IRSA INVESTMENTS & REPRESENTATIONS INC
Form 6-K
September 22, 2008
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

THE SECURITIES EXCHANGE ACT OF 1934

For the month of September, 2008

Irsa Inversiones y Representaciones Sociedad Anónima

(Exact name of Registrant as specified in its charter)

Irsa Investments and Representations Inc.

(Translation of registrant s name into English)

Republic of Argentina

(Jurisdiction of incorporation or organization)

Bolívar 108

(C1066AAB)

Buenos Aires, Argentina

(Address of principal executive offices)

Form 20-F __T__ Form 40-F ______

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

Yes ______ No __T__

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IRSA INVERSIONES Y REPRESENTACIONES SOCIEDAD ANÓNIMA

(THE COMPANY)

REPORT ON FORM 6-K

Attached is an English translation of the Annual Report and Financial Statements corresponding to the fiscal year ended on June 30, 2008 and 2007.

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CORPORATE PROFILE

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

We are one of Argentina s leading real estate companies. We are engaged, directly and indirectly through subsidiaries, joint ventures and strategic alliances, in real estate activities in Argentina. We have a range of diversified real estate related activities, including: (i) the acquisition, development and operation of office buildings and other rental properties; (ii) the acquisition, development and operation of shopping centers, (iii) the acquisition and development of residential property, mainly for future sale; (iv) the acquisition and operation of luxury hotels, (v) the acquisition of land reserves in strategic areas for future development and sale, and (vi) consumer finance. We currently own 11.8% of Banco Hipotecario, one of the leading financial institutions in Argentina.

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

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LETTER TO SHAREHOLDERS

To the Shareholders:

Fiscal year 2008 has been a year of consolidation in our business segments. Growth has been stimulated by the increase in the Company s financial resources resulting from the 5 and 10 year bonds issued by IRSA and Alto Palermo during the previous fiscal year and allocated to the execution of acquisitions and developments. Our rental properties generate good cash flows thanks to high occupancy levels which in turn optimize the financial strength of our business.

This financial strength has in turn allowed the growth in terms of square meters of our rental property business, the penetration into new segments or the re-launching of traditional business segments through new partnerships such as our association with Brazil-based Cyrela to help strengthen our position in the sales and developments segment. Within this context we have also been able to expand our portfolio of land reserves and to add US Dollar-denominated rentals to our portfolio through the acquisition of a premium office building in the City of New York.

As the developments in progress are phased into production and the rentals lagging market levels resulting from assets recently added to our portfolio are marked to market, the robustness of our business will strengthen even further.

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

Shopping Center Segment: Total sales of our tenants in this segment rose by 31% compared to the previous fiscal year. The Company s positioning in the Metropolitan area of the City of Buenos Aires and in Greater Buenos Aires continued to strengthen: over the twelve months ended on June 30, 2008, the sales of our lessees were 46.8% higher than our competitors .

This segment continues to see its cash flow grow, showing a solid performance as its operating income outperformed the rate of growth in revenues. Occupancy continues to be high, attaining a 99.3% level at the end of the fiscal year.

Regarding our expansion in Buenos Aires and in the provinces, we continued with the construction of a major shopping center to be developed in the Saavedra neighborhood in the City of Buenos Aires, at the crossing of Av. General Paz and the Panamerican Highway. This project entails the construction of a shopping center, a hypermarket, a movie-theater complex and an office building and/or residential building which will allow us to attract public with very good purchasing power from the northern neighborhoods of the City of Buenos Aires and northern suburbs. The project is being developed by Panamerican Mall S.A. (PAMSA) a company in which our shopping center subsidiary, Alto Palermo S.A. (APSA), has an 80% ownership interest. This is one of the Company s most important projects and it represents one of the most significant developments in the industry in Argentina.

In addition, in December 2007, Alto Palermo S.A. entered into a preliminary sales 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 and called Soleil Factory , though not yet added to Alto Palermo S.A. s portfolio.

Just before the fiscal year-end, we acquired a plot of land in Beruti Street, strategically located opposite Alto Palermo Shopping and we are presently assessing how to best use such property to optimize our income.

In addition to developments and acquisitions, we have carried out refurbishment and redistribution works in the shopping centers in our portfolio, as part of a decision to best use the gross leasable area. In the case of Shopping Alto Avellaneda, a further 12,000 square meters have been added, whose current lessee is Falabella S.A., one of the most important retailers with strong presence in shopping centers and its own power to attract its own client base. Having this type of retailers generates increased customer traffic and in turn increases sales for the remaining lessees. Besides, at Shopping Alto Palermo the final stage of refurbishment work is now underway, including a new façade and internal space redistribution. These works, hand in hand with successful marketing campaigns, resulted in a re-launch of the shopping center that attracted more public and a higher number of buyers, thereby favoring the sales of our lessees. New lessees have settled in Alto

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Palermo, namely Starbucks and North Face, who made their first opening in Argentina with outstanding success. Expansion and refurbishment works at Paseo Alcorta, Patio Bullrich and Córdoba Shopping Villa Cabrera are still underway.

Consumer Finance Segment: Our subsidiary Tarshop S.A. continues to be a leader in the market, showing an increase in the volume transacted through credit cards that totaled Ps. 1,413.8 million, and an increase in the number of cards issued, that during 2008 amounted to 160,000 and a customer portfolio represented by almost 892,000 accounts. Accordingly, the loan portfolio totaled Ps. 935 million, which stands for a 29.2% increase compared to the previous fiscal year. Notwithstanding, income for the segment was adversely affected by higher delinquency rates due to the deterioration in the purchasing power of the customers in portfolio coupled with increases in financing costs and in the company s overhead given the prevailing market conditions. We believe, despite the drops in margins, that there is still room to improve performance in this business, for it to maintain its market leadership.

Office Rental Segment: This segment continues to exhibit major recovery in terms of prices stated in US Dollars which have already broadly surpassed the levels seen previous to the crisis. The consistent scarcity in the supply of office property for lease and the constant demand in recent years continue to pull rental prices upward. A look at the class A and AAA office segment market shows vacancy levels below 2%, with rental prices around 30 US$/m2 for class A office space and in excess of 35 US$/m2 for class AAA office space. We understand that the potential for profit in this segment is quite high as further square meters are added following the inclusion of new properties into our portfolio. Besides, it must be noted that our Financial Statements do not yet reflect the expected appreciation in the price per square meter because the prices stipulated in the lease agreements for a major portion of our property portfolio have not yet been marked to market which leads us to consider that this business segment will exhibit favorable performance in the coming fiscal years.

Regarding this segment, we closed two unique acquisitions in the course of this fiscal year. In August we bought 50% of the property generically known as Bank Boston, located in the exclusive Catalinas area in the City of Buenos Aires. The entire building comprises 31,670 square meters of gross leasable area and it is one of the most modern office buildings in Buenos Aires and a landmark in the city: it has been designed by renowned architect César Pelli, who also designed the Petronas Towers in Kuala Lumpur and the World Financial Center in New York.

In April this year we acquired the building known as Edificio República , at the intersection of Tucumán and Bouchard streets, after having exercised the purchase option that we had over that building. This one-of-a kind architectural design, also by Architect César Pelli, is a premium office building of unique characteristics in downtown Buenos Aires that contributes approximately 19,500 square meters in gross leasable area to our portfolio, distributed in 20 stories, 16 of which had been vacated at the date of the acquisition. So far, we have closed deals and executed agreements with various important lessees over 9,000 square meters for prices ranging from US$ 37 to US$ 40 per square meter.

In addition, in the course of this fiscal year we realized the appreciation of one of our portfolio s most important office buildings, through the sale of 29.9% of the Bouchard Plaza building, commonly known as Edificio La Nación comprising a surface area of 9,946 square meters and 133 units for car parking.

Real Estate Sales and Development Segment: Regarding our sales and development segment, in addition to projects aimed at the highest-income segments, we have started to penetrate other market segments, whose needs had not been met until now. In this respect, we created IRSA-CYRELA (CYRSA) together with the renowned Brazil-based real estate developer CYRELA. CYRSA is engaged in the development of homes in Argentina targeted to the medium-income segment which also offers financing for the acquisition of units. CYRSA s developments shall feature high-level construction, innovating sales and financing policies and a new homebuilding concept in line with the latest global trends. IRSA-CYRELA s first project, developed in a plot of land that spans two adjacent blocks in the Vicente López neighborhood was launched in March under the name Horizons and it has become one of the most significant developments in Greater Buenos Aires. The showroom was opened to the public in March with immediate success: at the end of fiscal 2008 we had executed preliminary sales agreements for 96% of the units we owned for selling purposes. IRSA-CYRELA is now working on the launch of its second project.

Besides, in this fiscal year we have almost sold the entire inventory at the Torres Renoir project in Puerto Madero, developed through a scheme of barters with third parties and targeted at a high-income segment. Regarding Tower 2, the Company sold its rights over it to the developer in the second quarter of this fiscal period. We also made headway with the Caballito Nuevo project, also developed through a scheme of barters with third parties. This is a residential project that comprises two 34-story towers and it is targeted at the middle-income segment.

Hotel Segment: Regarding the hotel market, demand continues to be on the rise driven by domestic and international tourism, which led to an increase in rates in the sector. As there are clear signs pointing to potential for growth in this industry, we have started with refurbishment works in the two hotels in Buenos Aires, i.e., Sheraton Libertador and Intercontinental. Besides, in mid-2008 we concluded with the expansion of Hotel Llao Llao, located in Argentina s Patagonia. This expansion entails 43 new luxury suites facing Lago Moreno in line with this hotel s traditional features. Hotel Llao Llao now has a total of 201 rooms.

Market dynamics pose new scenarios which in turn lead to consummating new projects. Within this context, the Company will continue to assess the acquisition or development of real estate outside Argentina to the extent any such opportunities are appealing. We believe that the know-how in real estate gained these years and the Company s access to the capital market will allow us to successfully face head on any challenge we may encounter. Along these lines, subsequent to the end of the fiscal year, we acquired a minority interest in a company organized in the State of Delaware, USA, whose main asset consists of a landmark office building in the City of New York. Given this building s one-of-a kind features, it has become an architectural icon emblematic of mid-town Manhattan.

Considering the Company s healthy cash flows, and the long-term financing basis attained in the previous fiscal year, we are at an unprecedented vantage point to continue growing in each line of business and to continue increasing our asset base with rental or appreciation potential, to be reflected in future financial statements towards the accomplishment of the best and unique Real Estate portfolio in Argentina.

IRSA s potential can only become reality through the joint efforts of our shareholders, creditors, directors, lessees, customers, suppliers, employees and the community at large, who play also a leading role in our current performance. So it is to all of them that I wish to express our gratitude for their permanent effort and commitment to our organization.

Saúl Zang
Vice-president

Acting as President

City of Buenos Aires, September 8, 2008

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MACROECONOMIC CONTEXT

International Context

The international scenario has exhibited sustained deterioration since the financial crisis originated in the USA and its impact on the international credit market. As a result, from the stand point of economics and finance, uncertainty has grown and global growth expectations have been revised down, particularly with respect to the G3 countries. According to the estimates prepared by the World Bank, growth in the USA fell almost one fourth from its former level, from 2.9% in 2006 to 2.2.% in 2007 whilst growth forecasts for 2009 are 1.9%. In the case of Japan, this indicator would have fallen from 2.2.% in 2006 to 2.0% in 2007. And in the European Union this indicator would have sustained a decrease from 2.8% to 2.7% in the same period. However, it remains to be seen whether the developing countries with better growth prospects, such as Brazil, China, India and Russia will be able to offset the slow-down in the most developed countries.

On top of the liquidity risk brought about by the financial crisis, there is the increase in the prices of oil and agricultural commodities. However, given the cooling of the world economy, a deceleration is expected in food price growth rates, which might also lead to the possibility of an increase in supply.

Therefore, although the financial scenario faced by Argentina features increased external fragility and global economic slow-down, it still offers opportunities to continue to generate positive export balances through the international prices of primary commodities and exports of industrial manufactures.

The Argentine Economy

Despite the doubts surrounding the economic policy adopted by the Government and the concerns regarding inflationary pressures during the first half of 2008, Argentina continued to exhibit healthy macroeconomic indicators: trade and fiscal surplus, compliance with monetary targets and high levels of reserves, all of which dispel fears of an economic crisis and underpin growth projections in the region of 6% for the current year, in accordance with private sources (Estudio Broda).

Given that growth for 2007 was 8.5%, the floor for 2008 s growth has been estimated at 3.6%, which combined with an estimated 1.3% expansion in the first quarter, assumes 7% growth for the whole current year according to Fundación Capital, thus marking the sixth year in a row for Argentina s growth. The first quarter of 2008 showed a positive 8.4% change compared to the first quarter of 2007.

The services sector appears to be the most dynamic, increasing by 9.0% compared to the first quarter of 2007. Special emphasis is warranted by the sectors wholesale and retail trade (8.8%) and hotels and restaurants (9.3%). Besides, the production of goods grew by 5.9% driven by construction (9.6%) and by the manufacturing industry (6.8%).

In addition, demand is being driven by Total Consumption and its relative weight (79%). This indicator continued to show an upward trend at the beginning of 2008 though at a slower pace than in 2007. In particular, Private Consumption (68% of Aggregate Demand) has been growing at an average 8.8% rate year-on-year and it is expected to continue this trend throughout 2008, though at a lower rate due to the following: 1) contributions to be paid by employees into the Pay-As-You-Go pension system are now the same as those paid into the Capitalization pension system; 2) reduced employment generation; and 3) more moderate salary increases.

Gross Domestic Fixed Investment (GDFI) appears to be the most dynamic component in demand as it has outperformed the economy (13.6% growth year-on-year) and has exceeded the expectations of the last quarter of 2007. This account s dynamics can be explained by 1) purchases of durable production equipment (mainly imported) and 2) the construction industry.

The external sector keeps posting good results. In terms of quantities, the ranking of exports would be led by industrial manufactures and agricultural manufactures. In addition, the trade balance surplus was US$ 2,947 million for the first quarter of the current year, with a year-on-year positive 50% change and indicative of a reversal in 2007 s trend: in the first quarter of 2008 exports rose by 42% year-on-year whereas imports grew by 40%. According to the Argentine Central Bank, the reason for this increase in imports is the Domestic Absorption of consumer and capital goods.

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Public finance continues to reflect a primary surplus which results from a combination of increased revenues and a curb on expenditures. According to the Argentine Central Bank, in the first two months of 2008 the Non-financial public sector posted Ps.6,568 million as primary surplus, 82% higher than in the same period of 2007. By the same token, National Tax Revenues for the last twelve months (second quarter of 2007   first quarter of 2008) stood for 25% of GDP, driven by Value Added Tax, export taxes and social security.

