market Value | Unrealized (Loss)/Gain |
| Shareholders equity Adjustment |            |              |                        | Shareholders equity Adjustment |            |              |                        |

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(In thousands of \$)

|            |         |         |         |        |        |         |         |         |        |        |
|------------|---------|---------|---------|--------|--------|---------|---------|---------|--------|--------|
| BONAR 2014 | 169,213 | 171,461 | 206,098 | 36,885 | 34,637 | 414,663 | 415,335 | 510,649 | 95,986 | 95,314 |
|------------|---------|---------|---------|--------|--------|---------|---------|---------|--------|--------|

***Other Bonds***

The Bank's government securities and certain other securities that are included under the caption "investment accounts" under Argentine Central Bank, were considered as "trading securities" under US GAAP.

Under Argentine Banking GAAP as of June 30, 2009, such securities were valued at cost plus accrued interest where as under US GAAP, these securities were value at its market value. Unrealized gain and losses are included in earnings.

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The table included below, shown the USGAAP adjustment included under the caption Other government securities in the reconciliation of Shareholders' equity:

|                | Shareholders' equity | Adjustment    |
|----------------|----------------------|---------------|
|                | 2010                 | 2009          |
| Discount Bonds | (15,578)             | (19,299)      |
| Bonar Bonds    | 34,637               | 95,314        |
| Other Bonds    |                      | (4,028)       |
| <b>Total</b>   | <b>19,059</b>        | <b>71,987</b> |

The net income adjustment amounts Ps. 4,001, Ps. (3,257) and (18) as of June 30, 2010, 2009 and 2008.

**f. Provincial Public Debt**

As of June 2002, the Bank offered to exchange certain loans to Argentine provincial governments for loans or securities of the Argentine National Government; however the exchange had not been finalized until 2003. As these loans were performing no provision was recorded under US GAAP in accordance with ASC 310-10.

In 2003, the Bank tendered in the exchange under Decree N°1579/02 almost all its portfolio of loans to provincial governments and received securities of the Argentine National Government ( BOGAR ).

For US GAAP purposes and in accordance with ASC 310-20 satisfaction of one monetary asset (in this case a loan) by the receipt of another monetary asset (in this case BOGAR) from the creditor is generally based on the market value of the asset received in satisfaction of the debt. In this particular case, the BOGAR being received is significantly different in structure and in interest rates than the loans swapped. Therefore, such amounts should initially be recognized at their market value. The estimated fair value of the securities received will constitute the cost basis of the asset. Any difference between the old asset and the fair value of the new asset is recognized as a gain or loss. The difference between the cost basis and the amount expected to be collected will be amortized on an effective yield basis over the life of the bond.

For US GAAP purposes, these BOGAR are classified by the Bank, as available for sale securities and recorded at fair value with the unrealized gains or losses recognized as a charge or credit to equity through other comprehensive income.

The Bank has evaluated whether there was a decline in the value of the security that is other-than temporary as defined by ASC 320-10. As of June 30, 2010 the fair value is greater than the amortized cost of the investment, according with the following:

| 2010           |            |              |                        |                                 | 2009           |            |              |                        |                                 |
|----------------|------------|--------------|------------------------|---------------------------------|----------------|------------|--------------|------------------------|---------------------------------|
| Amortized Cost | Book Value | Market Value | Unrealized (Loss)/Gain | Shareholders' equity Adjustment | Amortized Cost | Book Value | Market Value | Unrealized (Loss)/Gain | Shareholders' equity Adjustment |



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*(In thousands of \$)*

### BOGAR

|       |        |        |        |        |         |         |         |        |          |          |
|-------|--------|--------|--------|--------|---------|---------|---------|--------|----------|----------|
| Bonds | 48,553 | 76,432 | 71,245 | 22,692 | (5,187) | 116,973 | 175,661 | 98,684 | (18,289) | (76,977) |
|-------|--------|--------|--------|--------|---------|---------|---------|--------|----------|----------|

As of June 30, 2010 the fair value of the bonds exceeded their amortized cost, therefore, for US GAAP purposes, we concluded that there was not recognition of impairment.

The net income adjustment amounts Ps. 30,809, Ps. 10,491 and 14,494 as of June 30, 2010, 2009 and 2008.

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***g. Trouble debt restructuring***

On January 14, 2004, the Bank refinanced its outstanding defaulted debt. Under Argentine Banking GAAP the restructuring of the debt was treated as an exchange of debt instruments with substantially different terms. As a result, the Bank removed the original loans and its related accrued interest payable and recognized new debt instruments and associated cash payments for interest payable and for certain principal settlements, resulting in a gain on restructuring of Ps. 783,698. Under Argentine Banking GAAP, expenses incurred in a trouble debt restructuring are reported in earnings.

For US GAAP purposes, the restructuring of the debt was accounted for in accordance with ASC 470-60 as the creditors made certain concessions due to the financial difficulties of the Company. ASC 470-60 requires that a comparison be made between the future cash outflows associated with the new debt instruments (including interest), and the recorded amount of the payables at the time of restructuring. Gain on trouble debt restructuring is only recognized when the carrying amount of the payable at the time of restructuring exceeds the total future cash payments specified by the new debt terms, and only for the difference between the book value of the old debt and the future cash flows of the new debt. The total future cash outflows associated with the new debt instruments exceeded the carrying value of the old debts for some payables. The gain on restructuring recorded under US GAAP was lower than the gain recorded under Argentine Banking GAAP and therefore, the carrying amount of the new debt instruments under US GAAP was greater than the amount recorded under Argentine Banking GAAP and a new effective interest rate was determined, which equates the present value of the future cash payments specified by the new debt instruments with the carrying amount of the old debt instruments. Under US GAAP, expenses incurred in a trouble debt restructuring are reported in earnings.

Subsequent to the restructuring, the bank has prepaid certain tranches of the debt. As a result of such prepayments and because the amount of the debt is greater for US GAAP purposes the amount of the gain or loss recognized for Argentine banking GAAP its different to the amount recognized for US GAAP purposes.

The Bank has repurchased part of the debt maturing in 2010 and 2013. For US GAAP purposes, these transactions were considered as an extinguishment of debt. Therefore, the US GAAP adjustment recorded in previous years related to the debt extinguished was reversed in 2008, 2009 and 2010 generating a gain and included in the US GAAP net income reconciliation.

As mentioned in note 11 the bank carries long-term Negotiable Obligations held in its portfolio for purposes of their possible Exchange with holders that did not participate in the initial offering. For US GAAP purposes the bonds held by the bank are considered as debt extinguishment.

Shareholders' Equity adjustment between Argentine Banking GAAP and US GAAP as of June 30, 2010 and 2009 amounted to Ps. (71,453) and Ps. (124,668), respectively.

***h. Securitization of mortgage and consumer loans***

The Bank has securitized certain of their mortgage and personal loans originated by the retail banks on their behalf through the transfer of such loans to a special purpose trust which issues multiple classes of bonds and certificates of participation.

Under Argentine Banking GAAP, these transactions were accounted for as sales and the debt securities and certificates retained by the Bank are accounted for at cost plus accrued interest for the debt securities, and the equity method is used to account for the residual interest in the trust.

Under US GAAP, there are two key accounting determinations that must be made relating to securitizations. A decision must be made as to whether a transfer would be considered a sale under US GAAP, resulting in the transferred assets being removed from our consolidated balance sheet with a gain or loss recognized. Alternatively, the transfer would be considered a secured borrowing, resulting in recognition of a liability in

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our consolidated balance sheet. The second key determination to be made is whether the securitization vehicle must be consolidated and included in our consolidated balance sheet or whether such securitization vehicle is sufficiently independent that it does not need to be consolidated.

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If the trust's activities are sufficiently restricted the trust is not consolidated by the seller of the transferred assets. Additionally, the overall methodology for evaluating transactions and relationships under the variable interest entity (VIE) requirements includes the following two steps:

determine whether the entity meets the criteria to qualify as a VIE and,

determine whether the Bank is the primary beneficiary of the VIE.

In performing the first step the significant factors and judgments that were considered in making the determination as to whether an entity is a VIE include:

the design of the entity, including the nature of its risks and the purpose for which the entity was created, to determine the variability that the entity was designed to create and distribute to its interest holders;

the nature of the involvement with the entity;

whether control of the entity may be achieved through arrangements that do not involve voting equity;

whether there is sufficient equity investment at risk to finance the activities of the entity and;

whether parties other than the equity holders have the obligation to absorb expected losses or the right to receive residual returns. For each VIE identified, the Bank performed the second step and evaluate whether it is the primary beneficiary of the VIE by considering the following significant factors and criteria:

whether the variable interest absorbs the majority of the VIE's expected losses;

whether the variable interest receives the majority of the VIE's expected returns and;

whether the Bank has the ability to make decisions that significantly affect the VIE's results and activities.

Based on the mentioned evaluation as of June 30, 2010 the Bank consolidated certain VIE's in which the Bank had a controlling financial interest and for which it is the primary beneficiary. Therefore, the Bank re-consolidated the loans under BACS Funding I, BACS Funding II, BHSA I,

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BACS III, CHA IX, CHA X and CHA XI and re-established its loan loss reserves under ASC 450-20. See Note 34.b. for allowance for loan losses.

On June 30, 2010 the Bank adopted FSP ASC 860-10 and ASC 810-10 which require additional disclosures about its involvement with consolidated VIE s and expanded the population of VIE s to be disclosed. The table below presents the assets and liabilities of the financial trusts which have been consolidated for US GAAP purposes:

|                               | <b>June 30, 2010</b> |
|-------------------------------|----------------------|
| Cash and due from banks       | Ps. 11,649           |
| Loans (net of allowances)     | 776,881              |
| Other assets                  | 73,789               |
| <b>Total Assets</b>           | <b>Ps. 862,319</b>   |
| <br>                          |                      |
| Debt Securities               | Ps. 743,765          |
| Certificates of Participation | 84,890               |
| Other liabilities             | 33,664               |
| <b>Total Liabilities</b>      | <b>Ps. 862,319</b>   |

The Bank s maximum loss exposure, which amounted to Ps. 862,319, is based on the unlikely event that all of the assets in the VIE s become worthless and incorporates potential losses associated with assets recorded on the Bank s Balance Sheet. Nevertheless, under Argentine Law the Debt securities will be paid exclusively with the securitized assets.

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The transfers of financial assets related to the creation of certain trusts were considered sales for US GAAP purposes under ASC 860-10 and for that reason debt securities and certificates retained by the Bank are considered to be available for sale securities under US GAAP.