As regards export taxes, in November 2007 the Argentine Government raised the withholding rates applied on exports of soybean and soybean by-products (from 27.5% to 35%), wheat (from 20% to 28%) and corn (from 20 to 25%). Through this scheme, the Government withheld a fixed percentage over the FOB price of grains, which meant that any future price increase would have had an impact on both the farmers   and the Government s revenues. In early March 2008, the Argentine Executive Branch issued Resolution No. 125/08 pursuant to which the above scheme was transformed into a sliding scale withholding system for oilseed, grains and by-products. Under Resolution 125/08, the withholding rate (in percentage) would increase to the same extent as the crops   price: the Government would collect the increase in prices in excess of certain levels and the farmers would be faced with a scheme similar to maximum prices. However, this scheme encountered fierce opposition by farmers representatives, which triggered a conflict that altered the commercialization and transport of merchandise, halted activities, reduced export registrations and led to massive popular protests both for and against the implementation of the sliding-scale withholdings. Finally, the Argentine Congress decided to repeal Resolution No. 125/08 and to reinstate the previous scheme of fixed withholdings.

Besides, public expenditures slowed down in the first months of the current year due to the decreased impact of arrears in payments of social security liabilities and grew less than revenues, contrary to what was seen in 2007.

Despite a volatile international context, the primary surplus coupled with the pre-financing of 2007 materially reduced the need to obtain financing and to place debt in the markets or to resort to disbursements by international credit agencies or Argentine Central Bank advances. Consequently, the public sector generated a contraction in the monetary basis that exceeded the targets in the 2008 Monetary Program.

In turn, the political and economic crisis from March to June 2008 took its toll on country risk indices. JP Morgan s EMBI+ exceeded 700 basis points in August this year, marking a peak for the calendar year (See Figure 1). Besides, the Argentine government s risk of default as measured by the 10-year Credit Default Swap spread posted 800 basis points in June 2008. Although these indicators point to levels similar to the year 2000 levels, previous to Argentina s economic and financial crisis of 2001, it must be noted though that the remaining indicators draw a picture that is indeed in stark contrast to the situation in the year 2000 and so, there would be no reason to infer that the country is headed towards a crisis by focusing only on the EMBI+.

Figure 1.   EMBI+ Argentina, JP Morgan July 2007   May 2008

Source: Center for International Economics, Ministry of Foreign Affairs, Foreign Trade and Worship (*Centro de Economía Internacional, Ministerio de Relaciones Exteriores, Comercio Internacional y Culto*).

NOTE: Final data as of May 2008.

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As concerns monetary policy, it must be emphasized that compliance by the Argentine Central Bank with the monetary targets fixed for the year 2007 accompanied by a policy of preventive reserve accumulation that covers 160% of the monetary basis and amounts to approximately US$ 50 billion (18% of GDP) dispelled doubts about the Argentine Central Bank s ability to maintain the value of currency. Faced with the international financial crisis and the uncertainty arising from the conflict with farmers triggered by the Government s attempt at implementing a sliding-scale withholding scheme over exports of grains, the Central Bank sent clear signs that it intended to loosen pressure on the foreign exchange market.

The second quarter of 2008 showed an increase in the demand for foreign currency, major volatility in deposits and increased short-term interest rates. However, the Central Bank still managed to meet the monetary targets thus marking the twentieth quarter of monetary compliance and combated the expectations of an Argentine Peso depreciation through major interventions in the foreign exchange market to regularize the demand of money and supply the market with liquidity. Thus, short-term interest rates in the monetary markets, which had started to rise in late April and during May, started to decrease in June. As regards the deposits held by the private sector in the financial system, although there has been a transfer of funds to sight deposits during the May turbulence, the situation of deposits was normal again in June, with the last twelve months coming to a close with a 17.5% year-on-year increase in sight deposits and a 15.7% increase year-on-year in term deposits.

The level of activity continues to perform positively and so do the level and quality of employment. If the downward trend in the unemployment level were to continue, the unemployment rate would post its lowest level since 1992 and it would represent 7% of the Economically Active Population, 0.5 percentage points below the measurement for the last four-month period of 2007. In the third calendar quarter, unemployment rate had been higher than in the previous quarter (8.4% compared to 7.5%) though this can be due to seasonal factors and according to the Argentine Central Bank, it would be reverting in the coming quarters. Services sectors continue to lead the ranking of creation of new jobs whilst the production of goods would see its demand remain constant.

When it comes to inflation, there are discrepancies between analysts and experts as regards the criteria employed in the calculation of the Consumer Price Index (CPI) by the Argentine Institute of Statistics and Census (INDEC). In May 2008, INDEC changed the methodology applied to calculate the CPI for the Greater Buenos Aires area by shrinking the scope of the analysis to focus on the behavior of 440 products whereas until April this scope had encompassed at least 800 products. Besides, goods will now stand for 62% of the sample whereas they previously stood for 53% of the sample and services will now stand for 38% of the sample though they had previously stood for 47% of the sample.

Along the same lines, discrepancies revolve around the set of available indicators, namely: Consumer Price Index Greater Buenos Aires, Consumer Price Index Rest (INDEC s approach to underlying inflation which excludes regulated prices and the prices that sustain seasonal changes such as food, clothing, tourism and education), Domestic Retail Price Index (IPIM in Spanish), Construction Cost Index (ICC in Spanish) and GDP Implied Price Index (IPI in Spanish). According to the CPI for the Greater Buenos Aires area, inflation would be in the region of 9.0% as of June 2008 and for the calendar year (cumulative for eleven months), whereas the year-on-year change as of March 2008 (a comparison to March 2007) points to an 8.8% increase. Besides, the Consumer Price Index Rest points to an 11.4% increase for the same period and the Consumer Price Index Argentina points to a 10% increase year-on-year as of February.

The Provincial Directorate of Statistics and Censuses of San Luis referred to year-on-year changes in CPI for nine jurisdictions (La Pampa, Misiones, Neuquén, Río Negro, Salta, San Luis, Santa Fe, Tierra del Fuego-Río Grande-Ushuaia) ranging from 21% to 34%.

In turn, the IPIM points to a year-on-year 14.6% increase as of May 2008, driven by the prices of imports and manufactured goods. The Construction Cost Index shows a 19.1% year-on-year rate as of May 2008, which is 0.6 percentage points above the measurement for May 2007. Lastly, the GDP Implied Price Index continued to show acceleration in the third quarter of the calendar year with a year-on-year 20% rate explained mainly by export prices (33.35% year-on-year) whereas the implied prices in Private Consumption showed a year-on-year 15.56% variation.

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Finally, it must be noted that various private consultancy organizations estimated inflation at about 20% for the year 2007 and forecasted a price increase of at least 25% for 2008 on the basis of their own surveys, salary agreements, etc.

As regards salaries, 2007 came to a close with salary increases unheard of in the current economic expansion cycle with a year-on-year 22.7% variation. Along the same lines, private sector registered employees are expected to exhibit salary raises in excess of 20% per annum as a result of the basic collective bargaining agreements already executed; non-registered employees are expected to see their salaries rise by 24.1% and the public sector is expected to continue granting salary raises as it has been lagging behind and thus granting higher raises in the last year.

Source: *World Bank, Central Bank of Argentina, INDEC, Fundación Capital and FIEL*

Main Indicators

	2001	2002	2003	2004	2005	2006	2007
Actual GDP Growth (in %)	-4.4%	-10.9%	8.8%	9.0%	7.5%	8.5%	8.5%
Inflation (Combined prices) in % *	-1.7%	49.4%	16.0%	5.9%	16.8%	9.8%	8.5%
Unemployment Rate ***	20.5%	20.7%	14.5%	13.0%	10.7%	8.7%	7.6%
Primary Surplus (w/o privatizations) in % of GDP	0.5%	0.7%	2.3%	3.9%	3.4%	3.5%	3.2%
Exports - FOB (US$ million)	26,610	25,710	29,565	34,550	38,200	46,569	55,779
Imports - CIF (US$ million)	20,320	8,991	13,834	22,447	28,600	34,152	44,706
Trade balance (US$ million)	6,289	16,719	15,731	12,103	9,600	12,410	11,073
Balance of Payments Current Account (US$ billion)**	-3,291	8,673	7,659	3,349	3,250	8,053	7,466

Source: *INDEC*

(*) Consumer Price Index Greater Buenos Aires - INDEC
(**) On an accrual basis
(***) Country average (as a % of Economically Active Population)

Our Segments

As regards performance in the shopping center market, we can assert that although certain signs have pointed to a slow-down in consumption in the economy overall, sales in shopping centers continued to perform favorably during the last fiscal period. Based on the most recent data published by INDEC, the first quarter of calendar 2008 showed a new improvement in total consumption which translates into a positive 8.2% year-on-year change in the private component and a 7.1% positive change in the public component.

Evidence of the rise in retail consumption can be found in the increased volumes of sales posted as regards shopping centers at constant prices. In June this year, shopping center sales without the seasonality effect at constant prices pointed to a positive year-on-year 26.2% change whereas total sales as posted in the first half of calendar 2008 show a 25.8% year-on-year increase compared to the same period in the previous year.

As regards the office rental sector in Buenos Aires, its situation from the supply side continues to be critical whilst demand is still on the rise. Vacancies arise when companies relocate and in the uppermost categories, the level of vacancies is practically null. This imbalance between supply and demand has caused a constant upward spiral in rental prices, ostensibly in the premium category offices.

The construction industry, though still expanding, has sustained a slow-down in pace. According to the data compiled by the Argentine Institute of Statistics and Censuses (INDEC) in its Summary Indicator of Construction Activities (ISAC in Spanish), activities in the first half of 2008 have increased by 8.8% compared to the same period in the previous fiscal year.

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Inflationary pressures have been affecting construction costs: the margins obtained by constructors are shrinking and thus a reduction is expected in the number of works to be carried out. According to Universidad Argentina de la Empresa sources, the supply of residential properties for sale in the City of Buenos Aires and Greater Buenos Aires fell by almost 23% in the first half of calendar 2008 compared to the same period in calendar 2007. By contrast, the number of home lease agreements grew by 14.5% in the same period. This comes to show that the demand for homes in the residential real estate market continues to be on the rise and that home prices maintain their upward trend.

The hotel sector, particularly five-star hotels, was favored in these past six months by the increase in the inflows of tourists with high purchasing power. Within an international context of unprecedented tourist arrivals at the global level in 2007, as reported by the latest edition of the *UNWTO World Tourism Barometer*, Argentina came out second in the ranking of countries in The Americas with the highest growth in terms of tourist arrivals, which was 11% above the mark for 2006. Also according to this source, during the first half of calendar 2008, global tourism remained unaltered in spite of the uncertainties in the international context and South America is one of the regions that grew the most in terms of tourist arrivals.

Business

Overview

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

the acquisition, development and operation of shopping centers,

the origination, securitization and management of credit card receivables,

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

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

the acquisition and operation of luxury hotels.

As of June 30, 2007 and 2008, we had total assets of Ps.4,144.9 million and Ps. 4,472.0 million, respectively and shareholders equity of Ps.1,646.7 million and Ps. 1,924.2 million, respectively. Our net income for the fiscal years ended June 30, 2006, 2007, and 2008 was Ps.96.6 million, Ps.107.1 million, and Ps. 54.9 million, respectively. We are the only Argentine real estate company whose shares are listed on the Buenos Aires Stock Exchange and whose GDSs are listed on the New York Stock Exchange.

We currently own 11.8% of Banco Hipotecario, one of the leading financial institutions in Argentina.

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

Shopping centers. We are engaged in purchasing, developing and managing shopping centers through our subsidiary Alto Palermo S.A. Alto Palermo operates and owns majority interests in ten shopping centers, six of which are located in the Buenos Aires metropolitan area, and the other four are located in the Provinces of Mendoza, Rosario, Córdoba and Salta. Our Shopping center segment had assets of Ps.1,375.2 million as of June 30, 2007 and Ps. 1,705.0 as of June 30, 2008, representing 33.2% and 38.1%, respectively, of our consolidated assets at such dates, and generated operating income of Ps.124.8 million and Ps. 182.3 million during our 2007 and 2008 fiscal years respectively, representing 62.9% and 71.5%, respectively, of our consolidated operating income for such years.

Tarshop. We operate a credit card consumer finance business through our majority-owned subsidiary, Tarshop S.A. Tarshop s credit card operations consist primarily of lending and servicing activities relating to the credit card products we offer to consumers at shopping centers, hypermarkets and street stores. We finance a substantial majority of our credit card activities through securitization of the receivables underlying the accounts we originate. Our revenues from credit card operations are derived from interest income generated by financing and lending activities, merchants fees, insurance charges for life and disability insurance, and fees for data processing and other services. Tarshop s segment had assets of Ps.158.4 million as of June 30, 2007, and Ps. 134.1 million as of June 30, 2008, representing 3.8% and 3.0%, respectively, of our consolidated assets at such dates, and generated operating income of Ps.32.6 million of profit and Ps. 17.7 million of loss during our 2007 and 2008 fiscal years, respectively, representing 16.4% and (6.9%)%, respectively, of our consolidated operating income for such years.

Residential properties. The acquisition and development of residential apartment complexes and residential communities for sale is another of our core activities. Our development of residential apartment complexes consists of the construction of high-rise towers or the conversion and renovation of existing structures, such as factories and warehouses. In residential communities, we acquire vacant land, develop infrastructure such as roads, utilities and common areas, and sell plots of land for construction of single-family homes. Our Development and sale of properties segment had assets of Ps.539.3 million as of June 30, 2007, and Ps. 462.9 million as of June 30, 2008, representing 13.0% and 10.4%, respectively, of our consolidated

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assets at such dates, and generated operating income of Ps.6.2 million and Ps. 19.3 million during our 2007 and 2008 fiscal years, respectively, representing 3.1% and 7.6%, respectively, of our consolidated operating income for such years.

Office buildings. In December 1994, we launched our office rental business by acquiring three prime office towers in Buenos Aires: Libertador 498, Maipú 1300 and Madero 1020. As of June 30, 2008, we directly and indirectly owned a majority interest in 28 Offices and other non-shopping center rental properties in Argentina that in the aggregate represented 260,866 square meters of gross leaseable area. Our Offices and other non-shopping center rental properties segment had assets of Ps.700.0 million as of June 30, 2007, and Ps. 1,056.5 million as of June 30, 2008, representing 16.9% and 23.6%, respectively, of our consolidated assets at such dates, and generated operating income of Ps.19.6 million and Ps. 52.3 million during our 2007 and 2008 fiscal years, respectively, representing 9.9% and 20.5%, respectively, of our consolidated operating income for such years.

Hotel operations. In 1997, we acquired the Hotel Llao Llao and an indirect controlling interest in the Hotel Intercontinental in Buenos Aires. In March 1998, we acquired the Hotel Sheraton Libertador in Buenos Aires, and later, we sold a 20% interest to an affiliate of Hoteles Sheraton, and during the fiscal year 2000, we sold 50% of our interest in the Hotel Llao Llao to the Sutton Group. Our Hotel operations segment, which consists of these three hotels, had assets of Ps.208.4 million as of June 30, 2007, and Ps. 252.0 million as of June 30, 2008, representing 5.0% and 5.6%, respectively, of our consolidated assets at such dates, and generated income of Ps.14.7 million and Ps. 18.0 million during our 2007 and 2008 fiscal years, representing 7.4% and 7.1%, respectively, of our consolidated operating income for such years.

Banco Hipotecario. We currently own 11.8% of Banco Hipotecario, Argentina s leading mortgage lender. We acquired 2.9% of Banco Hipotecario for Ps.30.2 million when it was privatized in 1999. During 2003 and 2004, we increased our investment in Banco Hipotecario to 11.8% by acquiring additional shares, and by acquiring and exercising warrants, for an aggregate purchase price of Ps.33.4 million. In May 2004, we sold Class D shares representing 1.9% of Banco Hipotecario to IFISA, for Ps.6.0 million, generating a loss of Ps.1.6 million. Our 11.8% investment in Banco Hipotecario is held in the form of Class D shares, which are currently entitled to three votes per share, affording us the right of 18.36% of the total votes that can be cast at Banco Hipotecario s shareholders meetings. As of June 30, 2008, our investment in Banco Hipotecario represented 6.5% of our consolidated assets, and during our fiscal years ended June 30, 2005, 2006, 2007 and 2008, this investment generated gains of Ps.55.2 million, Ps.47.0 million and Ps.41.4 million, and a loss of Ps. 11.8 million, respectively.

Business Strategy

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

Shopping centers. In recent years, the Argentine shopping center industry has benefited from improved macroeconomic conditions and a significant expansion in consumer credit. We believe that the Argentine shopping center sector offers attractive prospects for long-term growth due to, among other factors, (i) a continuing evolution of consumer preferences in favor of shopping malls (away from small neighborhood shops) and (ii) a level of shopping center penetration that we consider low compared to many developed countries. We seek to improve our leading position in the shopping center industry in Argentina by taking advantage of economies of scale to improve the operating margins of our diversified portfolio of existing shopping centers and by developing new properties at strategic locations in Buenos Aires and other important urban areas, including in Argentine provinces and elsewhere in Latin America. The shopping center business is at present the strongest source of cash generation of our business segments.

Consumer finance. We have developed a credit card consumer finance business through Tarshop S.A., our controlled subsidiary. Tarshop s operations consist primarily of lending and servicing activities relating to the credit card products we offer to consumers at shopping centers, hypermarkets and street stores, with low levels of balance sheet credit exposure as our credit card receivables are consistently securitized.

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

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

Hotel operations. We believe our portfolio of three luxury hotels is positioned to take advantage of future growth in tourism and business travel in Argentina. Our strategy has been investing in high-quality properties which are operated by leading international hotel companies to capitalize on our operating experience and international reputation. We are currently remodeling Hotel Sheraton Libertador and Hotel Intercontinental. In December, 2007 we inaugurated 43 new suites in Hotel Llao Llao.

Banco Hipotecario. Banco Hipotecario is a full-service commercial bank offering a wide variety of banking activities and related financial services to individuals, small- and medium-sized companies and large corporations. Among these services, mortgage loans stand out as Banco Hipotecario is leader in this segment in Argentina. Since 1999, Banco Hipotecario s shares have been listed on the Buenos Aires Stock Exchange, and since 2006 it has obtained the Level 1 ADR program of the Bank of New York. We believe that our 11.8% investment in Banco Hipotecario has attractive prospects for long-term appreciation. Unlike certain other countries in Latin America, Argentina has a low level of mortgages outstanding, particularly if measured in terms of GDP; accordingly, a significant potential growth is expected for this sector in the future.

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

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

Description of Operations

Offices and other non-shopping center rental properties

We are engaged in the acquisition, development and management of Offices and other non-shopping center rental properties in Argentina. As of June 30, 2008, we directly and indirectly owned interests in 28 office and other rental properties in Argentina which comprised 260,866 square meters of gross leaseable area. Of these properties, 19 were office buildings which comprised 163,725 square meters of gross leaseable area. For fiscal year 2008, we had

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All our office rental property in Argentina is located in Buenos Aires City. For the year ended June 30, 2008 the average occupancy rate for all our properties in the Offices and other non-shopping center rental properties segment was approximately 89.9%. Nine different tenants accounted for approximately 27.0% of our total revenues for fiscal year 2008. Our seven main office rental tenants are: Grupo Total Austral, Price Waterhouse, Apache Energía, Exxon Mobile Business Center, Sibille S.C. (KPMG), Microsoft de Argentina S.A., and Unilever Argentina.

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

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

Properties

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

Offices and other non-shopping center rental properties

	Date of Acquisition	Leaseable Area sqm (1)	Occupancy Rate (2)	IRSA s Effective Interest	Monthly Rental income Ps./000 (3)	Accumulated Annual Rental Income For fiscal years Ps./000 (4) 2008	2007	2006	Book Value Ps./000 (5)
Offices									
Intercontinental Plaza (6)	11/18/97	22,535	100%	100%	1,368	12,496	10,977	5,436	90,526
Dock Del Plata	11/15/06	7,921	100%	100%	533	6,945	3,103	N/A	25,654
Libertador 498	12/20/95	10,533	100%	100%	782	8,551	6,307	3,872	39,632
Maipú 1300	09/28/95	10,280	100%	100%	701	8,107	6,006	3,515	41,029
Laminar Plaza	03/25/99	6,521	100%	100%	499	5,607	4,631	3,059	28,342
Reconquista 823/41	11/12/93	5,016	100%	100%	185	2,256	1,139	N/A	18,445
Suipacha 652/64	11/22/91	11,453	100%	100%	357	2,480	1,398	1,055	11,840
Edificios Costeros	03/20/97	6,389	89%	100%	325	3,896	3,124	1,760	17,922
Costeros Dique IV	08/29/01	5,437	100%	100%	394	4,603	1,987	1,736	20,287
Bouchard 710	06/01/05	15,014	100%	100%	1,184	12,931	8,900	5,813	67,305
Bouchard 551	03/15/07	23,378	100%	100%	1,674	12,678	3,925	N/A	155,226
Madero 1020	12/21/95	215	100%	100%	7	89	97	78	696
Della Paolera 265	08/27/07	15,822	100%	100%	1,303	15,688	N/A	N/A	165,463
Edificio República	04/28/08	19,533	19%	100%	203	203	N/A	N/A	228,767
Others (7)	N/A	3,677	100%	N/A	140	1,385	1,289	1,040	10,606
Subtotal Offices		**163,725**	**90%**	**N/A**	**9,656**	**97,915**	**52,883**	**27,364**	**921,740**
Other Non-Shopping									
Center Rental Properties									
Commercial Properties (8)	N/A	504	56%	N/A	17	188	242	175	4,150
Work in progress Dique IV (11)	12/02/97	N/A	N/A	100%	N/A		N/A	N/A	36,387
Museo Renault	12/06/07	1,275	100%	100%	30	204			4,970
Thames (6)	11/01/97	33,191	100%	100%	51	607	607	607	3,899

Santa María del Plata S.A.	07/10/97	60,100	100%	90%	67	958	1.043	1.234	12,494
Other properties (9)	N/A	2,072	100%	N/A	16	220	168	106	8,980
Subtotal Other Rental Properties		**97,142**	**98%**	**N/A**	**181**	**2,177**	**2,060**	**2,122**	**68,042**
Related Fees (12)		**N/A**	**N/A**	**N/A**	**N/A**	**897**	**740**	**1,079**	**N/A**
TOTAL OFFICES AND OTHER NON-SHOPPING CENTER RENTAL PROPERTIES (10)		**260,866**	**94%**	**N/A**	**9,836**	**100,989**	**55,683**	**30,565**	**992,620**

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Notes:

(1) Total leaseable area for each property. Excludes common areas and parking.
(2) Calculated dividing occupied square meters by leaseable area.
(3) Agreements in force as of 06/30/08 for each property were computed.
(4) Total consolidated leases, according to the RT21 method.
(5) Cost of acquisition, plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment.
(6) Indirectly owned through Inversora Bolivar S.A.
(7) Includes the following properties: Madero 942, Av. de Mayo 595, Av. Libertador 602, Rivadavia 2768 and Sarmiento 517 (through IRSA)
(8) Includes the following properties: Constitución 1111, Alsina 934/44 (fully sold), Crucero I; Retail stores in Abril (wholly assigned to Abril S.A.) and Casona in Abril (through IRSA and IBSA).
(9) Includes the following properties: one unit in Alto Palermo Park (through IBSA), Constitución 1159 and Torre Renoir I (through IRSA) and others.
(10) Corresponds to the Offices and other non-shopping center rental properties business unit mentioned in Note 4 to our Consolidated Financial Statements.
(11) Work in progress of an AAA office building in Puerto Madero.
(12) Income from buildings management fees.

The following table shows a schedule of the lease expirations of our office and other properties for leases outstanding as of June 30, 2008, assuming that none of the tenants exercise renewal options or terminate their lease early. Most tenants have renewal clauses in their leases.

Fiscal year of lease expiration	Number of leases expiring (1)	Square meters subject to expiring leases (2) (in square meters)	Percentage of total square meters subject to expiration (%)	Annual rental income under expiring leases (Ps.)	Percentage of total rental income under expiring leases (%)
2009	52	47,890	52%	21,713,170	19%
2010	56	52,583	22%	40,081,509	35%
2011	54	55,537	23%	46,227,909	40%
2012	9	7,652	3%	6,626,334	6%
Total	171	163,662	100%	114,648,922	100%

(1) Includes Offices which contract has not been renewed as of June 30, 2008.
(2) Does not include vacant leased square meters.
(3) Does not include square meters or revenues from parking spaces.

The following table shows our offices occupancy percentage during fiscal years ended June 30, 2008, 2007 and 2006:

	Occupancy Percentage Fiscal year ended June 30,(1) 2008	2007	2006
	(in percentage)		
Offices			
Intercontinental Plaza	100	100	100
Bouchard 710	100	100	100
Bouchard 551	100	100	N/A
Dock del Plata	100	100	N/A
Libertador 498	100	100	100
Maipu 1300	100	100	95

Laminar Plaza	100	100	100
Madero 1020	100	100	100
Reconquista 823/41	100	100	0
Suipacha 652/64	100	100	100
Edificios Costeros	89	96	95
Costeros Dique IV	100	96	100
Della Paolera 265	100	N/A	N/A
República	19	N/A	N/A
Others(2)	100	100	100

(1) Leased square meters in accordance with lease agreements in effect as of June 30, 2008, 2007 and 2006 considering the total leaseable office area for each year.
(2) Includes the following buildings: Madero 942, Av. de Mayo 595, Av. Libertador 602, Sarmiento 517 and Rivadavia 2768.

The following table sets forth the annual average income per square meter for our offices during fiscal years ended June 30, 2008, 2007 and 2006:

	Annual average income per square meter Fiscal year ended June 30,(1)		
	2008	**2007**	**2006**
	(Ps. per square meter)		
Offices			
Intercontinental Plaza	555	487	299
Bouchard 710	861	623	387
Bouchard 551 (2)	458	118	N/A
Dock del Plata	877	392	N/A
Libertador 498	812	634	374
Maipu 1300	789	597	373
Laminar Plaza	860	710	479
Madero 1020	414	450	362
Suipacha 652/64	217	123	119
Reconquista 823/41	450	236	
Edificios Costeros	610	504	278
Costeros Dique IV	847	387	259
Della Paolera 265 (3)	992	N/A	N/A
República (4)	55	N/A	N/A
Others (5)	448	429	285

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

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

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

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

Bouchard 551, City of Buenos Aires. Bouchard 551, known as *Edificio La Nación* , is an office building we acquired in March 2007, located in the Retiro area close to the intersection of the Leandro N. Alem and Córdoba avenues and opposite the Plaza Roma. The building is a 23-story tower covering a surface area of 2,900 square meters in the low floors that becomes smaller as it goes higher up to 900 square meters approximately, and parking for 177 units. On January 9, 2008, we sold 29.9% of the building, which represented a highly attractive opportunity for our Company in terms of realizing the appreciation of its portfolio assets. The transaction, which was agreed over a surface area of 9,946 sqm plus 133 parking spaces, amounted to US$ 34.4 million and generated a gain of Ps.19.0 million. The principal tenants include La Nación S.A., and Price Waterhouse & Co., AS. EM. S.R.L.

Dock del Plata, City of Buenos Aires. Dock del Plata is an office building we acquired in November 2006, located in the Puerto Madero area at Alicia Moreau de Justo 400. The building is 4-story high, with an average surface per plant of 1,500 square meters and parking lot for 309 units. The principal lessees are Veco S.A., Davila 380 S.A., Farmacity S.A., Rosso Alba, Francia y Ruiz Romero, Converse Argentina S.A., AT & T Communications Serv. S.R.L., MCO LEX S.R.L., Garfin Agropecuaria S.A., CA Argentina S.A. and Dell América Latina Corp.

BankBoston Tower. On August 27, 2007, we signed a deed for US$ 54 million that entitles us to an undivided 50% ownership interest in an office building of 31,670 square meters of gross leaseable area, known as the BankBoston Tower. This modern property is located at 265 Carlos Maria Della Paolera in the City of Buenos Aires, and it was designed by the recognized Architect Cesar Pelli. The transaction was consummated for an aggregate purchase price of US$108 million (including taxes and other expenses), of which we paid US$54 million. As of June 30, 2008, the occupancy rate of the BankBoston Tower was 100%. The principal tenants include Standard Bank, Exxon Mobile, Kimberly Clark de Argentina, Hope, Duggan & Silva S.C. and Apache Energía.