The retained interests were initially recorded at an amount equal to a portion of the previous aggregate carrying amount of assets sold and retained. The portion is determinate based on the relative fair values of the assets sold and assets retained as of the date of the transfer based on their allocated book value using the relative fair value allocation method.

Subsequently, the unrealized gains (losses) on these securities are reported as an adjustment to shareholder's equity, unless unrealized losses are deemed to be other than temporary in accordance with ASC 325-40.

The fair value of these retained interests in the trusts is determined based upon an estimate of cash flows to be collected by the Bank as holder of the retained interests, discounted at an estimated market rate and will constitute the new cost basis of these securities.

Based on the mentioned above as of June 30, 2010 the Bank recognized the following adjustments:

- a) The effect of accounting the certificates of participation in BHN II and BHN III, BHN IV and BACS I as available for sale securities that includes the recognition of other than temporary impairment for a 100% of the carrying values of such securities as of June 30, 2006, considering the economic projections as of those dates and the declarative actions mentioned in Note 21. During the twelve-month period ended June 30, 2007, expectations about the recoverability of such securities have significantly changed considering among others, (a) decisions of the Supreme Court related to pesification matters and (b) new expectations about the CER, which adjusts the face value of the senior debt securities issued by the trust. The fair value of the securities is determined based on expected cash flows, discounted at a market interest rate. Increases in the fair value of these securities are recorded in other comprehensive income. As of June 30, 2010 and 2009, such carrying values are determined based upon an estimate of cash flows to be remitted to us as holder of the retained interests discounted at an estimated market rate and;
- b) The fair value recognition of the certificates of participation and debt securities held by the Bank from certain securitization trusts considered sales under US GAAP and classified as available for sale securities.

The Bank has evaluated whether there has been an adverse change in the estimated cash flows of the certificates of participation and debt securities. For certain securitizations the condition of an accrual of loss contingencies is met and an other-than-temporary impairment of Ps.2,119 was recorded, with the resulting change between the fair value and the amortized cost being charged to the income statement. The fair value at June 30, 2010 represents the new cost basis of these trusts.

Additionally, servicing assets and/or liabilities have been analyzed by the Bank, concluding that the benefits of servicing are not expected to be adequate compensation. Consequently a servicing liability of Ps. 634 and Ps. 1,356 as of June 30, 2010 and 2009, respectively, has been recorded for US GAAP purposes.

***i. Acquisition of Treasury shares***

On January 29, 2004 BHSA entered in a Total Return Swap transaction with Deutsche Bank AG ( DBAG ). Under this transaction Banco Hipotecario SA paid US\$ 17.5 M and DBAG agreed to transfer to the Bank 71,100,000 BHSA Class D shares on January 29, 2009 or at an earlier date, if requested by BHSA. Under Argentine Banking GAAP, BHSA recognized as of June 30, 2008 and 2007, the right to receive its shares as an asset, which is marked to market based on the market value of its shares at period end. Changes in fair value are recognized in

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earnings. Under US GAAP, following the guidance of ASC 480-10 BNSA recognized the right to receive its shares at a future date at cost, as a reduction of equity. Subsequent changes in the market value of the shares are not recognized.

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The Total Return Swap had been executed and DBAG transferred to the Bank 71,100,000 ordinary Class D shares of Banco Hipotecario SA (See Note 28.d.).

Under Argentine Banking GAAP acquisitions of the Bank's shares adjust Shareholders' Equity and changes in quoted market prices between the acquisition date and the reporting date are not recognized.

As a consequence, the Bank derecognized the right to receive its shares mentioned above and recorded to retained earnings Ps. (39,460) related to the difference between the treasury shares' cost and their market value. Subsequent changes in the market value of the shares are not recognized. Furthermore, during the year 2009, the Bank has recorded in its income statement Ps. 40,883 related to the shares revaluation till the execution of the transaction was performed. As of June 30, 2009 this revaluation was reversed for US GAAP purposes.

***j. Intangible Assets***

Under Argentine Banking GAAP fees paid for a re-engineering project and for restructuring expenses incurred in relation to certain equity transactions are recognized as an intangible asset and amortized in a maximum of five years. Such cost should be expensed as incurred under US GAAP.

Under Argentine Banking GAAP, the Bank capitalizes costs relating to all three of the stages of software development. Under ASC 350-40 defines three stages for the costs of computer software developed or obtained for internal use: the preliminary project stage, the application development stage and the post-implementation operation stage. Only the second stage costs should be capitalized.

Shareholders' Equity adjustment between Argentine Banking GAAP and US GAAP as of June 30, 2010 and 2009 amounted to Ps. (8,431) and Ps. (8,485), respectively.

***k. Impairment of fixed assets and foreclosed assets***

Under Argentine Banking GAAP, fixed assets and foreclosed assets are restated for inflation using the WPI index at February 28, 2003. As such, the balances of fixed assets and foreclosed assets were increased approximately 120%.

In accordance with ASC 360-10 such assets are subject to impairment tests in certain circumstances. Because projected cash flows associated with fixed assets and foreclosed assets are insufficient to recover the restated carrying amounts of the assets, those assets should be tested for impairment. During 2002, in the absence of credible market values for our fixed and foreclosed assets, the Bank under US GAAP reversed the restatement of fixed and foreclosed assets.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

As of June 2010 and 2009, no additional impairment was recorded in fixed and foreclosed assets.

Shareholders' Equity adjustment between Argentine Banking GAAP and US GAAP as of June 30, 2010 and 2009 amounted to Ps. (42,441) and Ps. (43,517), respectively. The differences between periods are due to the different amount of depreciation.

***l. Non-controlling interest***



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This adjustment represents the effect on Non-controlling interest on the US GAAP reconciling items, as appropriate.

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***m. Vacation Provision***

The Bank's policy for vacation benefits is to expense such benefits as taken. For US GAAP purposes, the vacation accrual is based on an accrual basis, where earned but untaken vacation is recognized as a liability.

Shareholders' Equity adjustment between Argentine Banking GAAP and US GAAP as of June 30, 2010 and 2009 amounted to Ps. (10,288) and Ps. (8,313), respectively.

***n. Insurance Technical reserve***

Until September 2003, the calculation of the local technical reserves performed by the Bank was the same as that used under US GAAP.

On September 2003, the National Insurance Superintendency issued certain regulations on the calculation of reserves introducing changes to the local regulations. For US GAAP purposes the Bank has accounted these types of transactions under ASC 944-20.

Therefore, the technical reserves for the twelve month periods ended June 2009 and 2010 were adjusted for US GAAP and an Shareholders' adjustment was recorded between Argentine Banking GAAP and US GAAP as of June 30, 2010 and 2009 amounted to Ps. (5,732) and Ps. (4,767), respectively.

***o. Capitalization of interest cost***

Under Argentine Banking GAAP, during the process of construction of an asset the capitalization of interest is not recognized.

For US GAAP purposes, as stated in ASC 835-20 the amount of interest cost to be capitalized for qualifying assets is intended to be that portion of the interest cost incurred during the assets' acquisition periods that theoretically could have been avoided (for example, by avoiding additional borrowings or by using the funds expended for the assets to repay existing borrowings) if expenditures for the assets had not been made.

The amount capitalized in an accounting period shall be determined by applying an interest rate to the average amount of accumulated expenditures for the asset during the period. The capitalization rates used in an accounting period shall be based on the rates applicable to borrowings outstanding during the period.

The total amount of interest cost capitalized in an accounting period shall not exceed the total amount of interest cost incurred by the enterprise in that period.

Shareholders' Equity adjustment between Argentine Banking GAAP and US GAAP as of June 30, 2010 and 2009 amounted to Ps. 1,654 and Ps. 1,638, respectively. The differences between periods are due to the different amount of depreciation.

***p. Income Tax***

Argentine Banking GAAP requires income taxes to be recognized on the basis of amounts due in accordance with Argentine tax regulations. Temporary differences between the financial reporting and income tax bases of accounting are therefore not considered in recognizing income taxes.

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In accordance with ASC 740-10 under US GAAP income taxes are recognized on the liability method whereby deferred tax assets and liabilities are established for temporary differences between the financial reporting and tax bases of our assets and liabilities. Deferred tax assets are also recognized for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recorded or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized for that component of net deferred tax assets which is more likely than not that it will not be recoverable.

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As of June 30, 2008, and based on the analysis performed on the realizability of the deferred tax assets, the Bank believed was more likely than not that it will recover only the temporary differences, with future taxable income. Therefore, a valuation allowance was provided against the net operating tax loss carryforward.

As of June 30, 2009 and 2010, and based on the analysis performed on the realizability of the deferred tax assets, the Bank believes that is more likely than not that it will recover the net operating tax loss carryforward and all the temporary differences, with future taxable income. Among other factors, the Bank considered that as of the date of the issuance of these financial statements, the taxable income, mainly due to the increase in the price of national government bonds (classified as available for sale securities for USGAAP proposes), is consuming almost the entire tax loss carryforward, considering that there were no differences between the tax and US GAAP accounting treatment related to available for sale securities. As we mention in note 26 the tax net operating loss carry forward decrease from Ps. 463,539 as of June 30, 2009 to Ps. 165,557 as of June 30, 2010.

In a consolidated basis, the Bank has recognized a net deferred tax asset that amounted to Ps. 126,761 and Ps. 224,316, as of June 30, 2010 and 2009, respectively.

ASC 740-10 prescribes a comprehensive model for the recognition, measurement, financial statement presentation and disclosure of uncertain tax positions taken or expected to be taken in a tax return. ASC 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Bank classifies income tax-related interest and penalties as income taxes in the financial statements. The adoption of this pronouncement had no effect on the Bank's overall financial position or results of operations.

The following table shows the tax years open for examination as of June 30, 2010, by major tax jurisdictions in which the Bank operates:

| <b>Jurisdiction</b> | <b>Tax year</b> |
|---------------------|-----------------|
| Argentina           | 2004-2010       |

***q. Items in process of collection***

The Bank does not give accounting recognition to checks drawn on the Bank or other banks, or other items to be collected until such time as the related item clears or is accepted. Such items are recorded by the Bank in memorandum accounts. US banks, however, account for such items through balance sheet clearing accounts at the time the items are presented to the Bank.

The Bank's assets and liabilities would be increased by approximately Ps. 59,119, Ps. 33,933 and Ps. 51,164, had US GAAP been applied at June 30, 2010, 2009 and 2008, respectively.

***r. Fair Value Measurements Disclosures***

Effective January 1, 2009, ASC 820-10:

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Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value;

Establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date;

Nullifies the guidance in ASC 815-10, which required the deferral of profit at inception of a transaction involving a derivative financial instrument in the absence of observable data supporting the valuation technique;

Eliminates large position discounts for financial instruments quoted in active markets and requires consideration of the Bank's creditworthiness when valuing liabilities; and

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Expands disclosures about instruments measured at fair value.

ASC 825-10 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments and written loan commitments not previously recorded at fair value. Under ASC 825-10, fair value is used for both the initial and subsequent measurement of the designated assets, liabilities and commitments, with the changes on fair value recognized in net income. As a result of ASC 825-10 analysis, the Bank has not elected to apply fair value accounting for any of its financial instruments not previously carried at fair value.

**Valuation hierarchy**

ASC 820-10 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows.

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

**Determination of fair value**

Following is a description of the Bank's valuation methodologies for assets and liabilities measured at fair value

Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models that use primarily market-based or independently-sourced market parameters, including interest rate yield curves, option volatilities and currency rates. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments include amounts to reflect counterparty credit quality, the Bank's creditworthiness, liquidity and unobservable parameters that are applied consistently over time.

The Bank believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

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The following section describes the valuation methodologies used by the Bank to measure various financial instruments at fair value, including an indication of the level in the fair-value hierarchy in which each instrument is generally classified. Where appropriate, the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

### **Assets (by Class of asset)**

#### *a) Securities*

The Bank's securities are classified within level 1 of the valuation hierarchy using quoted prices available in the active market. Level 1 securities includes trading securities, BODEN 2012 Compensatory Bond, Provincial Public Debt BOGAR, other government securities, instruments issued by BCRA and corporate securities.

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*b) Securities receivable under repurchase agreements*

The Bank's securities receivable under repurchase agreements which do not qualify for sale accounting for US GAAP purposes, are classified within level 1 of the valuation hierarchy. To estimate the fair value of this securities (BODEN 2012), quoted prices are available in active market.

*c) Subordinated mortgage backed bonds / Retained interests in securitizations*

The Bank's retained interests in securitizations are classified within level 3 of the valuation hierarchy. As quoted market prices are not available, then fair values are estimated by using a discount cash flow model which includes assumptions based upon projected finance charges related to the securitized assets, estimated net credit losses, prepayment assumptions and contractual interest paid to third-party investors. Has not been a significant change in the fair value of this class of asset during the year.

*d) Derivatives*

The fair value of level 3 derivative positions are determined using internally developed models that utilize both market observable and unobservable parameters. Level 3 derivative instruments have primary risk characteristics that relate to unobservable pricing parameters such as private name credit spreads, credit correlations, long dated equity or interest rate volatility skews and forward spreads. Such derivatives include long-dated interest rate or currency swaps, and credit default swaps where swap rates may be unobservable for longer maturities.

**Liabilities (by Class of liability)**

*e) Derivatives*

The fair value of level 3 derivative positions are determined using internally developed models that utilize both market observable and unobservable parameters. Level 3 derivative instruments have primary risk characteristics that relate to unobservable pricing parameters such as private name credit spreads, credit correlations, long dated equity or interest rate volatility skews and forward spreads. Such derivatives include long-dated interest rate or currency swaps, and credit default swaps where swap rates may be unobservable for longer maturities.



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The following table presents the financial instruments by class of asset and liabilities, carried at fair value as of June 30, 2010 and 2009, by ASC 820-10 valuation hierarchy (as described above).

**Assets and liabilities measured at fair value on a recurring basis**

|   | Total<br>carrying value | Quoted<br>market prices<br>in active<br>markets<br>(Level 1) | Internal<br>models with<br>significant<br>observable<br>market<br>parameters<br>(Level 2) | Internal<br>models with<br>significant<br>unobservable<br>market<br>parameters<br>(Level 3) |
|---|-------------------------|--|---|---|
| <b>Balances as of June 30, 2010</b>   |                         |  |   |   |
| <b>ASSETS</b>   |                         |  |   |   |
| <b>Securities</b>   |                         |  |   |   |
| Trading securities  | 257,864                 | 257,864  |   |   |
| BODEN 2012 Compensatory Bond  | 1,565,775               | 1,565,775  |   |   |
| Provincial Public Debt BOGAR  | 71,245                  | 71,245   |   |   |
| Other government securities   | 217,691                 | 217,691  |   |   |
| Instrument issued by the BCRA   | 1,039,902               | 1,039,902  |   |   |
| Corporate securities  | 1,174                   | 1,174  |   |   |
| <b>Subordinated mortgage backed bonds / Retained interests in securitizations</b> |                         |  |   |   |
| Subordinated mortgage backed bonds  | 226,724                 |  |   | 226,724   |
| <b>Derivatives</b>  |                         |  |   |   |
| Cross Currency Swap (Euro/Dollar)   | 14,245                  |  |   | 14,245  |
| Credit Currency Swap (Ps. CER/Dollar)   | 48,249                  |  |   | 48,249  |
| <b>TOTAL ASSETS AT FAIR VALUE</b>   | <b>3,442,869</b>        | <b>3,153,651</b>   |   | <b>289,218</b>  |
| <b>LIABILITIES</b>  |                         |  |   |   |
| <b>Derivatives</b>  |                         |  |   |   |
| Cross Currency Swap (Euro/Dollar)   | (12,429)                |  |   | (12,429)  |
| <b>TOTAL LIABILITIES AT FAIR VALUE</b>  | <b>(12,429)</b>         |  |   | <b>(12,429)</b>   |
| <b>Balances as of June 30, 2009</b>   |                         |  |   |   |

| <b>ASSETS</b>   |                  |                  |                |
|---|------------------|------------------|----------------|
| <b>Securities</b>   |                  |                  |                |
| Trading securities  | 162,912          | 162,912          |                |
| BODEN 2012 Compensatory Bond  | 669,412          | 669,412          |                |
| Provincial Public Debt BOGAR  | 98,684           | 98,684           |                |
| Other government securities   | 531,305          | 531,305          |                |
| Instrument issued by the BCRA   | 360,110          | 360,110          |                |
| Corporate securities  | 33,776           | 33,776           |                |
| <b>Securities receivable under repurchase agreements</b>                          |                  |                  |                |
| Securities receivable under repurchase agreements BODEN 2012                      | 895,612          | 895,612          |                |
| <b>Subordinated mortgage backed bonds / Retained interests in securitizations</b> |                  |                  |                |
| Subordinated mortgage backed bonds  | 242,741          |                  | 242,741        |
| <b>Derivatives</b>  |                  |                  |                |
| Cross Currency Swap (Euro/Dollar)   | 76,242           |                  | 76,242         |
| Credit Currency Swap (Ps. CER/Dollar)   | 23,582           |                  | 23,582         |
| <b>TOTAL ASSETS AT FAIR VALUE</b>   | <b>3,094,376</b> | <b>2,751,811</b> | <b>342,565</b> |
| <b>LIABILITIES</b>  |                  |                  |                |
| <b>Derivatives</b>  |                  |                  |                |
| Cross Currency Swap (Euro/Dollar)   | (1,025)          |                  | (1,025)        |
| Interest rate Swaps   | (5,826)          |                  | (5,826)        |
| <b>TOTAL LIABILITIES AT FAIR VALUE</b>  | <b>(6,851)</b>   |                  | <b>(6,851)</b> |

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**Changes in level 3 fair value measurements**

The table below includes a roll forward of the balance sheet amounts as of June 30, 2010 (including the change in fair value) for financial instruments classified by the Bank within level 3 of the valuation hierarchy. When a determination is made to classify a financial instrument within level 3 of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement.

|   | Total Fair Value Measurements             |                    |   | Available for sale securities<br>Subordinated mortgage backed bonds |
|---|---|--------------------|---|---|
|   | Net Derivative financial instruments      |                    | Credit Currency Swaps<br>(pesos CER / dollar) |   |
|   | Cross Currency Swaps<br>(Euro/<br>Dollar) | Interest rate Swap |   |   |
| <b>Balances as of June 30, 2010</b>         |   |                    |   |   |
| Fair value at the beginning of the period   | 75,217                                    | (5,826)            | 23,582  | 242,741   |
| Total gains or losses (realized/unrealized) |   |                    |   |   |
| Included in earnings                        | (73,401)                                  |                    | 24,667  | (502)   |
| Included in other comprehensive income      |   |                    |   | (15,515)  |
| Purchases,<br>Issuances                     |   |                    |   |   |
| Settlements                                 |   | 5,826              |   |   |
| Transfers in to/ out of level 3             |   |                    |   |   |
| Fair value, June 30, 2010                   | 1,816                                     |                    | 48,249  | 226,724   |

The table below summarizes gains and losses due to changes in fair value, recorded in earnings for level 3 assets and liabilities during the year:

|   | Total Gains and Losses                    |                    |   | Available for sale securities<br>Subordinated mortgage backed bonds |
|---|---|--------------------|---|---|
|   | Net Derivative financial instruments      |                    | Credit Currency Swaps<br>(pesos CER / dollar) |   |
|   | Cross Currency Swaps<br>(Euro/<br>Dollar) | Interest rate Swap |   |   |
| <b>Balances as of June 30, 2010</b>   |   |                    |   |   |
| Classification of gains and losses (realized/unrealized) included in earnings for 2010: |   |                    |   |   |
| Financial Income  | (73,401)                                  |                    | 24,674  | (502)   |
| Total   | (73,401)                                  |                    | 24,674  | (502)   |

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*t. Effects of Conforming to US GAAP***Reconciliation of shareholders equity**

|  |     | <u>June 30,</u> |             |
|--|-----|-----------------|-------------|
|  |     | <u>2010</u>     | <u>2009</u> |
| <b>Total shareholders equity under Argentine Banking GAAP</b>        | Ps. | 2,861,666       | 2,662,737   |
| <b>US GAAP adjustments:</b>  |     |                 |             |
| - Loan origination fees and costs                                    | (a) | 6,204           | 11,469      |
| - Loan losses reserve  | (b) | (94,840)        | (194,773)   |
| - Derivative Instruments   | (c) | (4,972)         | (62,735)    |
| - Compensatory and Hedge Bonds                                       | (d) | (105,234)       | (592,720)   |
| - Other government securities  | (e) | 19,059          | 71,987      |
| - Provincial Public Debt   | (f) | (5,187)         | (76,977)    |
| - Trouble debt Restructuring   | (g) | (71,453)        | (124,668)   |
| - Securitization of mortgage loans                                   | (h) | (52,061)        | (76,554)    |
| - Intangible assets  | (j) | (8,431)         | (8,485)     |
| - Impairment of fixed and foreclosed assets                          | (k) | (42,441)        | (43,517)    |
| - Vacation provision   | (m) | (10,288)        | (8,313)     |
| - Insurance technical reserve  | (n) | (5,732)         | (4,767)     |
| - Capitalization of interest cost                                    | (o) | 1,654           | 1,638       |
| - Deferred Income Tax  | (p) | 126,761         | 224,316     |
| <b>Total Shareholders Equity under US GAAP</b>                       | Ps. | 2,614,705       | 1,778,638   |
| - Non-Controlling Interest under US GAAP                             | (l) | 5,283           | 7,671       |
| <b>Consolidated Parent Company Shareholders Equity under US GAAP</b> | Ps. | 2,619,988       | 1,786,309   |