Libertador 498, City of Buenos Aires. Libertador 498 is a 27-story office tower located at the intersection of three of the most important thoroughfares of the City of Buenos Aires, making it accessible from the north, west and south of the city. We own 17 floors with an average area per floor of 620 square meters and 281 parking spaces. The building has a singular cylindrical design and a highly visible circular neon billboard that makes it a landmark in the Buenos Aires skyline. The principal tenants in this building currently include MTV Networks Argentina S.R.L., Epson Argentina S.A., Yara Argentina S.A., Alfaro Abogados S.C., Julius Baer Financial Consultancy S.A., LG Electronics Argentina S.A., Allergan Productos Farmacéuticos S.A. and our subsidiary CYRSA S.A.

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

Laminar Plaza, City of Buenos Aires. Laminar Plaza is a 20-story office building located in Catalinas, the City of Buenos Aires most exclusive office district. Each floor has an average area of 1,453 square meters, including common areas. We own 5 floors and 66 parking spaces. The main tenants include Cisco Systems Argentina S.A., Telefónica Móviles de Argentina S.A., Chubb Argentina de Seguros S.A., Hewitt Associates S.A., Apache Petrolera Argentina S.A., Natural Energy S.A. and Fertiva Latinoamérica S.A.

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

Reconquista 823/41, City of Buenos Aires. Reconquista 823/41 is a 15-story office tower located in the Catalina*s* area. We own the entire building which is made up of three basements, space for 52 cars in the car parks, the ground floor and 15 floors of office space. The building has floors with an average area of 540 square meters. As of June 30, 2008, we have an occupancy rate of 100.0%. The building s principal tenants include Marval & O Farrell and Tracker S.R.L.

Edificios Costeros, Dique II, City of Buenos Aires. Costeros A and B are two four-story buildings developed by us and located in the Puerto Madero area. We own the two buildings which have a gross

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leaseable area of 6,319 square meters. In September 1999 we completed their construction and in April 2000 began to market the office spaces and 147 parking spaces. The main tenants of these properties are as follows: Leo Burnett Worldwide Invest. Inc., Reckitt Benchiser Argentina S.A., Martina Di Trento S.A., Italcred S.A., Minera Agua Rica L.L.C. and Somos Tres S.R.L.

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

Edificio República. On April 28 we acquired the building known as Edificio República , located in the intersection of Tucumán and Bouchard streets after having exercised the purchase option for that building. The final price we paid was US$70.3 million. 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 19,533 gross leaseable square meters to our portfolio. The building is distributed in 20 floors, 16 of which were vacated at the time of acquisition. As of the date hereof, we have closed negotiations and executed agreements for 9,000 sqm with several important tenants, including Apache Energía, Deutsche Bank, Estudio Beccar Varela and Banco Itaú, at values of US$37 and US$39 per square meter.

Other office properties. We also have interests in other office properties, all of which are located in the City of Buenos Aires. These properties are either entire buildings or portions of buildings, none of which contributed more than Ps. 1.4 million in annual rental income for fiscal year 2008. Among these properties are Madero 942, Libertador 602, Av. de Mayo 595, Rivadavia 2768 and Sarmiento 517.

Retail and other properties. Our portfolio of rental properties includes 10 non-shopping center leased properties that are leased as street retail, a warehouse, two leased undeveloped plots of land and various other 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, Edificio Crucero I, Thames and Solares de Santa María.

Shopping Centers

We are engaged in purchasing, developing and managing shopping centers through our subsidiary Alto Palermo. As of June 30, 2008, Alto Palermo operated and owned majority interests in ten shopping centers, five of which are located in the City of Buenos Aires, one of which is located in the greater Buenos Aires metropolitan area and the other four of which are located in the interior Argentine cities of Salta, Rosario, Mendoza and Córdoba.

As of June 30, 2008, we owned 63.3% of Alto Palermo and Parque Arauco S.A. owned 29.6%. The remaining shares are held by the investor public and traded on the *Bolsa de Comercio de Buenos Aires* and the related ADSs are listed and traded on the Nasdaq National Market (USA) under the symbol APSA. In addition, as of June 30, 2008, we owned US$31.7 million of Alto Palermo s convertible notes due July 2014. If we and all other holders of such convertible Notes were to exercise our option to convert the convertible notes into shares of Alto Palermo s common stock, our shareholding in Alto Palermo would increase to 65.9% of its fully diluted capital.

As of June 30, 2008, Alto Palermo s shopping centers comprised a total of 232,659 square meters of gross leaseable area (excluding certain space occupied by hypermarkets which are not Alto Palermo s tenants). For the year ended June 30, 2008, the average occupancy rate of Alto Palermo s shopping center portfolio was approximately 99.3%.

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

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The following table shows certain information concerning our shopping centers as of June 30, 2008:

Shopping Centers

	Date of Acquisition	Leaseable Area sqm (1)	APSA s Effective Interest (3)	Occupancy rate (2)	Annual Rental Income For the fiscal years (in thousands of Ps.) (4)			Book Value (in thousands of Ps.) (5)
					2008	2007	2006 (12)	
Shopping Centers (6)								
Alto Palermo	12/23/97	18,551	100.0%	100.0%	69,847	57,345	47,730	178,622
Abasto Shopping (13)	07/17/94	39,642	100.0%	99.6%	69,639	56,380	44,739	180,972
Alto Avellaneda (11)	12/23/97	37,030	100.0%	99.8%	39,958	31,249	25,151	96,271
Paseo Alcorta	06/06/97	14,465	100.0%	99.5%	37,293	31,241	24,562	72,144
Patio Bullrich	10/01/98	11,685	100.0%	100.0%	28,864	25,368	21,425	101,291
Alto Noa Shopping	03/29/95	18,851	100.0%	100.0%	9,598	6,635	5,243	25,039
Buenos Aires Design	11/18/97	14,069	53.7%	100.0%	12,020	10,359	8,619	13,617
Alto Rosario Shopping (13)	11/09/04	28,561	100.0%	99.2%	20,040	15,464	11,823	81,630
Mendoza Plaza Shopping	12/02/04	39,688	100.0%	97.7%	24,232	18,779	14,636	88,363
Fibesa and Others (7)		N/A	100.0%	N/A	21,402	13,636	11,075	
Comercializadora Los Altos S.A.		N/A	100.0%	N/A	1,925			
Neuquén (8)	07/06/99	N/A	94.6%	N/A		N/A	N/A	12,912
Panamerican Mall S.A. (9)	12/01/06	37,404	80.0%	N/A		N/A	N/A	283,361
Córdoba Shopping Villa Cabrera	12/31/06	10,117	100.0%	97.2%	10,577	3,810	N/A	72,464
Revenues from consumer finance			N/A	80.0%	N/A	291,030	212,965	122,969
TOTAL GENERAL (10)		**270,063**	**93.9%**	**99.3%**	**636,425**	**483,231**	**337,972**	**1,206,686**

Notes:

(1) Total leaseable area in each property. Excludes common areas and parking spaces.
(2) Calculated dividing occupied square meters by leaseable area.
(3) Effective interest of Alto Palermo in each business unit. We have a 63.33% in APSA.
(4) Represents the total consolidated leases according to the RT21 method.
(5) Cost of acquisition plus improvements, less accumulated depreciation, plus adjustment for inflation, less allowance for impairment in value, plus recovery of allowances if applicable.
(6) Owned through APSA.
(7) Includes revenues from Fibesa S.A. and others.
(8) Parcel of land for the development of a shopping center.
(9) The project includes the construction of a shopping center, a hypermarket, a movie theater complex and an office and/or residential building.
(10) Corresponds to the Shopping Centers business unit mentioned in Note 4 to the Consolidated Financial Statements. Includes profits for the Tarshop credit card.
(11) 9.57% of the shopping center surface was under construction until late April 2008.
(12) Includes Ps. 23.0 million for the sale of the Alcorta Plaza parcel; mentioned in Note 4 of the Consolidated Financial Statements, in the segment Development and sale of properties .
(13) Excludes Museo de los Niños.

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Tenant Retail Sales

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

	Fiscal year ended June 30, (1)		
	2006	**2007**	**2008**
	Ps.	**Ps.**	**Ps.**
Abasto	453,871,445	573,874,588	720,398,373
Alto Palermo	436,244,953	502,220,444	631,821,667
Alto Avellaneda	308,900,404	418,349,117	560,693,754
Paseo Alcorta	264,060,375	321,948,304	385,515,939
Patio Bullrich	195,877,528	226,200,714	271,411,516
Alto Noa	104,529,187	130,318,508	173,998,891
Buenos Aires Design	91,921,046	110,722,931	132,952,563
Mendoza Plaza	275,864,008	337,757,597	433,394,266
Alto Rosario	143,806,266	204,430,069	271,331,827
Cordoba	N/A	N/A	120,827,838
Total Retail Sales (2)	**2,275,075,212**	**2,825,822,272**	**3,702,346,634**

Notes:

(1) Retail sales based upon information provided to us by retailers and prior 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 stands and spaces used for special exhibitions.

Lease Expirations

The following table shows a schedule of lease expirations for our shopping center properties in place as of June 30, 2008, assuming that none of the tenants exercise renewal options or terminate their lease early.

Lease Expirations as of June 30,	Number of Leases Expiring	Square Meters Subject to Expiring Leases (sqm)	Percentage of Total Square Meters Subject to Expiration (%)	Annual Base Rent Under Expiring Leases(1) (Ps.)	Percentage of Total Base Rent Under Expiring Leases (%)
2009 (2)	554	103,092	44%	64,177,684	40%
2010	291	39,340	17%	40,347,812	25%
2011	288	37,885	16%	41,529,159	26%
2012+	67	52,342	23%	13,216,865	9%
Total	**1,200**	**232,659**	**100%**	**159,271,520**	**100%**

(1) Includes only the basic rental income amount. Does not give effect to our ownership interest.

(2) Includes stores which contracts have not been renewed yet and vacant stores at June 30, 2008.

Occupancy Rate

The following table shows the average occupancy rate of each shopping center during fiscal years ended June 30, 2008, 2007 and 2006:

	Occupancy Rate Fiscal year ended June 30,		
	2008 (%)	2007 (%)	2006 (%)
Abasto de Buenos Aires	99.6	97.0	99.9
Alto Palermo Shopping	100.0	99.6	100.0
Alto Avellaneda	99.8	95.0	96.6
Paseo Alcorta	99.5	99.0	99,2
Patio Bullrich	100.0	100.0	100,0
Alto Noa	100.0	100.0	100,0
Buenos Aires Design	100.0	100.0	100.0
Alto Rosario	99.2	93.4	100,0
Mendoza Plaza Shopping	97.7	95.9	97.8
Córdoba Shopping Villa Cabrera	97.2	0.0	N/A
Total Average	99.3	97.8	99.3

Rental Price

The following table shows the annual/period average rental price per square meter for the fiscal years ended June 30, 2008, 2007 and 2006:

	Annual Average Revenue per square meter Fiscal year ended June 30,		
	2008 (Ps./sqm)	2007 (Ps./sqm)	2006 (Ps./sqm)
Abasto de Buenos Aires	1437	1273	1,021
Alto Palermo Shopping	3058	2925	2,432
Alto Avellaneda	972	1100	900
Paseo Alcorta	2314	2074	1,629
Patio Bullrich	2096	2051	1,792
Alto Noa	461	344	280
Buenos Aires Design	673	634	501
Alto Rosario	609	484	376
Mendoza Plaza Shopping	537	456	354
Córdoba Shopping Villa Cabrera	871	N/A	N/A

Principal Terms of our Leases

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

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

We charge our tenants a rent which consists of the higher of (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant s monthly gross sales in the store (the Percentage Rent) (which generally ranges between 4% and 10% of tenant s gross sales). Furthermore, pursuant to the rent escalation clause in most leases, a tenant s Base Rent generally increases between 7% and 12% each year during the term of the lease. Although many of our lease agreements contain readjustment clauses, these are not based on an official index nor do they reflect the inflation index. In the event of litigation, there can be no assurance that we may be able to enforce such clauses contained in our lease agreements.

In addition to rent, we charge most of our tenants an admission right, which is required to be paid upon entering into a lease agreement and upon a lease agreement renewal. The admission right 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 our consent.

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We are 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. We also provide 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. We determine this percentage based on the tenant s gross leaseable area and the location of its store. The common area expenses include, among others, administration, security, operations, maintenance, cleaning and taxes.

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

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

Sources of Shopping Center Revenues

Set forth below is a breakdown of the sources of our shopping center revenues for our fiscal years ended June 30, 2006, 2007 and 2008:

	Fiscal Year ended June 30,		
	2008	**2007**	**2006**
	(Ps.)	**(Ps.)**	**(Ps.)**
Fixed monthly minimum rent	159,140,526	129,594,156	104,548,288
Variable rent dependent on sales	73,298,452	51,872,357	40,896,378
Stand and kiosk rentals	27,144,073	21,303,064	17,711,770
Admission fees	40,275,442	34,477,499	26,254,296
Various	31,959,152	23,012,445	17,035,196
Parking	13,577,014	9,872,453	8,523,290
Total rent and services	345,394,659	270,131,974	214,969,218
Tarjeta Shopping revenues	291,030,288	212,965,332	122,968,616
Other revenues from other segments		133,848	33,830
Total shopping center revenues	**636,424,947**	**483,231,154**	**337,971,664**

Description of each Shopping Center

Set forth below is information regarding our principal shopping centers.

Alto Palermo Shopping, City of Buenos Aires. Alto Palermo Shopping is a 143-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 18,551 square meters of gross leaseable area. The shopping center has a food court with 19 restaurants. Alto Palermo Shopping is spread out over four levels and has a 654 car-parking lot. Tenants in this shopping center generated average estimated monthly retail sales of approximately Ps.2,298 per square meter for the fiscal year ended June 30, 2007 and Ps. 2,838 per square meter for the fiscal year ended June 30, 2008. Principal tenants currently include Zara, Frávega, Garbarino, Sony Style, Just For Sport and Musimundo. Alto Palermo Shopping s five largest tenants (in terms of sales in this shopping center) accounted for approximately 17.4% of its gross leaseable area at June 30, 2008 and approximately 9.2% of its annual base rent for the fiscal year ended on such date. In January 2007, we started a series of major reform works at the shopping center which were partially completed in May 2008. This comprehensive renewal includes the remodeling of the façade facing Coronel Díaz street, the under-bridge of Arenales street, the Santa Fe street access and the food court and we are about to complete the under-bridge of Arenales street and internal redistribution works of the shopping center.

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 Buenos Aires. Alto Avellaneda has a total constructed area of 108,598 square meters that includes 23,712 square meters of gross leaseable area. Alto Avellaneda includes several anchor stores, a six-screen multiplex movie theatre, a Wal-Mart superstore, an entertainment area, a bowling alley, a 17-restaurant food court and an outdoor parking lot and as of April 28, 2008, it also includes a Falabella department store. Wal-Mart purchased from us the space it now occupies. 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. Tenants in this shopping center generated average estimated monthly retail sales of approximately Ps.1,275 per square meter for the fiscal year ended June 30, 2007 and Ps. 1,262 per square meter as of June 30, 2008. Principal tenants currently include Frávega, Megatone, Falabella, Bingo, Garbarino and Compumundo. Alto Avellaneda s five largest tenants (in terms of sales in this shopping center) accounted for approximately 34.7% of its gross leaseable area at June 30, 2008 and approximately 12.2% of its annual base rent for the fiscal year ended on such date

Paseo Alcorta, City of Buenos Aires. Paseo Alcorta is a 111-store shopping center that opened in 1992 and is located in the residential neighborhood of Palermo Chico, one of the most exclusive areas in the City of Buenos Aires, within a short drive from downtown Buenos Aires. Paseo Alcorta has a total constructed area of approximately 87,553 square meters that consists of 14,465 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. Tenants in this shopping center generated average estimated monthly retail sales of approximately Ps.1,863 per square meter for the fiscal year ended June 30, 2007 and Ps. 2,221 per square meter as of June 30, 2008. Principal tenants currently include Zara, Frávega, Musimundo, Armani Exchange, Kartun and Etiqueta Negra. Paseo Alcorta s five largest tenants (in terms of sales in this shopping center) accounted for approximately 14.2% of Paseo Alcorta s gross leaseable area at June 30, 2008 and approximately 9.2% of its annual base rent for the fiscal year ended on such date.

Abasto Shopping, City of Buenos Aires. Shopping is a 171-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 39,642 square meters of gross leaseable area. Abasto Shopping is located across from Torres de Abasto residential apartment development and Coto supermarket. The shopping center includes a food court with 24 restaurants covering an area of 9,890 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. Tenants in this shopping center generated estimated average monthly sales of approximately Ps.1,205 per square meter

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for the fiscal year ended June 30, 2007 and Ps. 1,514 per square meter as of June 30, 2008. Principal tenants currently include Zara, Hoyts Cinemas, Frávega, Compumundo and Garbarino. Abasto Shopping Center s five largest tenants (in terms of sales in this shopping center) accounted for approximately 8.7% of the annual base rent for the fiscal year ended on June 30, 2008.

Patio Bullrich, City of Buenos Aires. Patio Bullrich is an 80-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 11,685 square meters of gross leaseable area. The four-story shopping center includes a 14 restaurant food court, an entertainment area, a four-screen multiplex movie theatre and a parking lot with 215 spaces. Patio Bullrich is one of the shopping centers with higher revenues in Argentina in terms of sales per square meter, with an average of Ps.1,717 per square meter for the fiscal year ended June 30, 2007 and Ps. 1,936 per square meter as of June 30, 2008. Principal tenants currently include Armani, Diesel, Etiqueta Negra, La Martina, Christian Dior, Cacharel and Rouge International. Patio Bullrich s five largest tenants (in terms of sales in the shopping center) accounted for approximately 18.3% of Patio Bullrich s gross leaseable area at June 30, 2008, and approximately 12.7% of its annual base rent for the fiscal year ended on such date.

Alto Noa, Salta, Province of Salta. Alto Noa is an 89-store shopping center located in the City of Salta, the capital of the Province of Salta. The shopping center consists of approximately 30,876 square meters of total constructed area that consists of 18,851 square meters of gross leaseable area and includes a 14-restaurant food court, a large entertainment center, a supermarket, an eight-screen movie theatre and parking facilities for 551 cars. Tenants in this shopping center generated estimated average monthly sales of approximately Ps.577 per square meter for the fiscal year ended June 30, 2007 and Ps. 769 per square meter as of June 30, 2008. Principal tenants currently include Supermercado Norte, Frávega, Garbarino, Y.P.F., Musimundo and Slots. Alto Noa s five largest tenants (in terms of sales in this shopping center) represented approximately 33.0% of Alto Noa s gross leaseable area as of June 30, 2008 and approximately 16.4% of its annual base rent for the fiscal year ended on such date.

Buenos Aires Design, City of Buenos Aires. Buenos Aires Design is a 63-store shopping center intended for specialty interior, home decorating and restaurants that opened in 1993. Alto Palermo owns Buenos Aires Design through a 53.6% interest in Emprendimientos Recoleta S.A., which owns the concession to operate the shopping center. Buenos Aires Design is located in Recoleta, one of the most popular tourist zone in Buenos Aires City. Buenos Aires Design has a total constructed area of 26,131 square meters that consists of 14,069 square meters of gross leaseable area. The shopping center has 45 restaurants, is divided into two floors and has a 174-car parking lot. Tenants in this shopping center generated estimated average monthly sales of approximately Ps.659 per square meter for the fiscal year ended June 30, 2007 and Ps. 788 per square meter as of June 30, 2008. Principal tenants currently include Morph, Barugel Azulay, Garbarino, Hard Rock Café, Kalpakian and Prima Fila. Buenos Aires Design s five largest tenants (in terms of sales in this shopping center) accounted for approximately 22.9% of Buenos Aires Design s gross leaseable area as of June 30, 2008 and 20.1% of its annual base rent for the fiscal year ended on such date.

Alto Rosario, Santa Fe, City of Rosario. Alto Rosario is a shopping center of 145 stores, located in City of Rosario, Province of Santa Fe. It was inaugurated in November 2004 and has 100,750 square meters of fully covered surface, and 28,561 square meters of gross leaseable area. This center is primarily devoted to clothing and entertainment and includes a food court with 15 stores, a children s entertainment area, a 14-cinema complex and parking lot for almost 1,736 vehicles. Tenants in this shopping center generated average monthly sales of approximately Ps.563 per square meter, for fiscal year ended June 30, 2007 and Ps. 792 per square meter as of June 30, 2008. Principal tenants are Frávega, Sport 78, McDonald s, Showcase Cinemas, Compumundo and Red Megatone. Alto Rosario s five largest tenants (in terms of sales in this shopping center) accounted for approximately 37.4% of Alto Rosario s gross leaseable area as of June 30, 2008 and 10.3% of its annual base rent for the fiscal year ended on such date.

Mendoza Plaza, Mendoza, Province of Mendoza. Mendoza Plaza is a 152-store shopping center located in the City Mendoza in the Province of Mendoza. It consists of 39,688 square meters of gross leaseable area. Mendoza Plaza has a multiplex movie theatre covering an area of approximately 3,659 square meters, the Chilean department store Falabella, a food court with 20 stores, an entertainment center and a supermarket which is also a tenant. Tenants in this shopping center generated estimated average monthly sales of approximately Ps. 715 per square meter for the fiscal year 2007 and Ps. 910 per square meter as of June 30, 2008. During the year 2005 a 68.8% interest was acquired to Pérez Cuesta, and as of June 30, 2008, increased up to 100.0%. Principal tenants currently include Falabella, Super Plaza Vea, Frávega, Garbarino, Red

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Megatone and Village Cinemas. Mendoza Plaza s five largest tenants (in terms of sales in this shopping center) accounted for approximately 33.5% of Mendoza Plaza s gross leaseable area at June 30, 2008, and approximately 21.0% of its annual base 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 10,177 square meters of gross leaseable area. The Córdoba Shopping has a movie theatre complex with 12 units and approximately 6,929 square meters, a food court and an entertainment area. Tenants in this shopping center generated estimated average monthly sales of approximately Ps. 115 per square meter for the fiscal year 2007 and Ps. 995.3 per square meter as of June 30, 2008. Principal tenants are New Sport, Musimundo, Dexter, McDonald s, Canotier and El Balcón. Córdoba Shopping s five largest tenants (in terms of sales in this shopping center) accounted for approximately 13.7% of Córdoba Shopping s gross leaseable area and approximately 7.6% of its annual base rent for the fiscal year ended on June 30, 2008.

Panamerican Mall Project. City of Buenos Aires. In December 2006, we entered into a series of agreements for the construction, marketing and management of a new shopping center to be developed in the neighborhood of Saavedra, City of Buenos Aires, by Panamerican Mall S.A. The project includes the construction of a shopping center, a hypermarket, a cinema complex and an office building and/or housing building, accordingly, the completed project will have more than 50,000 sqm of gross leaseable area. This is currently one of the Company s most significant development projects. In March 2007, we started the construction of this shopping center and we estimate that its inauguration will take place in early 2009. As of June 30, 2008, the degree of completion was 32%.

Acquisition of a Shopping Center. 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 downpayment. The balance of US$ 12.6 million, is payable in 2014.

Consumer Finance

Tarshop. Tarshop is one of Argentina s leading companies in the consumer finance market. We commercialize and issue credit cards and grant unsecured personal loans.

Tarshop s majority shareholder is Alto Palermo S.A. (APSA), with an 80% ownership interest. The remaining 20% of the Company s capital stock belongs to Mr. León Halac, the Company s current CEO.

As of June 30, 2008, Tarshop had 894,000 customer accounts, 640,000 of which had outstanding balances, with average outstanding amounts of Ps. 1,630 each. Therefore, the Company s total portfolio represents Ps. 1,044.6 million, with 78% of the portfolio subject to securitization through the Tarjeta Shopping Trust Program.

The largest portion of Tarshop s revenues is derived from its credit card segment, which represented 74% of total sales in the fiscal year ended June 30, 2008, amounting to Ps. 1,413.8 million (Ps. 117.8 million in average per month). As of the date hereof, Tarshop has issued 958,000 cards, including holders and additional cards, and an average of 11,000 cards for holders since 2005.

On the other hand, for the period above mentioned, Tarshop s personal loan segment generated on average 26% of its monthly sales. In recent years, there was an expansion and consolidation of the personal loans granted, the amount of which exceeded Ps. 502 million in fiscal year ended June 30, 2008.

Tarshop has a commercial network made up by 29 branches scattered throughout the City of Buenos Aires, Greater Buenos Aires, Córdoba, Tucumán, Salta and Jujuy. As of June 30, 2008, the retailers accepting our credit card as means of payment exceeded 45,000, 46% of which regularly record transactions, having generated more than 7.5 million transactions during fiscal year 2008.

Sales of Development Properties and Land Reserves

Residential Development Properties

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

In our fiscal year ended June 30, 2007, revenues from our Development and sale of properties segment were Ps.75.8 million, compared to Ps.196.8 million in the fiscal year ended June 30, 2008. The real estate market was promoted by the increase in the demand for all types of properties, whether office buildings, housings, retail premises or other. Likewise, the current framework provides incentives for the development of projects linked to our real estate activity. Therefore, during the 2008 fiscal year we expect to complete the projects under development, as well as to analyze new undertakings.

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. Eventually, we receive finished square meters for commercialization, without taking part in the construction works.

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

IRSA-CYRELA s first project, which has been developed in a plot made up by two adjacent blocks in the Vicente López neighborhood, was launched in March under the name Horizons . It is one of the most significant developments in Greater Buenos Aires and it will entail a new concept in residential complexes given its emphasis on the use of common spaces. This project includes two complexes with a total of six buildings; one of them facing the river with three 14-floor buildings and the other on Avenida del Libertador with three 17-floor buildings, totaling 59,000 sqm of construction distributed in 467 units. 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 with immediate success. As of June 30, 2008, preliminary sales agreements had been executed for 96% of the units to be marketed, and the results will be reflected as the works make progress, consolidated at 50%. The units will be completed and delivered in early 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, 2008 and 2007:

Development Properties

MENT	Date of Acquisition	Estimated / Real Cost (Ps. 000) (1)	Area intended for sale (sqm) (2)	Total Units or Lots (3)	IRSA s Effective Interest	Percentage Built	Percentage Sold (4)	Accumulated sales (Ps. 000) (5)	Accumulated Sales in (Ps. 000 as of June 30 of fiscal year (6) 2008	2007	2006
Apartments											
ín	07/18/96	56,579	32,339	490	100.00%	100.00%	99.80%	70,626	577		
basto (8)	07/17/94	74,810	35,630	545	63.33%	100.00%	100.00%	109,561	295		
ruceros	07/22/03	5,740	3,633	40	100.00%	100.00%	100.00%	19,676	1,262	8,383	10,031
de Tours	03/20/03	12,171	2,891	20	100.00%	100.00%	77.20%	10,916	2,359	8,557	
	12/20/96	15,069	6,913	70	100.00%	100.00%	98.89%	11,675	49		
no Park (9)	11/18/97	35,956	10,488	72	100.00%	100.00%	100.00%	47,920		390	63
bir (15)	09/09/99	22,861	5,383	28	100.00%	94.00%	96.00%				
bir II (15)	11/03/97	41,808	6,294	37	100.00%	N/A	100.00%	56,591	56,591		
osario (8)	04/30/99		1,504	15	63.33%	0.00%	0.00%				
Caballito (16)	11/03/97		9,784	1	50.00%	0.00%	0.00%				
vables Terreno Cyrsa) (15)	11/03/97		7,451		100.00%	0.00%	0.00%				
vables Terreno KOAD) (15)	11/03/97	22,815	6,833	118	100.00%	50.00%	100.00%	22,815			22,815
1703 y 1755	01/16/07		59,000	467	50.00%	0.53%	98.00%				
	N/A	31,101	18,061	162	100.00%	100.00%	100.00%	36,110			
esidential s		**318,910**	**206,204**	**2065**				**385,891**	**61,133**	**17,330**	**32,909**
Communities											
vinos (11)	01/03/95	130,955	1,408,905	1273	100.00%	100.00%	95.90%	222,091	4,030	1,124	3,942
(15)	11/18/97	20,544	127,717	110	100.00%	97.00%	100.00%	11,830			
I, II and III	05/26/92	4,742	75,970	219	100.00%	100.00%	98.95%	13,952			
esidential ies		**156,241**	**1,612,592**	**1,602**				**247,873**	**4,030**	**1,124**	**3,942**
ves											
ro (9)	05/18/97		82,051		50.00%	0.00%	0.00%				
del Plata	07/10/97		675,952		90.00%	0.00%	10.00%	31,000		31,000	
11)	12/16/96		1,299,630		100.00%	0.00%	0.00%				
lcorta (8)	07/07/98		1,925		63.33%	0.00%	100.00%	22,969			22,969
sario (8)	04/30/99		42,620		63.33%	0.00%	19.85%	3,428	3,428		
z 35	11/03/97		9,784		100.00%	0.00%	100.00%	19,152	19,152		
atal Crespo	07/27/05		4,320,000		50.00%	0.00%	0.00%	223	57	91	75
	05/30/08		1,160,000		100.00%	0.00%	0.00%				
rutti (8)	06/24/08		3,238		63.33%	0.00%	0.00%				
	05/29/97		740,237		100.00%	0.00%	0.00%				
	07/21/97		125		100.00%	0.00%	0.00%				
pace (8)	09/24/97		19,755		63.33%	0.00%	0.00%				
ín IV	07/18/96		3,201		100.00%	0.00%	0.00%				
ballito (8)	11/03/97		23,389		100.00%	0.00%	0.00%				
	N/A		13,537,620		81.67%	0.00%	0.00%				
and Reserves			**21,919,527**					**76,772**	**22,637**	**31,091**	**23,044**
	08/20/92	705	3,750	1	100.00%	100.00%	100.00%	11,745			1,833