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**Reconciliation of net income:**

|   |     | 2010      | June 30,<br>2009 | 2008      |
|---|-----|-----------|------------------|-----------|
| <b>Net (loss) income as reported under Argentine Banking GAAP</b>           | Ps. | 198,929   | 50,463           | (59,562)  |
| <b>US GAAP adjustments:</b>   |     |           |                  |           |
| - Loan origination fees and costs   | (a) | (5,265)   | (386)            | 2,603     |
| - Loan losses reserve   | (b) | 99,933    | 6,659            | (111,558) |
| - Derivative instruments  | (c) | 57,763    | 125,864          | (138,411) |
| - Compensatory and Hedge Bonds  | (d) | 99,392    | 11,683           | 179,408   |
| - Other government securities   | (e) | 4,001     | (3,257)          | (18)      |
| - Provincial public debt  | (f) | 30,809    | 10,491           | 14,494    |
| - Trouble debt Restructuring  | (g) | 53,215    | 2,928            | 30,993    |
| - Securitization of mortgage loans  | (h) | 9,407     | (2,279)          | (21,802)  |
| - Acquisition of treasury shares  | (i) |           | 40,883           | 138,929   |
| - Intangible assets   | (j) | 54        | 4,354            | (9,326)   |
| - Impairment of fixed and foreclosed assets                                 | (k) | 1,076     | 1,632            | 1,441     |
| - Vacation provision  | (m) | (1,975)   | (1,530)          | (2,235)   |
| - Insurance technical reserve   | (n) | (965)     | (4,743)          | 1,692     |
| - Capitalization of interest of cost  | (o) | 16        | 97               | 70        |
| - Deferred tax  | (p) | (97,555)  | 38,850           | (29,719)  |
| <b>Net income (Loss) in accordance with US GAAP</b>                         | Ps. | 448,835   | 281,709          | (3,001)   |
| - Less Net Income (Loss) attributable to the Non-Controlling interest       | (l) | (7,688)   | 2,707            | 3,519     |
| <b>Net income attributable to Parent Company in accordance with US GAAP</b> | Ps. | 441,147   | 284,416          | 518       |
| Basic and diluted net income per share in accordance with US GAAP           |     | 3.087     | 1.990            | 0.000     |
| Average number of shares outstanding (in thousands)                         |     | 1,428,900 | 1,428,900        | 1,428,900 |

**Description of changes in shareholders equity under US GAAP:**

|   |     | Total Shareholders<br>Equity |
|---|-----|------------------------------|
| Balance as of June 30, 2008                                       | Ps. | 1,843,038                    |
| Other comprehensive Income  |     | (341,145)                    |
| Net income for the twelve month period in accordance with US GAAP |     | 284,416                      |
| Balance as of June 30, 2009                                       | Ps. | 1,786,309                    |
| Other comprehensive Income  |     | 392,532                      |

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|   |               |
|---|---------------|
| Net income for the twelve month period in accordance with US GAAP | 441,147       |
| Balance as of June 30, 2010                                       | Ps. 2,619,988 |

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**Comprehensive income**

ASC 220 establishes standards for reporting and disclosure of comprehensive income and its components (revenues, expenses, gains and losses) in the financial statements. Comprehensive income is the total of net income and other charges or credits to equity that are not the result of transactions with owners.

The following disclosure presented for the twelve-month periods ended June 30, 2010, 2009 and 2008, shows all periods in Argentine Banking GAAP format reflecting US GAAP income and comprehensive statement adjustments.

|   | 2010          | June 30,<br>2009 | 2008          |
|---|---------------|------------------|---------------|
| <b>Income Statement</b>   |               |                  |               |
| Financial income  | Ps. 1,476,896 | Ps. 1,202,472    | Ps. 900,184   |
| Financial expenses  | (661,590)     | (615,308)        | (550,693)     |
| Net financial income  | 815,306       | 587,164          | 349,491       |
| Provision for loan losses   | (217)         | (203,185)        | (261,419)     |
| Income from services  | 470,855       | 388,467          | 292,044       |
| Expenses for services   | (148,862)     | (127,246)        | (99,943)      |
| Administrative expenses   | (562,220)     | (450,188)        | (390,549)     |
| Net income (loss) from financial transactions                               | 574,862       | 195,012          | (110,376)     |
| Miscellaneous income  | 112,876       | 170,105          | 184,073       |
| Miscellaneous expenses  | (115,527)     | (107,226)        | (37,691)      |
| Income before income taxes and Non-controlling interest                     | 572,211       | 257,891          | 36,006        |
| Income taxes  | (121,906)     | 27,338           | (33,453)      |
| <b>Net income under US GAAP</b>   | 450,305       | 285,229          | 2,553         |
| Less Net (Loss) attributable to the Non-controlling interest                | (9,158)       | (813)            | (2,035)       |
| <b>Net income attributable to Parent Company in accordance with US GAAP</b> | 441,147       | 284,416          | 518           |
| Other comprehensive income (loss):  |               |                  |               |
| Unrealized gains on securities  | 392,532       | (341,145)        | (266,679)     |
| <b>Other comprehensive income (loss)</b>                                    | 392,532       | (341,145)        | (266,679)     |
| <b>Comprehensive income (loss)</b>  | Ps. 833,679   | Ps. (56,729)     | Ps. (266,161) |





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**Concentration of risk.****1) Total exposure to the public sector Argentine government and provinces**

The Bank has significant exposure to the Argentine national government and provinces in the form of government securities, secured loans and other debt obligations. As of June 30, 2010 and 2009, the Bank had the following assets outstanding (excluding balances with the BCRA):

|   | June 30, 2010   |               | June 30, 2009   |               |
|---|-----------------|---------------|-----------------|---------------|
|   | Argentine       |               | Argentine       |               |
|   | Banking<br>GAAP | US GAAP       | Banking<br>GAAP | US GAAP       |
| Argentine provincial debt                     | 76,432          | 71,245        | 175,661         | 98,684        |
| Other Argentine public-sector receivables (1) | 198,632         | 217,691       | 459,318         | 531,305       |
| Compensatory bond received                    | 1,671,009       | 1,565,775     | 2,157,744       | 1,565,024     |
| Total   | Ps. 1,946,073   | Ps. 1,854,711 | Ps. 2,792,723   | Ps. 2,195,013 |

(1) Includes bonds such as national government bonds and Discount Bonds.

**Risks and Uncertainties**

Over the last months of 2008, the financial markets in the most important countries in the world have been affected by volatility, lack of liquidity and credit, which entailed a significant drop in international stock indexes, and an economic slow-down started to become evident worldwide. This situation was gradually reverting since the second semester of 2009.

As regards Argentina, and after June 30, 2008 stock markets reflected significant drops in the prices of government and corporate securities, as well as an increase in interest rates, country risk and exchange rates. In particular, the securities issued by National Government shows a significant recovery in value since 2009 and as of the date of issuance of these financial statements.

The quality of the Bank financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing from time to time in Argentina. Risks and uncertainties facing the Bank that are generally the result of the recent economic crisis and the resulting government actions, include the fact that an important amount of the Bank's assets are concentrated in Argentine public-sector debt instruments.

As of June 30, 2010, the Bank's exposure to the Argentine public sector, including the compensatory and hedge bonds represented approximately 20.2% of total assets under Argentine Banking GAAP. Although the Bank's exposure to the Argentine public sector consists mostly of performing assets, the realization of the Bank's assets, its income and cash flow generation capacity and future financial condition may be dependent on the Argentine government's ability to comply with its payment obligations, and on its ability to establish an economic policy that is successful in promoting sustainable economic growth in the long run.



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**2) Concentration of deposits**

As of June 30, 2010 and 2009, the concentration of deposits is a follow:

|                                  | 2010             |                      | 2009             |                      |
|----------------------------------|------------------|----------------------|------------------|----------------------|
|                                  | Balance          | % of total portfolio | Balance          | % of total portfolio |
| Number of customers              |                  |                      |                  |                      |
| 10 largest customers             | 1,833,862        | 41.25%               | 1,356,915        | 39.76%               |
| 50 following largest customers   | 818,944          | 18.42%               | 750,721          | 22.01%               |
| 100 following largest customers  | 480,891          | 10.82%               | 301,773          | 8.84%                |
| Rest of customers                | 1,311,503        | 29.51%               | 1,002,821        | 29.39%               |
| <b>Total</b>                     | <b>4,445,200</b> | <b>100%</b>          | <b>3,412,230</b> | <b>100%</b>          |
| <b>Allowance for loan losses</b> |                  |                      |                  |                      |

Management believes that the current level of allowance for loan losses recorded for US GAAP purposes are sufficient to cover incurred losses of the Bank's loan portfolio as of June 30, 2010. Many factors can affect the Bank's estimates of allowance for loan losses, including expected cash flows, volatility of default probability, migrations and estimated loss severity. The process of determining the level of the allowance for credit losses requires a high degree of judgment. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions. If market conditions, and economic uncertainties exists, it might result in higher credit losses and provision for credit losses in future periods.

**US GAAP estimates**

Valuation reserves, impairment charges and estimates of market values on assets and step up bonds discounting, as established by the Bank for US GAAP purposes are subject to significant assumptions of future cash flows and interest rates for discounting such cash flows. Losses on the exchange of government and provincial bonds and on retained interests in securitization trusts were significantly affected by higher discount rates as of December 31, 2003 and 2002. However discount rates decreased as of June 30, 2010 and 2009. Should the discount rates change in future years, the carrying amounts and charges to income and shareholders' equity deficit will also change. In addition, as estimates of future cash flows change, so too will the carrying amounts which are dependent on such cash flows. It is possible that changes to the carrying amounts of loans, investments and other assets will be adjusted in the near term in amounts that are material to the Bank's financial position and results of income.

**35. Subsequent events****35.1. Securitization of mortgage loans (See Note 21).**

On July 12, 2010, the Bank launched Cédulas Hipotecarias Argentinas Series XII (CHA) for a face value of Ps. 273,612. The issuance date of the Trust Securities was July 21, 2010.

On November 23, 2010, the Bank launched Cédulas Hipotecarias Argentinas Series XIII (CHA) for a face value of Ps. 116, 104. the issuance date of the Trust Securities was December 1, 2010.

**35.2. Commencement of summary proceedings.**

The Bank has been notified of Resolution No. 286, dated July 2, 2010 issued by the Superintendent of Financial and Foreign Exchange Institutions whereby summary proceedings have been commenced against the Bank and its directors under section 8 of the Foreign Exchange Offences Law (as restated by Decree No. 480/95).

Under the above-mentioned proceedings, the Bank has been charged with the violation of certain provisions under Communications A 4087 and 4177 concerning early repayments of restructured external indebtedness for US\$ 91,420,135 and Euros 2,803,965 in the period February 2004 through June 2005.

In the Bank and its attorney's opinion, these summary proceedings are not likely to succeed and therefore, no contingency in this respect has been reflected in these financial statements.

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**35.3. Purchase of Tarshop s shares.**

On December 22, 2009, the Board of Directors has approved the purchase of 80% of the share capital of Tarshop SA. Such shareholding consists of 107,037,152 non-endorsable, registered ordinary shares, par value 1 Peso per share, and entitled to one vote per share, in turn equivalent to 107,037,152 votes. The transaction was subject to the BCRA approval.

The sales price amounts to US\$ 26.8 million, 20% (US\$ 5.4 million) of which was paid on December 29, 2009. However, the contract has a reimbursement clause according to which the advance would be returned to the Bank if the transaction was not approved. On August 30, 2010, the Financial and Exchange Institutions Superintendency of the Argentine Central Bank gave its consent to the referred purchase and on September 13, 2010, the remaining balance was paid.

This transaction is considered as a Business Combination under USGAAP. As a consequence that the mentioned transaction was closed after the reporting date (June 30, 2010) but before the financial statement is going to be issued, and according with ASC 805-10-50 specific disclosures must be included in the present financial statements as follows:

i) The name and a description of the acquiree. Tarshop is a consumer finance entity not regulated by the BCRA that operates as issuer, processor and distributor of its own brand, non-banking credit card known as Tarjeta Shopping .

The acquisition date. The acquisition date was on September 13, 2010.

iii) The percentage of voting equity interests acquired. As we mentioned before, the Bank has acquired the 80% of the share capital.

iv) The primary reasons for the business combination and a description of how the acquirer obtained control of the acquire. The incorporation of Tarshop into the economic group led by Banco Hipotecario will help to channel the market s demand for consumer finance thus allowing Banco Hipotecario to focus mainly on meeting its strategic goals of offering a comprehensive solution for home mortgages, both at the time of acquiring the property through a mortgage loan and later on when equipping it through the financing of the products necessary via personal loans and/or the use of the credit card.

As of the date of this report, due to the fact that the initial accounting under US GAAP for the above described business combination was incomplete, the Bank did not have all the information available that is required in order to prepare the disclosures required by ASC 805, specifically: a) contingent consideration and indemnification assets; b) acquired receivables; c) condensed balance sheet; d) assets and liabilities arising from contingencies; and e) goodwill.

The total amount paid for the acquisition of 80% of the share capital of Tarshop SA was Ps. 105.4 million. In the table below is included the total assets, liabilities and shareholders equity of Tarshop SA at August 31, 2010.

|                                 |                |
|---------------------------------|----------------|
| Cash and Due from Banks         | Ps. 16,079     |
| Investments                     | 143,646        |
| Credit Cards and Personal Loans | 298,968        |
| Other assets                    | 7,540          |
| <b>Total Assets</b>             | <b>466,233</b> |

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|  |                    |
|--|--------------------|
| Comercial liabilities                            | 144,887            |
| Financial Loans                                  | 91,173             |
| Other liabilities                                | 85,304             |
| Shareholder's Equity                             | 144,869            |
| <b>Total Liabilities and Shareholders Equity</b> | <b>Ps. 466,233</b> |

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**BANCO HIPOTECARIO SA AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**As of and for the twelve-month periods ended June 30, 2010, 2009 and 2008**

**(Expressed in thousands of Argentine pesos, except share data and as otherwise indicated)**

**35.4. Stock Appreciation Rights**

Through Minutes N° 268 dated January 12, 2010, the Board of Directors resolved: 1) to propose to the Shareholders Meeting that treasury Class D shares be given as payment to the holders of StARS to the extent of their accrued amounts, considering the shares value at that moment, and 2) to discuss possible alternatives for the Shareholders Meeting to resolve upon the allocation of the remaining shares.

The General Ordinary Shareholders Meeting held on April 30, 2010 resolved to extend for a year, counted as from January 31, 2010, the term for realizing the treasury shares held by the Bank.

On April 30, 2010, the General Extraordinary Shareholders Meeting resolved to delegate upon the Board of Directors the decision to pay with the treasury shares in portfolio the Stock Appreciation Rights (StAR) coupons resulting from the debt restructuring as advisable based on the contractually agreed valuation methods and their actual market value after allowing the shareholders to exercise their preemptive rights on an equal footing.

On June 16, 2010, the Board of Directors resolved to launch a preemptive offer to sell a portion of the Bank's treasury shares, for a total of 36.0 million class D shares. The remaining shares would be delivered in payment to the holders of Stock Appreciation Rights (StAR) coupons arising from the debt restructuring, which fell due on August 3, 2010. On July 26, 2010, within the framework of the referred offer, the Bank sold approximately 26.9 million of the shares mentioned above.

On August 3, 2010 the Stock Appreciation Rights (StAR) coupons were paid with the proceeds of the offer and the balance of the shares referred in the preceding paragraph.

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**Report of Independent Registered Public Accounting Firm**

To the Members

Metropolitan 885 Third Avenue LLC

We have audited the accompanying consolidated balance sheets of Metropolitan 885 Third Avenue LLC and Subsidiaries (the Company) as of June 30, 2010 and 2009, and the related consolidated statements of operations, changes in members' capital (deficit) and cash flows for the twelve months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan 885 Third Avenue LLC and Subsidiaries as of June 30, 2010 and 2009, and the results of their operations and their cash flows for the twelve months then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 12 to the consolidated financial statements, the Company will not have sufficient cash flows to fund operations and debt service payments, has a net capital deficiency and the Lender on the Property is seeking to foreclose on the Property. These factors create substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 12. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 13 to the consolidated financial statements, the Company has reissued its consolidated financial statements

/s/ Cornerstone Accounting Group LLP

New York, New York

December 28, 2010

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**Table of Contents****METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****JUNE 30, 2010 AND 2009**

|  | <b>2010</b>    | <b>2009</b>    |
|--|----------------|----------------|
| <b>ASSETS</b>  |                |                |
| <b>Real Estate, net</b>  | \$ 135,921,376 | \$ 140,672,193 |
| <b>Other Assets</b>  |                |                |
| Cash   | 902,228        | 1,389,684      |
| Accounts receivable  | 680,455        | 592,642        |
| Prepaid expenses   | 4,613,751      | 4,563,446      |
| Restricted cash  | 9,046,735      | 15,263,739     |
| Deferred rent receivable   | 8,526,805      | 5,859,114      |
| Utility deposits   | 38,200         | 38,200         |
| Deferred financing costs, net of accumulated amortization of \$1,016,191 in 2010 and \$675,439 in 2009                 | 2,391,343      | 2,732,095      |
| Deferred ground lease costs, net of accumulated amortization of \$1,722,053 in 2010 and \$1,143,891 in 2009            | 5,685,271      | 6,263,433      |
| Deferred preferred equity interest costs, net of accumulated amortization of \$1,027,557 in 2010 and \$933,436 in 2009 | 94,120         | 188,241        |
| Lease intangibles, net   | 48,429,685     | 51,236,213     |
|  | \$ 216,329,969 | \$ 228,799,000 |
| <b>LIABILITIES AND MEMBERS DEFICIT</b>   |                |                |
| <b>Liabilities</b>   |                |                |
| Notes payable  | \$ 210,000,000 | \$ 210,000,000 |
| Mandatorily redeemable preferred equity interest   | 45,000,000     | 45,000,000     |
| Accounts payable and accrued liabilities   | 9,348,527      | 5,503,413      |
| Deferred ground rent payable   | 11,698,245     | 7,777,963      |
| Security deposits  | 236,455        | 345,184        |
| Unearned revenue   | 219,712        | 567,128        |
| Lease intangibles, net   | 85,711,812     | 102,252,990    |
|  | 362,214,751    | 371,446,678    |
| <b>Commitments</b>   |                |                |
| <b>Members Deficit</b>   | (145,884,782)  | (142,647,678)  |
|  | \$ 216,329,969 | \$ 228,799,000 |

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****TWELVE MONTHS ENDED JUNE 30, 2010 AND 2009**

|  | <b>2010</b>    | <b>2009</b>      |
|--|----------------|------------------|
| <b>Revenues</b>                              |                |                  |
| Base rents                                   | \$ 51,793,806  | \$ 57,683,848    |
| Tenant reimbursements                        | 6,705,439      | 7,674,059        |
| Other rental revenue                         | 1,328,008      | 1,057,595        |
| Interest and other income                    | 21,222         | 121,187          |
|  | 59,848,475     | 66,536,689       |
| <b>Expenses</b>                              |                |                  |
| Real estate taxes                            | 8,396,049      | 7,682,134        |
| Utilities                                    | 2,901,643      | 3,034,685        |
| Janitorial                                   | 1,739,992      | 1,710,766        |
| Insurance                                    | 403,953        | 643,586          |
| Repairs and maintenance                      | 1,370,302      | 1,437,461        |
| Security                                     | 741,756        | 723,475          |
| Administrative                               | 1,015,519      | 632,061          |
| Management fees                              | 685,952        | 677,586          |
| Reimbursable costs                           | 438,696        | 219,348          |
| Elevator                                     | 274,249        | 318,357          |
| HVAC   | 53,684         | 29,394           |
| Lot and landscaping                          | 73,532         | 62,315           |
| Ground rent                                  | 16,150,799     | 16,150,757       |
| Interest expense                             | 19,925,383     | 19,635,221       |
| Depreciation and amortization                | 8,914,070      | 16,335,011       |
|  | 63,085,579     | 69,292,157       |
| <b>Loss before Impairment of Real Estate</b> | (3,237,104)    | (2,755,468)      |
| <b>Impairment of Real Estate</b>             |                | (224,548,138)    |
| <b>Net Loss</b>                              | \$ (3,237,104) | \$ (227,303,606) |

The accompanying notes are an integral part of these consolidated financial statements.