51	03/15/07	244,148	9,946	N/A	100.00%	100.00%	100.00%	108,423	108,423		
20	12/21/95	16,008	5,056	8	100.00%	100.00%	100.00%	16,947	476		
	09/09/99	25,836	10,474	3	100.00%	0.00%	100.00%	91,638		26,206	41,808
s	09/25/2007	22,700	5,147		100.00%	100.00%	100.00%				
erties (13)	N/A	14,418	7,017	33	100.00%	100.00%	99.22%	21,468	112		430
		323,815	**41,390**	**45**				**250,221**	**109,011**	**26,206**	**44,071**
4)		**798,966**	**23,779,713**	**3,712**				**960,756**	**196,811**	**75,751**	**103,966**

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Notes:

(1) Cost of acquisition plus total investment made and/or planned if the project has not been completed, adjusted for inflation as of 02/28/03.
(2) Total area devoted to sales upon completion of the development or acquisition and before the sale of any of the units (including parking and storage spaces though not including common areas). In the case of Land Reserves the land area was considered.
(3) Represents the total units or plots upon completion of the development or acquisition (excluding parking and storage spaces).
(4) The percentage sold is calculated dividing the square meters sold by the total saleable square meters.
(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, 2008, adjusted for inflation as of 02/28/03.
(8) Through Alto Palermo S.A.
(9) Through Inversora Bolívar S.A.
(10) Includes the following properties: Dorrego 1916 through IRSA.
(11) Directly through IRSA and indirectly through Inversora Bolívar S.A. Includes sales of shares in Abril.
(12) Includes the following land reserves: Isla Sirgadero, Pontevedra, Mariano Acosta, Merlo, Intercontinental Plaza II , advance purchase San Luis (through IBOSA) and C. Gardel 3134, C. Gardel 3128, Agüero 596, Zelaya 3102, Conil and others APSA (through APSA).
(13) Includes the following properties: Puerto Madero Dique XIII, Income from Termination.
(14) Corresponds to the Development and sale of properties business unit mentioned in Note 4 to the Consolidated Financial Statements.
(15) Corresponds to swap receivables disclosed as Inventories in the Consolidated Financial Statements.
(16) Owed by CYRSA S.A.

Residential Apartments and Lofts

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

Completed Apartment Projects

Torres Jardín, City of Buenos Aires. Torres Jardín is a high-rise residential complex located in the Buenos Aires neighborhood of Villa Crespo, approximately five minutes from Abasto Shopping. Torres Jardín I, II and III have been completed and consist of 490 one, two and three-bedroom residential apartments. The complex also includes 295 spaces of underground parking. As of June 30, 2008, 20 parking spaces were pending sale. The project originally included four 23-story towers targeting the middle-income market, but we decided not to construct Torres Jardín IV and may consider a barter transaction with a third party for its construction.

Torres de Abasto, City of Buenos Aires. Torres de Abasto is a 545-apartment high-rise residential apartment complex developed through our subsidiary Alto Palermo, located one block from Abasto Shopping. The project consists of three 28-story buildings and one 10-story building targeted to the middle-income market. The apartments were completed in May 1999. The complex has a swimming pool, a terrace, 24-hour security, four retail stores on the ground floor of one of the buildings and 310 underground parking spaces. As of June 30, 2008, 100% of the units in the complex had been sold.

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 of which 3,633 belong to us, 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 are 100% finished and as of June 30, 2008, 100% of the units had been 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 2008, the project is finished and only 2 units and 8 parking spaces remain to be sold.

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Palacio Alcorta, City of Buenos Aires. Palacio Alcorta is a 191-loft units residential property that we converted from a former Chrysler factory in the residential neighborhood of Palermo Chico, one of the most exclusive areas of Buenos Aires City, located just a ten-minute drive from downtown Buenos Aires. The loft units range from 60 to 271 square meters. This development project targets the upper-income market. Palacio Alcorta also has seven retail units and 165 parking spaces. As of June 30, 2008, all of the loft units in the complex had been sold.

Concepción Arenal 3000, City of Buenos Aires. Concepción Arenal 3000 is a 70-loft residential property located in the north-central area of the City of Buenos Aires. Each loft unit has a salable area of 86 square meters and a parking space. Lofts in this building are targeted towards the middle-income market. As of June 30, 2008, 98.9% of the units had been 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 we acquired in November 1997 from Pérez Companc S.A. As of June 30, 2008, 100% of Alto Palermo Plaza was sold and there was only one unit to be sold in the Alto Palermo Park.

Villa Celina, Greater Buenos Aires. Villa Celina is a 400-plot residential community for the construction of single-family homes located in the residential neighborhood of Villa Celina on the southeastern edge of the City of Buenos Aires. We have been developing this property in several stages since 1994. The first three stages involved 219 lots, each measuring on average 347 square meters and the last two stages involve 181 lots. As of June 30, 2008, 100% of the residential communities had been sold and only one plot remains to be sold.

Apartment Projects Under Development

Torre Caballito, City of Buenos Aires. This undeveloped 2.1 hectare property is situated in the northern area of Caballito s residential neighborhood in the City of Buenos Aires. On May 4, 2006, we and Koad S.A. (Koad), an Argentine developer, entered into an asset exchange agreement valued at US$7.5 million pursuant to which we sold to Koad plot number 36 of Terrenos de Caballito in exchange for Koad s agreement to construct, at its sole expense, a residential complex to be named Caballito Nuevo. Koad has agreed to develop a residential complex consisting of two 34-story towers containing 220 apartments each, consisting of one, two and three bedroom residential units with surface areas ranging from 40 to 85 square meters. The proposed apartment complex is currently expected to offer a wide variety of amenities and services. The total area of this apartment complex that will be for sale is estimated to be approximately 28,000 square meters. In August 2009, we will be entitled to ownership of 26.7% of the total square meters and 25% of the parking lots of the entire complex, representing 118 apartments and 55 parking lots located in Tower 1. As a result of this transaction, Koad granted to us a first lien mortgage on the property to secure up to US$7.4 million of its obligations to us and posted a surety bond in our favor supporting an additional US$2.0 million of Koad s obligations to us. The degree of completion is 50% and its sale is expected to start in the following months.

Dique IV, City of Buenos Aires. This luxury office building has a total surface area of approximately 20,668 square meters, and will offer 11,000 square meters of large and versatile office space for lease. The building s layout welcomes both companies requiring smaller office space, averaging 200 square meters, and corporations in need of an entire floor. The building will have nine floors with offices and commercial shops on the first floor. The construction involves a total investment of approximately Ps. 61.5 million and as of June 30, 2008, the degree of completion was 63.1%. Works are expected to be completed by December, 2008.

Torres Renoir, Dique III. In view of the steady increase in the demand for residential apartments in the Puerto Madero area, during fiscal year 2006 we closed swap agreements that allowed us to start the construction of these two exclusive residential buildings of 37 and 40 floors. Given the development boom in the area, the market has great expectations on the project given its exceptional features. On September 30, 2006, in view of the market s interest in this project, the marketing of Tower 1 was launched as the rate of progress was 94.0%. As of June 30, 2008, 96% of the units had been sold, accordingly one unit is pending sale.

As regards Tower 2, during the second quarter of this fiscal year, on November 2, 2007, the company and the developer decided to replace the swap agreement for Tower 2 for a payment of US$18.3 million, which were fully repaid by the end of the third quarter. The income resulting from this transaction amounts to approximately US$4.7 million.

Vicente López, Olivos, Province of Buenos Aires. In January, 2007, we acquired the total shares of Rummaala S.A., the main asset of which is a plot of land located in Vicente Lopez, Province of Buenos Aires. The purchase price

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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) trough the delivery of certain units of the building to be constructed in the land acquired for a total purchase price of US$13.25 million, within a 40-month term as from the later of the approval date of the plans by the competent authorities or the date on which the property is vacated. As security for compliance with the construction of the future building and transfer of the future units, the property located at Suipacha 652 was mortgaged.

In April 2007, we created CYRSA S.A. in order to have a corporate vehicle to facilitate the development of a specific project together with one or more investors having in-depth knowledge and vast experience in the industry.

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

We entered into an agreement with Cyrela Brazil Realty S.A. Empreendimentos e Partiçipacões 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 and it was an immediate success. As of June 30, 2008 preliminary sales agreements representing 96% of the units to be sold were executed, and the results will be reflected according to the work progress, consolidated at 50%. The units will be completed and delivered beginning 2011.

Residential Communities

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

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

As of June 30, 2008, our residential communities for the construction of single-family homes for sale in Argentina had a total of 62,990 square meters of saleable area in Abril, and 127,717 sqm of saleable area in Benavidez. Both residential communities are located in the province of Buenos Aires.

Abril, Hudson, Greater Buenos Aires. Abril is a 312-hectare private residential community located near Hudson City, approximately 34 kilometers south of the City of Buenos Aires. We have developed this property into a private residential community for the construction of single family homes targeting the upper-middle income market. The project includes 20 neighborhoods subdivided into 1,273 lots of approximately 1,107 square meters each. Abril also includes an 18-hole golf course, 130 hectares of woodlands, a 4,000-square meter mansion and entertainment facilities. A bilingual school, horse stables and sports centers and the construction of the shopping center were concluded in 1999. The neighborhoods have been completed, and as of June 30, 2008, 95.9% of the property had been sold for an aggregate of Ps. 222.1 million, with 53,628 square meters left to be sold.

El Encuentro, Benavidez, Tigre. In the district of Benavidez, Municipality of Tigre, 35 kilometers north from downtown Buenos Aires, we are developing a 99.8-hectare gated residential complex known as El Encuentro , which will have a privileged front access to Highway No. 9, allowing an easy way to and from the city. On May 21,

2004 an exchange deed was signed whereby DEESA agreed to pay US$3.98 million to Inversora Bolívar, of which US$0.98 million were paid and the balance of US$3.0 million will be paid through the exchange of 110 residential plots already chosen and identified in the option contract signed on December 3, 2003. Furthermore, through the same act, DEESA set up a first mortgage in favor of Inversora Bolívar on the real property amounting to US$3.0 million as security for compliance with the operation and delivered US$0.5 million to Inversora Bolívar as security for the performance of the obligations undertaken. This amount will not accrue interest in favor of DEESA, and will be returned to it as follows: 50% of the outstanding balance upon certification of 50% of the work progress and the remaining upon certification of 90% of work progress. Considering the high price of the plots in the north of the province of Buenos Aires, mostly in the place in which this enterprise is placed, we have great expectations for marketing the plots to be delivered through the bartering system. As of June 30, 2008, the neighborhood was equipped with all the utilities: power supply, water, sewage, effluent treatment plant, public lighting, finished driveways and accesses, buildings, sports facilities, etc. However, the underground tunnel and the Bancalari/Benavidez road are still pending completion. In mid-fiscal year 2008, the preliminary works for the marketing of the future residential units of the complex started.

Land Reserves

We have acquired large undeveloped properties as land reserves located in strategic areas for the future development of office and apartment buildings, shopping centers and single family housing. We have acquired what we believe to be two of the largest and most important undeveloped river front plots in Buenos Aires, Puerto Retiro and Santa María del Plata, for the future development of residential and office spaces. In addition, we have benefited from the improvement of land values during periods of economic growth. As of June 30, 2008, our land reserves totaled 26 properties consisting of approximately 21,920 hectares (including Rosario, Terreno Berutti, Caballito, and Coto C.I.C.S.A. (Coto) air space owned by Alto Palermo).

Land Reserves in the City of Buenos Aires

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

As part of the project, we sold 10% of Solares de Santa María capital stock for US$10.6 million to Mr. Israel Sutton Dabbah, who is part of the Sutton Group. An initial payment of US$1.5 million was made and the balance of US$9.1 million will be paid on December 23, 2008. In order to secure his obligations under the share purchase agreement, the buyer created a pledge on certain assets owned by it for our and our subsidiary, Palermo Invest S.A. s benefit.

Background

In 1997 we acquired the site which the National Executive Branch had assigned to be the athlete residence of the Olympic Games (Olympic Village) in case Buenos Aires was chosen as host city to hold the Olympic Games (former Boca Juniors Football Club sports town). This property is currently owned by our subsidiary Solares de Santa María S.A. From that date onwards, we have brought proceedings for the approval of a mixed-use development project to be built on the site before the governmental authorities of the City of Buenos Aires. A rule passed by the Legislative Branch of the City of Buenos Aires in 1992 (Ordinance 45,665/92), provided general urban standards to the site, and stated that the Site urban design was to be submitted for approval of the Environmental Urban Plan Council (Consejo de Planificación Urbana COPUA) (Executive Branch).

Evolution of Approval Instances

Since its beginning, the Project has been regularly updated and requests towards final approval have been periodically filed, particularly during the last 7 years, pursuant to requirements made by the authorities holding office from time to time and according to the guidelines issued by each competent agency from the beginning of the process. As different authorities have ruled the City, we have been dealing with diverse formal channels aiming at obtaining the final authorization of the Project:

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

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

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

In July 2006, the COPUA made some recommendations about the project. On December 13, 2006, we filed an amendment to the project to adjust it to the recommendations made by COPUA, that included the following:

- The project met the Guidelines of the Environmental Urban Plan.

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

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

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

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

- The specific ruling within the scope of Ordinance Nº 45,665/92, Law 23,738/89 and Decree 5783/92 was proposed.

On March 29, 2007, COPUAM (Advisory Body of Government composed of Advisors from the Legislative and Executive Branches) in whole session passed the 145-COPUAM-07 REPORT which stated that this Council has no objections whatsoever from the urban point of view to the company s proposal and requested that the General Treasury render a decision concerning the ruling scope proposed.