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**METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' CAPITAL (DEFICIT)**  
**TWELVE MONTHS ENDED JUNE 30, 2010 AND 2009**

|                                  |                  |
|----------------------------------|------------------|
| <b>Balance at July 1, 2008</b>   | \$ 47,655,928    |
| Additional capital contributions | 37,000,000       |
| Net loss                         | (227,303,606)    |
| <b>Balance at June 30, 2009</b>  | (142,647,678)    |
| Net loss                         | (3,237,104)      |
| <b>Balance at June 30, 2010</b>  | \$ (145,884,782) |

The accompanying notes are an integral part of these consolidated financial statements.

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**Table of Contents****METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES****CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS****TWELVE MONTHS ENDED JUNE 30, 2010 AND 2009**

|  | 2010              | 2009                |
|--|-------------------|---------------------|
| <b>Cash Flows From Operating Activities:</b>   |                   |                     |
| Net loss   | \$ (3,237,104)    | \$ (227,303,606)    |
| <b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b> |                   |                     |
| Depreciation and amortization  | 8,230,363         | 15,178,162          |
| Impairment of real estate  |                   | 224,548,138         |
| Below market lease amortization  | (11,665,722)      | (17,130,272)        |
| Above market ground lease amortization   | 431,518           | 431,518             |
| Write off of tenant improvements and lease intangibles   | (4,191,749)       | (5,617,699)         |
| Accounts receivable  | (87,813)          | 983,523             |
| Prepaid expenses   | (50,305)          | (305,370)           |
| Restricted cash  | 6,069,137         | (1,613,237)         |
| Deferred rent receivable   | (2,667,691)       | (3,726,163)         |
| Utility deposits   |                   | 110,000             |
| Accounts payable and accrued liabilities   | 3,845,114         | (11,645,739)        |
| Deferred ground rent payable   | 3,920,282         | 3,931,239           |
| Unearned revenue   | (347,416)         | 238,158             |
| Security deposits  | (108,729)         | 112,588             |
| <b>Net cash provided by (used in) operating activities</b>                                       | <b>139,885</b>    | <b>(21,808,760)</b> |
| <b>Cash Flows From Investing Activities:</b>   |                   |                     |
| Additions to real estate   | (167,849)         | (812,490)           |
| Leasing costs  | (607,359)         | (1,236,898)         |
| Restricted cash  | 147,867           | 1,320,270           |
| <b>Net cash used in investing activities</b>   | <b>(627,341)</b>  | <b>(729,118)</b>    |
| <b>Cash Flows From Financing Activities:</b>   |                   |                     |
| Members' contributions   |                   | 37,000,000          |
| Repayment of mandatorily redeemable preferred equity interest                                    |                   | (15,000,000)        |
| Preferred equity costs   |                   | (282,361)           |
| <b>Net cash provided by financing activities</b>   |                   | <b>21,717,639</b>   |
| <b>Net change in cash</b>  | <b>(487,456)</b>  | <b>(820,239)</b>    |
| <b>Cash, beginning of year</b>   | <b>1,389,684</b>  | <b>2,209,923</b>    |
| <b>Cash, end of year</b>   | <b>\$ 902,228</b> | <b>\$ 1,389,684</b> |

**Supplemental Disclosure of Cash Flow Information:**

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| Cash paid during the years ended for: |               |               |
| Interest                              | \$ 16,709,916 | \$ 15,385,506 |

The accompanying notes are an integral part of these consolidated financial statements.

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Table of Contents**METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2010 AND 2009****1. ORGANIZATION****a. Formation and Property Description**

Metropolitan 885 Third Avenue LLC ( Metropolitan ) was organized as a Delaware limited liability company among Metropolitan Real Estate Investors, LLC ( MREI or the Common Investor ), Marciano Investment Group, LLC ( Marciano ), Avi Chicouri, an individual ( Chicouri ) and Tao-Menofim, LLC ( Tao-Menofim ). In July, 2008, a member of Tao-Menofim assigned its 35% Class B interest in the Company to IRSA International LLC ( IRSA ) (30%) and MREI (5%) and Par Holding LLC ( Par Holding ) acquired 3.66% Class B interest in the Company. MREI, Marciano, Chicouri, Tao-Menofim, IRSA and Par Holding are referred to as (the Members ).

Metropolitan will terminate on December 31, 2057, unless earlier dissolved, liquidated or terminated by the Members.

Metropolitan was organized for the purpose of acquiring and operating a 34 story Class A office tower commonly known as the Lipstick Building located at 885 Third Avenue, New York, New York (the Property ) and contains approximately 635,800 square feet of rentable space.

The Property was acquired on July 9, 2007.

Metropolitan and its subsidiaries are referred to as the Company .

**b. Contributions**

The terms of the operating agreements (the Agreement ) provide for capital contributions and percentage interests as follows:

| Members   | Percentage Interest | Initial Capital Contributions | Additional Capital Contributions | Total Capital Contributed |
|---|---------------------|-------------------------------|----------------------------------|---------------------------|
| Marciano Investment Group, LLC ( Class A )                  | 20.00%              | \$ 11,586,000                 | \$ 8,614,000                     | \$ 20,200,000             |
| Metropolitan Real Estate Investors, LLC ( Common Interest ) | 3.27%               | 2,987,000                     | 313,000                          | 3,300,000                 |
| Tao Menofim, LLC ( Class B )                                | 35.00%              | 20,275,000                    | 15,075,000                       | 35,350,000                |
| IRSA International LLC ( Class B )                          | 30.00%              | 17,379,000                    | 12,921,000                       | 30,300,000                |
| Metropolitan Real Estate Investors, LLC ( Class B )         | 5.00%               | 2,897,000                     | 2,153,000                        | 5,050,000                 |
| Avi Chicouri ( Class B )                                    | 3.07%               | 2,806,000                     | 294,000                          | 3,100,000                 |
| Par Holdings, LLC ( Class B )                               | 3.66%               |                               | 3,700,000                        | 3,700,000                 |
|   | 100.00%             | \$ 57,930,000                 | \$ 43,070,000                    | \$ 101,000,000            |

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**METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**1. ORGANIZATION (Continued)**

**b. Contributions (continued)**

The Members are required to make additional capital contributions to fund certain expenses approved by the Members, as defined in the Agreement. The Members may also make capital contributions to fund the portion of the additional capital contributions that were not funded by other Members.

**c. Distributions**

The Agreement provides for a preferred annual return of 9% compounded annually on the Unreturned Additional Capital Contributions, Unreturned Class A Capital Contributions and Unreturned Class B Capital Contributions as defined in the Agreement.

The Agreement also provides for distributions of net cash flow, as defined, as follows:

- (i) First, to the Members, equal to the unpaid preferred annual return on the Unreturned Additional Capital Contributions allocated on a pro rata basis based upon the Unreturned Additional Capital Contributions.
- (ii) Second, to the Members, equal to the outstanding Unreturned Additional Capital Contributions allocated on a pro rata basis based upon the Unreturned Additional Capital Contributions, until such a time the Unreturned Additional Capital Contributions are reduced to zero.
- (iii) Third, to the Class A and Class B Members, equal to the unpaid preferred annual return on the Unreturned Class A and Class B Capital Contributions on a pro rata basis based upon their respective unpaid preferred annual return.
- (iv) Fourth, to the Class A and Class B Members, equal to all outstanding Unreturned Class A and Class B Capital Contributions, allocated on a pro rata basis based upon the Unreturned Class A and Class B Capital Contributions, until such a time that the Unreturned Class A and Class B Capital Contributions are reduced to zero.
- (v) Fifth, to the Common Member until its unreturned capital contribution is reduced to zero.
- (vi)



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Thereafter, (i) to the Marciano Member and the Common Member a percentage of such distribution equal to its respective percentage interest at the time of such distribution; and (ii) the amount remaining after taking clause (i) above into account, (A) 20% to the Common Member and (B) 80% to Class B Members pro rata based upon their respective percentage interests.

The Agreement provides for payments of the above distributions subsequent to the redemption of the Preferred Equity (see Note 6). Unpaid preferred return was \$25,023,000 at June 30, 2010.

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**Table of Contents****METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2010 AND 2009****1. ORGANIZATION (Continued)****d. Allocation of Profit and Losses**

Profit and losses for financial reporting purposes are allocable to the Members on a theoretical book value liquidation basis.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a. Principles of Consolidation and Basis of Preparation**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ) and include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company transactions and accounts have been eliminated in consolidation.

The parent company and its wholly-owned subsidiaries are as follows:

| <b>Name</b>   | <b>Purpose</b>       | <b>Owned By</b>   |
|---|----------------------|---|
| Metropolitan 885 Third Avenue LLC                           | Parent Company       | Members   |
| Metropolitan 885 Third Avenue Leasehold Holdings LLC        | Holding Company      | Metropolitan 885 Third Avenue LLC                           |
| Metropolitan 885 Third Avenue Leasehold Sub Junior Mezz LLC | Junior Mezz borrower | Metropolitan 885 Third Avenue Leasehold Holdings LLC        |
| Metropolitan 885 Third Avenue Leasehold LLC                 | Property Owner       | Metropolitan 885 Third Avenue Leasehold Sub Junior Mezz LLC |

**b. Use of Estimates**

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**c. Real Estate**

Real estate consists of building, building improvements and tenant improvements and is stated at cost less accumulated depreciation. Building and improvements are depreciated over 39 years. Tenant improvements are depreciated over the shorter of the estimated useful life of the asset or the terms of the respective leases.

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Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments are capitalized to building improvements and depreciated over their estimated useful lives.

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**METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c. Real Estate (continued)**

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is determined by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If the carrying value of the assets exceeds such cash flows, the assets are considered impaired. The impairment charge to be recognized is measured by the amount by which the carrying amount of the assets exceeds their estimated fair value. Assets to be disposed of are reported at the lower of their carrying amount or their estimated fair value less costs to sell.

**d. Cash**

Financial instruments that are potentially subject to credit risk include cash and money market accounts held with major financial institutions. The Federal Deposit Insurance Corporation insures certain of the Company's bank accounts up to a maximum of \$250,000 in each bank. From time to time, the Company maintains cash balances at institutions that are in excess of federally insured amounts. The Company mitigates this risk by depositing funds in financial institutions that management believes are financially sound.