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

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

Notwithstanding the above, several operational and implementation issues remain to be approved by different areas of the authorities in charge of the urban affairs of the City of Buenos Aires. Without prejudice to the foregoing, the Decree has been judicially objected as regards formal and procedural aspects, but the authorities have not rendered a decision on this matter yet. In that sense, we will evaluate what measures to take in order to protect the acquired rights.

Puerto Retiro. Puerto Retiro is an 8.3 hectare undeveloped riverside property bounded by the Catalinas and Puerto Madero office zones to the west, the transportation hub Retiro to the north and the Río de la Plata to the south and east. One of the only two significant privately owned waterfront properties in the City of Buenos Aires, Puerto Retiro may currently be utilized only for port activities, so we have initiated negotiations with municipal authorities in order to rezone the area. Our plan is to develop a 360,000 square meter financial center. The launching date has not been settled and consequently, the estimated cost and financing method are not decided. We own a 50% indirect interest in Puerto Retiro through our subsidiary Inversora Bolívar.

Terreno Caballito, Ferro Project. This is a property of approximately 23,389 square meters in the City of Buenos Aires, neighborhood of Caballito, one of the most densely populated of the city, which Alto Palermo purchased in November 1997. This plot would allow developing a shopping center having 30,000 square meters, a hypermarket, a cinema complex, and several recreation and entertainment activity areas. We are currently working to define the commercial project. The approval of the authorization of the government of the City of Buenos Aires for the development of the shopping center in this plot has not been granted, therefore, no assurance can be given of the date we will obtain such authorization.

Terreno Figueroa Alcorta. With respect to the plot located in the Figueroa Alcorta avenue, in front of Paseo Alcorta on December 22, 2005, our subsidiary Alto Palermo subscribed a preliminary purchase contract with possession, by which Alto Palermo sold to RAGHSA S.A. the plot denominated Alcorta Plaza for a total price of US$7.7 million. The terms and conditions of payment agreed were determined in four installments of US$1.9 million, the first installment to be due at the date of the preliminary sales contract and the second one collected on March 30, 2006, date on which the final deed was signed. The third installment was paid on March 30, 2007 and the fourth installment was paid on March 30, 2008.

Terreno Berutti. On June 27, 2008, Alto Palermo acquired a plot of land situated at Berutti 3351/3359, between Bulnes and Avenida Coronel Díaz in Palermo, a neighborhood in the City of Buenos Aires quite close to our Shopping Center known as Shopping Alto Palermo . The transaction involved a surface area of 3,207 square meters for a price of US$ 17.8 million. This has been a significant acquisition because of the strategic location of the property, in the immediate vicinity of our main shopping center.

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

In turn, CYRSA agreed to carry out in the property a real estate development for residential use, which shall comprise a first stage of two towers and a third building to be developed in a second stage at the option of CYRSA. In exchange for the transfer of the property, CYRSA paid to IRSA US$ 0.12 million and agreed to make 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 IRSA in the amount of US$ 12.6 million.

Land reserves in the Province of Buenos Aires

Pereiraola, Hudson. Through Inversora Bolivar, we own a 100.0% interest in Pereiraola S.A., a company whose principal asset is a 130-hectare undeveloped property adjacent to Abril, a private residential community developed by us. We intend to use this property to develop a private residential community for the construction of single family homes targeted at the middle-income market. We have not yet established the costs and financing method for this proposed project, but we have already obtained the necessary municipal permits. The plot s book value is estimated to be Ps.21.7 million as of June 30, 2008.

Pilar. Pilar is a 74-hectare undeveloped land reserve property located close to Pilar City, 55 kilometers northwest of downtown Buenos Aires. The property is easily accessible due to its proximity to the Autopista del Norte highway. The Pilar area is one of the most rapidly developing areas of the country. We are considering several alternatives for this property including the development of a residential community or the sale of this property in its current state and, therefore, we do not have a cost estimate or financing plan. The plot s book value is estimated to be Ps.3.4 million as of June 30, 2008.

Land reserves in other provinces

Torres Rosario Project, City of Rosario, Province of Santa Fe. Our subsidiary Alto Palermo owns a plot of land covering approximately 50,000 square meters of surface area in the City of Rosario, in the same place in which the Alto Rosario Shopping Center is located. On October 11, 2007, we entered into a barter agreement with Condominios del Alto S.A. pursuant to which our subsidiary Alto Palermo S.A. bartered a fraction of parcel 2-g representing a total of 7,901.30 square meters for the construction of a residential complex. As consideration for its acquisition of this parcel of land, Condominios de Alto S.A. agreed to deliver fifteen housing units, with a total constructed surface area of 1,504.45 square meters and fifteen parking spaces. In addition, APSA granted to Condominios an option to purchase through barter parcel 2-h. During fiscal year 2008, works in the site have made progress and completion of the project is expected to take place during the first months of 2009.

Neuquén Project, Province of Neuquén. The main asset of project is a plot of land of approximately 50,000 square meters. The projects includes the construction of a shopping center, a hypermarket, a hotel and an apartment building. On December 13, 2006, Shopping Neuquén S.A. entered into an agreement with the Municipality of Neuquén and with the Province of Neuquén, whereby the terms for the construction of the commercial and residential property were rescheduled and Shopping Neuquén S.A. was authorized to transfer to third parties the ownership of the parcels resulting from the division of the property, excluding the one where the shopping center will be constructed. Such agreement is subject to two conditions which have already been fulfilled, consisting in that the agreement were approved by means of an ordinance by the legislative branch of the Municipality of Neuquén, and that the architectural project and the extension of the environmental impact study were approved by the referred Municipality. Upon such approval, the company had a term of 150 days to file the blueprints comprising the project. This term expired on February 17, 2008, and the blueprints were filed before that date. Upon registration of such blueprints -which registration had not taken place as of the date of issuance of these financial statements- Shopping Neuquén S.A. should start the works within a 90-day term.

Ex Escuela Gobernador Vicente de Olmos, Córdoba, Province of Córdoba. In November 2006 we participated in a public bidding called by Corporación Inmobiliaria Córdoba S.A. for the sale of the building known as Ex Escuela Gobernador Vicente de Olmos, located in the City of Córdoba. The building has 5,147 square meters of 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 the bidding sector 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 act as grantor. Such contract establishes a monthly payment which is increased by Ps.2,513 every 47 months. As of June 30, 2008, the concession is in its 196st month with a monthly payment of Ps.12,565. On September 25, 2007, Alto Palermo signed with the Government of the Province of Córdoba the title deed of the property where the Patio Olmos Shopping Center is currently operating. In addition, the relevant concession agreement was also transferred, and the agreed purchase price balance of Ps.22.7 million was paid.

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

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

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

Other Land Reserves

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

Hotels

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

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The following chart shows certain information regarding our luxury hotels:

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.)(3) 2008	2007	2006	Book value as of 06/30/07
Intercontinental(3)	11/97	76	309	76.1%	486	57,517	45,263	39,305	59,402
Sheraton Libertador(4)	03/98	80	200	89.3%	400	34,526	29,338	25,302	46,501
Llao Llao(5)	06/97	50	201	62.4%	933	56,804	48,080	39,156	92,868
Plots in Bariloche(5)	12/06	50	N/A	N/A	N/A	N/A	N/A	N/A	21,900
Total			**710**	**76.0%**	**557**	**148,847**	**122,681**	**103,763**	**220,671**

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

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

During 2007, the hotel was expanded at a cost of approximately US$12.7 million. The number of suites in the hotel increased to 201 rooms, improvements were made in the kitchen and laundry room, and a high technology water purifying plant was constructed. As of June 30, 2008, the works were completed and 43 additional rooms are being offered to the public.

Hotel Intercontinental, City of Buenos Aires. In November 1997, we acquired 51% of the Hotel Intercontinental from the Pérez Companc S.A. The Hotel Intercontinental is located in the downtown City of Buenos Aires neighborhood of Monserrat, adjacent to the Intercontinental Plaza office building. Intercontinental Hotels Corporation, a United States corporation, currently owns 25% 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.

During this fiscal year we started and concluded different remodeling works, performed mainly in the rooms sector (standard and junior suites), in corridors and on the floors of the Club Continental sector. The aggregate investment amount was US$ 1.5 million. The remodeling works are aimed at providing greater comfort for the hotel and offering to guests the quality and expectations that every Intercontinental hotel provides worldwide.

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

In the hotel, we are upgrading suites, corridors, meeting rooms and elevators. The aggregate investment amount is estimated at US$5.0 million and we expect to complete the works by the end of 2009.

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

Competition

Shopping centers

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

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

Company	Shopping Center	Location(1)	Gross leaseable area	Shops	% Overall national gross leaseable area(2)	% Shop(2)
APSA						
	Alto Avellaneda(4)	GBA	49,604	142	3.73%	2.98%
	Abasto de Buenos Aires	BA	39,642	171	2.98%	3.58%
	Mendoza Plaza Shopping(4)	Mendoza	39,421	152	2.96%	3.19%
	Paseo Alcorta(4)	BA	48,893	111	3.68%	2.33%
	Alto Palermo Shopping	BA	18,551	143	1.39%	3.00%
	Buenos Aires Design(3)	BA	14,069	63	1.06%	1.32%
	Patio Bullrich	BA	11,685	80	0.88%	1.68%
	Alto Noa(4)	Salta	18,851	89	1.42%	1.87%
	Córdoba Shopping(4)	Córdoba	23,428	104	1.76%	2.18%
	Alto Rosario (4)	Rosario	40,415	145	3.04%	3.04%
			304,559	**1,200**	**22.89%**	**25.16%**
Cencosud S.A.						
	Unicenter Shopping(4)	GBA	95,204	287	7.16%	6.02%
	Plaza Oeste Shopping(4)	GBA	42,083	146	3.16%	3.06%
	Quilmes Factory(4)	GBA	43,228	48	3.25%	1.01%
	Portal Lomas(4)	GBA	34,188	50	2.57%	1.05%
	San Martín Factory(4)	GBA	35,183	31	2.64%	0.65%
	Parque Brown Factory(4)	GBA	31,227	91	2.35%	1.91%
	Las Palmas del Pilar Shopping(4)	GBA	51,862	106	3.90%	2.22%
	Portal de Palermo(4)	BA	33,023	9	2.48%	0.19%
	Portal de la Patagonia(4)	Neuquén	34,279	50	2.58%	1.05%
	Portal de Escobar(4)	GBA	31,937	24	2.40%	0.50%
	Portal de los Andes (4)	Mendoza	31,380	40	2.36%	0.84%
	Portal de Madryn	Chubut	4,100	26	0.31%	0.55%
	Portal de Tucumán(4)	Tucumán	30,679	94	2.31%	1.97%
	Portal de Rosario(4)	Rosario	66,361	182	4.99%	3.82%
	Subtotal		564,734	1184	42.45%	24.82%
Other Operators						
Subtotal			**461,031**	**2,386**	**34.66%**	**50.02%**
Total			**1,330,324**	**4,770**	**100%**	**100%**

(1) GBA means Gran Buenos Aires, the Buenos Aires metropolitan area, and BA means the City of Buenos Aires.
(2) Percentage over total shopping centers in Argentina. Figures may not sum due to rounding.
(3) The effective interest of Alto Palermo S.A. is 53.7% in ERSA, a company that operates the concession of this building.
(4) Includes total leaseable area occupied by supermarkets and hypermarkets.
Source: Argentine Chamber of Shopping Centers.

Consumer Finance

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

International and domestic Cards: Visa, Master, AMEX, Cabal and Diners.

Regional cards: Naranja, Provencred and Credilogros.

Zonal cards: Italcred, Carta Sur, Crédito Actual and Credial.

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

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

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

Development and sale of properties

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

Offices and other non-shopping center rental properties

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

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

Hotel operations

We own three luxury hotels in Argentina which are managed through strategic alliances by international operators including Sheraton Overseas Management Corporation, Intercontinental Hotels Corporation and the local operator Compañía de Servicios Hoteleros S.A. which manages the

Hotel Alvear. The Hotel Llao Llao is unique for its landscape and beauty, and our other two hotels, Hotel Intercontinental and Hotel Sheraton Libertador, are located in the City of Buenos Aires. We compete with many other leading luxury hotels in the City of Buenos Aires including, among others: Abasto Plaza, Alvear Palace, Caesar Park, Claridge, Emperador, Feir s Park, Four Seasons, Hilton, Loi Suites, Marriot Plaza, Meliá, NH City, Panamericano, Sheraton, Sofitel, Madero, MayFlower, Etoile, Faena, and Regal Pacific.

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RECENT EVENTS

These events took place subsequent to our year-end date, June 30, 2008:

ACQUISITION OF OWNERSHIP INTEREST

On July 2, 2008, we acquired a 30% ownership interest in a company organized in the State of Delaware, USA, Metropolitan 885 Third Avenue LLC . Its main asset is an office building in the City of New York, situated at Third Avenue between Fifty-third and Fifty-fourth Streets in Manhattan. This transaction entailed a disbursement of US$ 22,620,000.

This building, highly distinguishable from the others in its vicinity, is a so-called Trophy Building, recognized with the 1987 and 1990 editions of the prize awarded by the Building Owners and Managers Association (BOMA). Its leaseable area is 59,000 square meters distributed in 34 stories and 2 commercial underground levels. Given its one-of-a kind features, it is a landmark icon of architectural design in the midst of Midtown Manhattan, with an approximate height of 143 meters. It was built in 1986 based on a design by renowned US architects Philip Johnson and John Burgee.

COTO AIR SPACE - BARTER

We owned an air space parcel of approximately 24,000 square meters in the upper part of the Coto Hypermarket, close to our Abasto Shopping Center, located in midtown Buenos Aires. Alto Palermo S.A. (APSA) and Coto Centro Integral de Comercialización S.A. (Coto) on September 24, 1997 executed a deed whereby APSA acquired rights to receive parking lots and the rights to build on the air space of the property located between Agüero, Lavalle, Guardia Vieja and Gallo streets, in the Abasto neighborhood. After fiscal year end, a conditional barter agreement was executed whereby APSA would transfer to CYRSA 112 parking lots and the rights to build two buildings in the property above mentioned, upon fulfillment of certain conditions. As consideration, Cyrsa would deliver to APSA an amount to be determined in the future of the units comprising the building that would be constructed equivalent to 25% of the square meters, totaling not less than 4,053.50 square meters to be built. Furthermore, if applicable, Cyrsa would deliver to APSA, an amount of storage spaces equivalent to 25% of the total storage spaces of the building. In addition, and upon satisfaction of the conditions provided under this operation, Cyrsa would pay to APSA the amount of US$ 88,815 and would carry out works in the parking lots that APSA would receive from Coto. The payment of such amount would be made within 30 calendar days as from the execution of the barter deed. For purposes of consummating this barter, it is a condition that Coto, current owner of the properties above mentioned, fulfills certain essential obligations, where the Commercial Hypermarket and parking lots are located. The ownership of the property will be transferred upon execution of the deed of conveyance, which will take place within 30 days as from the date on which APSA gives notice to Cyrsa of the fulfillment of the conditions precedent. The total amount of the operation between Cyrsa and APSA amounts to US$ 5.9 million.