**e. Restricted Cash**

Restricted cash represents amounts held in escrow, as required by the lender, to be used for real estate taxes, insurance, interest on preferred equity and other qualified expenditures as well as tenant security deposits.

**f. Accounts Receivable**

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. The Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs, collections and current credit conditions.

**g. Revenue Recognition**

The Company recognizes base rent on a straight-line basis over the terms of the respective leases. Deferred rents receivable represents the amount by which straight-line rental revenue exceeded rents currently billed in accordance with lease agreements.

The Company also receives reimbursements from tenants for certain costs as provided in the lease agreements. These costs include real estate taxes, utilities, insurance, common area maintenance and other recoverable costs, generally over a base year amount.

Unearned revenues represent revenues collected in advance of being due.

**h. Deferred Costs**

Deferred financing and preferred equity interest cost include fees and expenses incurred in connection with financing transaction and are capitalized and amortized over the term of the related indebtedness.

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**METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h. Deferred Costs (continued)**

Deferred ground lease cost include fees and expenses incurred in connection with the ground lease and are capitalized and amortized on a straight-line basis over the non-cancelable terms of the ground lease.

Ground rent expense is accounted for on a straight-line basis over the non-cancelable terms of the ground leases.

**i. Lease Intangibles**

Costs and commissions incurred in connection with leasing activities are capitalized and amortized on a straight-line basis over the lives of the respective leases. Unamortized deferred leasing costs are charged to amortization expense upon early termination of the lease.

Below market in-place leases and above market in-place ground lease values were recorded at the Property's acquisition date based on the present value (using an interest rate which reflected the risk associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and ground leases, and (ii) management's estimate of fair market lease rates for the corresponding in-place leases and ground leases, measured over a period equal to the remaining non-cancelable term of the leases.

Below market in-place leases value are capitalized as a liability and amortized as an increase to rental income over the remaining terms of the respective leases. Above market in-place ground lease value are capitalized as an asset and amortized to ground rent expense over the remaining term of the ground lease.

The aggregate value of other intangible assets acquired was measured based on the difference between (i) the Property valued with existing in-place leases adjusted to market rental rates, and (ii) the Property valued as if vacant, based upon management's estimates. Management's estimates of value were made using methods similar to those used by independent appraisers. Factors considered by management in their analysis included an estimate of carrying costs during the expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, management included real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, which primarily was twelve months. Management also estimated costs to execute similar leases including leasing commissions, legal and other related expenses.

The value of in-place leases are amortized to expense over the initial term of the respective leases, primarily ranging from four months to fourteen years.

**j. Mandatorily Redeemable Preferred Equity Interest**

The Company treats its redeemable financial instruments, including equity interest with fixed redemption terms, as debt. The preferred equity interest invested by Goldman Sachs & Co. is reflected as a liability. The mandatorily preferred equity return is treated as interest expense.



**Table of Contents****METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2010 AND 2009****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****k. Income Taxes**

No provision for income taxes is necessary in the financial statements of the Company because limited liability companies are treated as partnerships for Federal and state income tax purposes and are generally not subject to income tax at the entity level. All income and losses accrue directly to the members and are reported by them individually for tax purposes. The Company's tax returns for years 2006 and after are open and subject to examination.

**l. Cash Flow Statement Classifications**

Leasing costs are classified as investing activities in the cash flow statement considering that these costs are a productive asset that are essential to acquiring the lease.

**3. REAL ESTATE**

At June 30, 2010 and 2009, real estate consists of the following:

|                           | <b>2010</b>           | <b>2009</b>           |
|---------------------------|-----------------------|-----------------------|
| Building and improvements | \$ 153,987,823        | \$ 153,993,619        |
| Tenant improvements       | 7,422,321             | 7,450,088             |
|                           | 161,410,144           | 161,443,707           |
| Accumulated depreciation  | (25,488,768)          | (20,771,514)          |
|                           | <b>\$ 135,921,376</b> | <b>\$ 140,672,193</b> |

In 2009, due to the current downturn in the overall real estate market, the Company assessed the recoverability of the real estate asset and recognized an impairment loss of \$224,548,138. The loss reflects the amount by which the carrying value of building and improvements exceed its estimated fair value.

The aggregate depreciation of building and improvements and tenant improvements included in depreciation and amortization expense for the twelve months ended June 30, 2010 and 2009 was \$4,919,000 and \$10,789,000, respectively.

**4. LEASE INTANGIBLES**



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Lease intangibles and value of assumed lease obligations at June 30, 2010 and 2009, was comprised as follows:

|                                 | Leases In<br>Place | Leasing<br>Costs | 2010<br>Above Market<br>Ground Leases | Total         | Below Market<br>Leases |
|---------------------------------|--------------------|------------------|---------------------------------------|---------------|------------------------|
| <b>Cost</b>                     | \$ 22,610,679      | \$ 5,032,291     | \$ 31,500,840                         | \$ 59,143,810 | \$ (124,529,493)       |
| <b>Accumulated amortization</b> | (8,880,214)        | (575,317)        | (1,258,594)                           | (10,714,125)  | 38,817,681             |
|                                 | \$ 13,730,465      | \$ 4,456,974     | \$ 30,242,246                         | \$ 48,429,685 | \$ (85,711,812)        |

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**Table of Contents****METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2010 AND 2009****4. LEASE INTANGIBLES (Continued)**

|                                 | <b>2009</b>                |                          |                                       |               |                                |
|---------------------------------|----------------------------|--------------------------|---------------------------------------|---------------|--------------------------------|
|                                 | <b>Leases In<br/>Place</b> | <b>Leasing<br/>Costs</b> | <b>Above Market<br/>Ground Leases</b> | <b>Total</b>  | <b>Below Market<br/>Leases</b> |
| <b>Cost</b>                     | \$ 23,566,318              | \$ 4,424,932             | \$ 31,500,840                         | \$ 59,492,090 | \$ (132,811,697)               |
| <b>Accumulated amortization</b> | (7,229,354)                | (199,447)                | (827,076)                             | (8,255,877)   | 30,558,707                     |
|                                 | \$ 16,336,964              | \$ 4,225,485             | \$ 30,673,764                         | \$ 51,236,213 | \$ (102,252,990)               |

The aggregate amortization of leases in place and leasing costs included in depreciation and amortization expense for the twelve months ended June 30, 2010 and 2009 was \$2,982,370 and \$4,518,360, respectively.

The aggregate amortization of above market ground leases included in ground rent for the twelve months ended June 30, 2010 and 2009 was \$431,518.

The aggregate amortization included in base rental income for the twelve months ended June 30, 2010 and 2009 was \$16,541,178 and \$23,904,820, respectively.

At June 30, 2010, the estimated amortization expense of lease intangibles for the five succeeding years and in aggregate are as follows for the years ending June 30:

|                   | <b>Lease In<br/>Place</b> | <b>Leasing<br/>Costs</b> | <b>Above Market<br/>Ground Leases</b> | <b>Total</b>  | <b>Below Market<br/>Leases</b> |
|-------------------|---------------------------|--------------------------|---------------------------------------|---------------|--------------------------------|
| <b>2011</b>       | \$ 1,692,450              | \$ 418,567               | \$ 431,518                            | \$ 2,542,535  | \$ (10,151,492)                |
| <b>2012</b>       | 1,531,129                 | 406,438                  | 431,518                               | 2,369,085     | (9,588,428)                    |
| <b>2013</b>       | 1,381,497                 | 406,325                  | 431,518                               | 2,219,340     | (8,849,068)                    |
| <b>2014</b>       | 1,182,492                 | 403,294                  | 431,518                               | 2,017,304     | (7,321,133)                    |
| <b>2015</b>       | 1,145,902                 | 392,668                  | 431,518                               | 1,970,088     | (7,175,371)                    |
| <b>Thereafter</b> | 6,796,995                 | 2,429,682                | 28,084,656                            | 37,311,333    | (42,626,320)                   |
|                   | \$ 13,730,465             | \$ 4,456,974             | \$ 30,242,246                         | \$ 48,429,685 | \$ (85,711,812)                |

**5. NOTES PAYABLE**

The Company is obligated to Royal Bank of Canada (the Lender) pursuant to a loan agreement (Loan) with an aggregate principal balance of \$210,000,000 (all of which is outstanding at June 30, 2010). The Loan is evidenced by two note agreements, Note A and Note B (collectively the Note), with a principal balance of \$125,000,000 and \$85,000,000, respectively.

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The Note matures in August 2017 and bears fixed interest of 6.58% per annum. The Note requires monthly payments of interest only through August 2013 and principal and interest thereafter. The Note may be prepaid in whole without penalties at any time after February 2017. The Company may defease the Note and such defeasance may require the payment of a premium.

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**Table of Contents****METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2010 AND 2009****5. NOTES PAYABLE (continued)**

The Note is collateralized by the Property including leases, rents, cash and restricted cash, fixtures and equipment and guaranteed by an affiliate of the Managing Member.

The Note requires that all rents collected be deposited in a clearing account and all funds be disbursed in accordance with the Loan agreement including the funding of all reserve accounts.

As of June 30, 2010, the aggregate principal payments due on the Note for the five succeeding years and in aggregate are as follows for the years ending June 30:

|            |                |
|------------|----------------|
| 2014       | \$ 1,916,000   |
| 2015       | 2,442,000      |
| Thereafter | 205,642,000    |
|            | \$ 210,000,000 |

In June 2010, the Lender filed a summons and complaint against the Company seeking to foreclose upon the Company's leasehold interest in the Property. The Lender has extended the Company's time to respond to the complaint until August 31, 2010. As of September 2, 2010, the Company is continuing to negotiate with the Lender to restructure the Note.

**6. MANDATORILY REDEEMABLE PREFERRED EQUITY INTEREST**

The Company, through its investment in Metropolitan 885 Third Avenue Leasehold Holding LLC, received \$60,000,000 from Goldman Sachs & Co. (the Investor Member or Goldman) in exchange for a preferred equity interest ( Preferred Equity ).

The Preferred Equity was redeemable on July 8, 2008 (the Anticipated Redemption Date) and provided for the Investor Member to receive a preferred return for the period prior to the Anticipated Redemption Date, an amount equal to a minimum cumulative return with respect to the Preferred Equity of 20% per annum, compounded monthly, on a notional amount equal to the weighted average unrecovered capital outstanding during the period.

The Investor Member was paid an upfront fee of \$600,000. In addition, the Investor Member is reimbursed for administrative costs associated with administering its investment in the Company, which shall equal to 0.03% of the Investor Member's total invested capital.

On July 3, 2008, the Company amended its agreement with Goldman (the Amended Agreement) and as a result extended the redemption date to July 9, 2011, (the Revised Anticipated Redemption Date).

The Amended Agreement provides for the Investor Member to receive a preferred return as follows:

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i) for the period prior to the Revised Anticipated Redemption Date, an amount equal to a minimum cumulative return with respect to the Preferred Equity of 12% per annum, compounded monthly, on a notional amount equal to the weighted average Preferred Equity outstanding during the period, and;

ii) for the period following the Revised Anticipated Redemption Date or if sooner, a Changeover Date, a minimum cumulative return with respect to the Preferred Equity at the rate then in effect plus 10% per annum, compounded monthly, on a notional amount equal to, the weighted average Preferred Equity outstanding during the period.

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**Table of Contents****METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2010 AND 2009****6. MANDATORILY REDEEMABLE PREFERRED EQUITY INTEREST (Continued)**

In conjunction with the Amended Agreement, the Company repaid Preferred Equity of \$15,000,000 and \$12,963,465 of the preferred return. The Company was also required to establish a preferred return reserve of \$8,100,000, which provides for the Investor Member to receive a minimum return of \$225,000 payable monthly. The Company incurred additional costs associated with the Amended Agreement of \$282,000 which was capitalized to preferred equity costs in the accompanying consolidated balance sheets.

At June 30, 2010 and 2009, unpaid preferred return was \$6,314,000 and \$3,090,000, respectively, and is included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets.

**7. GROUND LEASE**

The Property was erected on a 26,135 square foot parcel of land (the Site Area ) of which 20,635 square feet is subject to a ground lease (the Ground Lease ) and an adjacent lot containing approximately 5,500 square feet ( Lot A ) subject to a ground sub-lease (the Ground Sub-lease ).

The Ground Lease matures on the earlier of (i) April 30, 2077, (ii) the date of termination of the Sub-lease term, or (iii) a date if sooner terminated, as defined. The Ground Lease provides for monthly ground rent of \$925,000 through April 30, 2012, \$1,321,000 through April 30, 2013, and provides for annual increases of 2.5% beginning on May 1, 2013 through April 30, 2020. On May 1, 2020, May 1, 2038 and every 10 years thereafter through May 1, 2068, ground rent shall be adjusted ( Adjustment Year ) to be the greater of (a) 1.03 times the base rent payable during the lease year immediately preceding the said Adjustment Year or (b) 7% of the fair market value of the land, as defined in the Ground Lease. Monthly ground rent shall increase 3% annually for each lease year subsequent to the Adjustment Year.

The Ground Sub-lease is subject to a ground sublease and a prime lease. The ground sublease expires on April 29, 2080 (the Ground Sublease ) and the prime lease matures on April 30, 2080 (the Prime Lease ). The Ground Sub-lease matures on the earlier of (i) April 30, 2077, (ii) the expiration or earlier termination of the Prime Lease, or (iii) the expiration or earlier termination date of the Ground Sublease, except for reason of default by the lessor as subtenant under the Ground Sublease or the sublandlord as subtenant under the Prime Lease provided that the lessees is not in default under the Ground Sub-lease or the Ground Sublease. The Ground Sub-lease provides for monthly ground rent of \$58,000 through April 30, 2010 and \$63,000 beginning on May 1, 2010 through April 30, 2020. On May 1, 2020, May 1, 2040 and May 1, 2060, ground rent shall be adjusted to 8% of the fair market value of Lot A, as defined.

The Ground Lease also provides the Company with an option to purchase the land (the Purchase Option ). The Purchase Option is exercisable on April 30, 2020, April 30, 2037 and on the last day of every 10th year thereafter (the Purchase Date ). The Purchase Price, as defined in the Ground Lease, shall be the amount which together with all ground rent paid by the Company on or before the applicable Purchase Date yields an internal rate of return ( IRR ) that equals the Target IRR in respect to the applicable Purchase Date as follows:

| Purchase Date | Target IRR |
|---------------|------------|
| 4/30/2020     | 7.47%      |

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|           |       |
|-----------|-------|
| 4/30/2037 | 7.67% |
| 4/30/2047 | 7.92% |
| 4/30/2057 | 8.17% |
| 4/30/2067 | 8.42% |
| 4/30/2077 | 8.67% |

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**Table of Contents****METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****JUNE 30, 2010 AND 2009****7. GROUND LEASE (continued)**

In the event the Purchase Option is exercised on April 30, 2020, the Company shall pay a purchase price of approximately \$521 million which is based upon an agreed land value of \$317 million in July 2007 according to a Target IRR of 7.47%.

The Ground Lease also provides for an option to demolish the Property ( Demolition Option ) during the period beginning on May 1, 2055 and ending on April 30, 2072 (the Demolition Period ). The Ground Lease lessor has the option to cause the Company to purchase the Property ( Put Option ) at a then Put Price, as defined. The Put Option is exercisable during the period subsequent to the Demolition Option and prior to April 30, 2072.

As of June 30, 2010, the future minimum annual ground rent due through April 30, 2020 are as follows for the years ending June 30:

|            | <b>Ground Lease</b>   | <b>Ground Sub-sublease</b> | <b>Total</b>          |
|------------|-----------------------|----------------------------|-----------------------|
| 2011       | \$ 11,095,000         | \$ 748,000                 | \$ 11,843,000         |
| 2012       | 12,680,000            | 759,000                    | 13,439,000            |
| 2013       | 15,190,000            | 759,000                    | 15,949,000            |
| 2014       | 16,316,000            | 759,000                    | 17,075,000            |
| 2015       | 16,723,000            | 759,000                    | 17,482,000            |
| Thereafter | 86,804,000            | 3,669,000                  | 90,473,000            |
|            | <b>\$ 158,808,000</b> | <b>\$ 7,453,000</b>        | <b>\$ 166,261,000</b> |

**8. TENANT LEASES**

The Company leases space in the Property to tenants under long-term non-cancelable operating leases.

As of June 30, 2010, the future minimum annual base rents due from non-cancelable operating leases are as follows for the years ending December 31:

|            |               |
|------------|---------------|
| 2010       | \$ 15,923,000 |
| 2011       | 32,763,000    |
| 2012       | 31,592,000    |
| 2013       | 30,229,000    |
| 2014       | 29,538,000    |
| Thereafter | 195,960,000   |



\$ 336,005,000

For the twelve months ended June 30, 2010, approximately 78% of the Company's base rent was from one tenant.

At June 30, 2010 the Property was approximately 95% leased.

For the twelve months ended June 30, 2010 and 2009, base rental income includes amortization of below market lease intangibles due to the termination of certain leases of \$4,875,000 and \$6,775,000, respectively.

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**METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**9. RELATED PARTY TRANSACTIONS**

The Company entered into an Asset Management Agreement (the Management Agreement ) with MREI, dated July 2007 which expires in June 2058. The Company is charged an asset management fee of 1.0% of Gross Revenues. Effective July 2008, IRSA receives 50% of the asset management fees.

Asset management fee for the twelve months ended June 30, 2010 and 2009 was \$411,000 and \$395,000, respectively, and is included in management fees in the accompanying consolidated statements of operations. Asset management fee of \$30,000 and \$37,000 was unpaid at June 30, 2010 and 2009, respectively.

The Management Agreement also provides for MREI to receive reimbursement for all expenses and out of pocket costs incurred in connection with services rendered to the Property.

**10. COMMITMENTS**

In July 2007, the Company entered into a property management agreement with CB Richard Ellis, Inc ( CBRE ) which expired in December 2007 and provides for twelve month extensions at the Company s discretion. The Company was charged a monthly property management fee of \$23,000. In December 2009, the property management agreement was amended, which increased monthly property management fee to \$53,000, and was retroactive to January 1, 2009.

Simultaneous with the amendment of the property management agreement, the Company entered into an Advisory Services Agreement to provide property management advisory services to CBRE. The advisory services agreement provides for monthly advisory fee of \$30,000 and was retroactive to January 1, 2009.

Included in management fee for the twelve months ended June 30, 2010 and 2009 is property management fee of \$275,000 and \$282,000, net of advisory service income of \$360,000 and \$180,000, respectively.

**11. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following disclosure of estimated fair values was determined by management using available market information and appropriate valuation methodologies. However, considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments at June 30, 2010. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The following methods and assumptions were used by the Company in estimating the fair values of financial instruments.

*Cash, restricted cash, accounts receivable, prepaid expenses, utility deposits, accounts payable and accrued expenses, security deposits and unearned revenue*

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The carrying amounts reported in the Company's consolidated balance sheet approximate fair value due to the short-term nature of these financial instruments.

### *Notes payable*

The fair value of notes payable approximates the estimated value of the collateral at June 30, 2010

### *Mandatorily redeemable preferred equity interest*

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**METROPOLITAN 885 THIRD AVENUE LLC AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**11. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

Due to the impairment loss taken on the real estate asset, the estimated value of the mandatorily redeemable preferred equity interest is zero at June 30, 2010

Disclosure about fair value of financial instruments is based on pertinent information available to management as of June 30, 2010. Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since June 30, 2010 and current estimates of fair value may differ significantly from the amounts presented herein.

**12. GOING CONCERN**

As shown in the accompanying consolidated financial statements, the Company will not have sufficient cash flows to fund operations and debt service payments, has a net capital deficiency and the Lender of the Property has filed a complaint and seeks to foreclose on the Property. These facts create uncertainty about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company is continuing to negotiate with the Lender to restructure the Note. The outcome of the negotiations, however, remains uncertain.

**13. SUBSEQUENT EVENTS**

The Company evaluated all events and transactions that occurred after June 30, 2010 up through September 2, 2010, the date these financial statements were available for issue. During this period, the Company did not have any material subsequent events.

The Company evaluated all events and transactions that occurred after September 2, 2010 through December 28, 2010, the date these financial statements were available for re-issuance. During this period, the Company did not have any material subsequent events other than as disclosed below.

On August 4, 2010, IRSA transferred \$15.0 million into an escrow account in order to facilitate negotiations with the Lender and the Preferred Equity holder. As a result of such negotiations, the parties involved reached an agreement in order to restructure the Note and the Preferred Equity as follows: (i) the Note would be reduced from \$210 million to \$130 million at a rate of Libor + 400 basis points, with a maximum rate of 6.25% and a maturity term of 7 years; (ii) the Preferred Equity of \$45.0 million plus any unpaid preferred return would be canceled by the payment of approximately \$ 2.25 million in cash, and (iii) the two ground leases will be kept on the same terms and conditions they were originally granted, for a remaining term of 66 years. This restructuring has been approved by the Lender, the Preferred Equity holder and the court.