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SUMMARY SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following table shows a summary of our financial and other information as of June 30, 2008 and 2007 and for the fiscal years ended on such dates. This information has been derived from our audited financial statements and their related notes (the Financial Statements). As the following information is a summary, it does not include all the information reflected in the Audited Consolidated Financial Statements, which includes the relevant notes:

	As of June 30 and for the fiscal years ended on such dates,(1)	
	2008	**2007**
	Ps.	**Ps.**
Revenues	1,084,242	738,756
Costs	(489,661)	(311,647)
Gross profit	594,581	427,109
Gain from recognition of inventories at net realizable value	2,832	20,737
Selling Expenses	(163,986)	(113,709)
Administrative Expenses	(179,994)	(141,427)
Subtotal	(341,148)	(234,399)
Net income form retained interest in securitized receivables (Tarjeta Shopping)	(1,261)	3,254
Results from operation and holding of real estate assets	2,670	2,568
Operating income	254,842	198,532
Amortization of goodwill	1,638	(1,472)
Financial results, net		
Interest income	42,169	22,197
Interest on discounting of assets	(4,807)	(41)
Gain on financial operations	(34,019)	54,116
Exchange gain (loss)	1,386	(4,893)
Subtotal	4,729	71,379
Financial results from liabilities		
Interest on discounting of liabilities	(613)	111
Exchange gain (loss)	19,246	(749)
Financial expenses	(100,104)	(66,642)
Subtotal	(81,471)	(67,280)
Total Financial results, net	(76,742)	4,099
(Loss) gain on equity investees	(13,209)	40,026
Other income and expenses, net	(5,642)	(14,100)
Ordinary income before taxes and minority interest	160,887	227,085
Income and minimum presumed income tax	(78,112)	(87,539)
Minority interest	(27,900)	(32,449)
Net income	54,875	107,097
Net income per basic share	0.100	0.241
Net income per basic GDS	1.00	2.41
Net income per share diluted	0.100	0.203
Net income per GDS diluted	1.00	2.03
Balance Sheet Data		
Cash and Bank and current Investments	545,192	856,707
Inventories	53,602	35,375
Trade receivables and leases	186,017	172,733
Total Current Assets	893,842	1,175,790
Non-current Investments	833,373	673,273
Fixed assets, net	2,530,141	2,027,311
Total assets	4,471,972	4,144,899
Short-term debt(2)	190,153	214,193
Total Current Liabilities	742,267	652,082

Long-term debt(3)	1,121,264	1,222,423
Total Non-Current Liabilities	1,348,812	1,395,693
Shareholders Equity	1,924,178	1,646,714

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	As of June 30 and for the fiscal years ended on such dates,(1)	
	2008	2007
	Ps.	Ps.
Other Financial information		
EBITDA(4)	366,013	292,960
Depreciation and Amortization(5)	113,841	96,996
Capital expenditures(6)	752,562	475,470
Net cash provided by (used in):		
Operating activities	296,041	163,099
Investment activities	(764,705)	(510,774)
Financing activities	149,145	892,258

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

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

The following discussion should be read in conjunction with our Company s consolidated financial statements and related notes. For purposes of this discussion, references to Audited Consolidated Financial Statements refer to our audited consolidated financial statements and related notes for the fiscal years ended June 30, 2008 and 2007.

Variability of Results

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

Consolidation

We have consolidated our balance sheets, income and cash flow statements for the fiscal years ended June 30, 2008 and 2007 line by line with the financial statements of our controlled companies in accordance with the procedure set forth in Technical Resolution No. 21 of the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* (FACPCE), approved by the *Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires* (CPCECABA) and the *Comisión Nacional de Valores* (Argentine Securities Commission). All significant intercompany balances and transactions have been eliminated in consolidation.

Certain reclassifications have been made from the financial statements as of June 30, 2007 originally released for purposes of their comparison with the figures as of June 30, 2008.

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

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

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

Revenue Recognition

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

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

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

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

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

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

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

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

We use the percentage-of-completion method of accounting with respect to sales of development properties under construction effected under fixed-priced contracts. Under this method, revenue is recognized based on the ratio of costs incurred to total estimated costs applied to the total contract price. 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 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.

Leases and services from office and other buildings. We account for our leases with tenants as operating leases. We charge tenants a base rent on a monthly basis. We recognize rental income on a straight-line basis over the term of the leases.

Leases and services from shopping center operations. We account for our leases with tenants as operating leases. We generally charge tenants a rent which consists of the higher of (i) a monthly base rent (the Base Rent) and (ii) a specified percentage of the tenant s monthly gross retail sales (the Percentage Rent) (which generally ranges between 4% and 10% of tenant s gross sales). Furthermore, pursuant to the rent escalation clause in most leases, the tenant s Base Rent generally increases between 7% and 12% each year during the term of the lease. Certain of our lease agreements contain provisions which provide for rents based on a percentage of sales or based on a percentage of sales volume above a specified threshold. We determine the compliance with specific targets and calculate the additional rent on a monthly basis as provided for in the contracts. Thus, contingent rents are not recognized until the required thresholds are exceeded.

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

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

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

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

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

Operating Costs and Expenses

Allocation of expenses and other income to business segments

Allocation of selling expenses to business segments.

Selling expenses directly attributable to the Shopping centers, Consumer finance and Hotel operations segments are directly allocated to these business units. These are expenses individually incurred by each segment. All other selling expenses are allocated respectively to the remaining segments according to which segment has specifically incurred each expense.

Allocation of administrative expenses to business segments.

Administrative expenses directly attributable to the Shopping centers, Consumer finance and Hotel operations segments are directly allocated to these segments. These expenses are incurred individually by these segments. All other administrative expenses are prorated among the Development and sale of properties segment and the Offices and other non-shopping center rental properties segments based on the percentage of the operating assets and revenues generated by each segment. Accordingly, 45.8% and 54.2% of administrative expenses (excluding expenses directly attributable to the Shopping centers, Consumer finance and Hotel operations segments) are allocated to the Development and sale of properties segment and to the Offices and other non-shopping center rental properties segment, respectively.

Allocation of results from retained interest in securitized receivables (Tarjeta Shopping).

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

Allocation of results from operation and holding of real estate assets

These results are allocated to the segment that generates them, namely, Shopping centers, Development and sale of properties, Offices and other non-shopping center rental properties and Hotel operations.

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Allocation of the amortization of goodwill

Includes, principally, the amortization of goodwill generated from (i) the acquisition of APSA, (ii) the acquisition of APSA s subsidiaries, (iii) the purchase of APSA s Convertible Notes and (iv) the acquisition of a 33% interest in Palermo Invest. The amortization is allocated to the segment that generates the corresponding goodwill.

Allocation of financial results to business segments

Financial results, net

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

Gain (loss) on financial operations

The gains (losses) on financial operations related to the Shopping centers, Consumer finance and Hotel operations segments are directly allocated to these segments as each of them manages financial results separately. The remaining financial gains or losses are shown in the Financial operations and others segment since they are not specifically generated by any other separate segment.

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

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

Exchange gain (loss) and other financial results.

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

(Loss) gain on equity investees

(Loss) gain on equity investees is allocated to the corresponding segments. If there is a (loss) gain on equity investees arising from an investment in a company carrying out activities not falling under any of our segments of activity, it is recorded under Financial operations and others.

Allocation of other expenses, net

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

Allocation of minority interest

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

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Allocation of income tax and minimum presumed income tax

The corresponding income tax is allocated to the segment that generates it and minimum presumed income tax is prorated among the Development and sale of properties, the Offices and other non-shopping center rental properties and the Financial operations and others segments.

Business Segment Reporting

We have determined that our reportable segments are those based on our method of internal reporting. Accordingly, we have six reportable segments. These segments are Shopping centers , Consumer finance , Development and sale of properties, Offices and other non-shopping center rental properties, Hotel operations, and Financial operations and others.

A general description of each segment follows:

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

Consumer finance. We operate a consumer finance business through Alto Palermo s majority-owned subsidiary Tarshop. Consumer finance operations consist primarily of lending and servicing activities relating to the credit card products we offer to consumers at shopping centers, hypermarkets and street stores. We finance a substantial majority of our consumer finance activities through securitization of the receivables underlying the accounts we originate. Our revenues from credit card transactions are derived from interest income generated by financing and lending activities, merchants fees, insurance charges for life and disability insurance and fees for data processing which consist of processing and printing cardholder s account statement.

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

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

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

Financial 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. We measure our reportable segments based on net income. Inter-segment transactions, if any, are accounted for at current market prices. We evaluate performance and allocate our resources to each segment based on operating income. Almost none of our activities is dependent upon a single customer.

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(in thousand Ps.)

As of and for year ended June 30, 2008	Development and sale of properties	Offices and other non-shopping center rental properties (a)	Shopping centers	Hotel operations	Consumer finance	Financial operations and others	Total
Income Statement Data							
Sales, leases and services	196,811	100,989	345,395	148,847	291,030	1,170	1,084,242
Cost of Sales, leases and services	(150,894)	(25,818)	(99,175)	(84,220)	(129,025)	(529)	(489,661)
Gross profit	45,917	75,171	246,220	64,627	162,005	641	594,581
Gain from recognition of inventories at net realizable value	2,832						2,832
Selling expenses	(7,696)	(3,458)	(24,809)	(16,608)	(111,415)		(163,986)
Administrative expenses	(21,849)	(22,028)	(39,150)	(29,979)	(66,988)		(179,994)
Net income from retained interest in securitized Tarjeta Shopping receivables					(1,261)		(1,261)
Results from operation and holding of real estate assets, net	66	2,604					2,670
Operating income	**19,270**	**52,289**	**182,261**	**18,040**	**(17,659)**	**641**	**254,842**
Amortization of goodwill	488	1,782	(390)		(242)		1,638
Financial results, net	(8,502)	(10,069)	(23,585)	(5,884)	(375)	(28,327)	(76,742)
(Loss) gain on equity investees	(1,065)		(33)	(23)		(12,088)	(13,209)
Other income (expenses), net			4,975	(5,713)	3,800	(8,704)	(5,642)
Income before taxes and minority interest	10,191	44,002	163,228	6,420	(14,476)	(48,478)	160,887
Income tax and minimum presumed income tax	1,820	1,679	(74,992)	(4,010)	(1,522)	(1,087)	(78,112)
Minority interest	1		(36,347)	863	7,458	125	(27,900)
Net income	12,012	45,681	51,889	3,273	(8,540)	(49,440)	54,875
Gross margin (2)	0.23	0.74	0.71	0.43	0.56	0.55	0.55
Operating margin (3)	0.10	0.52	0.53	0.12	(0.06)	0.55	0.24
Net margin (4)	0.06	0.45	0.15	0.02	(0.03)	(42.26)	0.05
Depreciation and amortization (5)	577	24,908	73,185	13,283	1,888		113,841
Balance Sheet Data							
Operating assets	436,392	999,060	1,642,341	233,613	113,052		3,424,458
Non operating assets	26,519	57,433	62,649	18,426	21,068	861,419	1,047,514
Total assets	462,911	1,056,493	1,704,990	252,039	134,120	861,419	4,471,972
Operating liabilities	25,530	100,430	250,957	33,115	205,671		615,703
Non operating liabilities	247,320	209,399	662,174	199,813	75,714	80,956	1,475,376
Total liabilities	272,850	309,829	913,131	232,928	281,385	80,956	2,091,079

(1) Includes offices, commercial and residential properties.
(2) Gross profit divided by sales, leases and services.
(3) Operating income divided by sales, leases and services.
(4) Net income divided by sales, leases and services.
(5) Included in operating income.

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As and for year ended June 30, 2007	Development and sale of properties	Offices and other non-shopping center rental properties (a)	Shopping centers	Hotel operations	Consumer finance	Financial operations and others	Total
	(in thousand Ps.)						
Income Statement Data							
Sales, leases and services	75,751	55,683	270,266	122,681	212,965	1,410	738.756
Cost of Sales, leases and services	(57,823)	(16,699)	(91,112)	(68,960)	(76,251)	(802)	(311.647)
Gross profit	17,928	38,984	179,154	53,721	136,714	608	427.109
Gain from recognition of inventories at net realizable value	20,737						20.737
Selling expenses	(12,846)	(4,376)	(22,346)	(12,175)	(61,966)		(113.709)
Administrative expenses	(19,624)	(16,827)	(32,717)	(26,893)	(45,366)		(141.427)
Net income from retained interest in securitized Tarjeta Shopping receivables					3,254		3.254
Results from operation and holding of real estate assets, net	(18)	1,845	741				2.568
Operating income	**6,177**	**19,626**	**124,832**	**14,653**	**32,636**	**608**	**198.532**
Amortization of goodwill	286	1,044	(2,802)				(1.472)
Financial results, net	(7,088)	(6,256)	(28,190)	(5,268)	825	50,076	4.099
(Loss) gain on equity investees	(491)		(818)	(412)		41,747	40.026
Other income (expenses), net			(6,382)	160	3,034	(10,912)	(14.100)
Income before taxes and minority interest	(1,116)	14,414	86,640	9,133	36,495	81,519	227.085
Income tax and minimum presumed income tax	(11,786)	(1,987)	(40,798)	(3,102)	(15,455)	(14,411)	(87.539)
Minority interest	(4)	(326)	(22,000)	(1,400)	(8,719)		(32.449)
Net income	(12,906)	12,101	23,842	4,631	12,321	67,108	107.097
Gross margin (2)	0,24	0,70	0,66	0,44	0,64	0,43	0.58
Operating margin (3)	0,08	0,35	0,46	0,12	0,15	0,43	0.27
Net margin (4)	(0,17)	0,22	0,09	0,04	0,06	47,59	0.14
Depreciation and amortization (5)	39	16,256	67,046	12,358	1,297		96.996
Balance Sheet Data							
Operating assets	508,742	675,321	1,336,166	202,113	139,657		2.861.999
Non operating assets	30,516	24,662	39,073	6,318	18,771	1,163,560	1.282.900
Total assets	539,258	699,983	1,375,239	208,431	158,428	1,163,560	4.144.899
Operating liabilities	31,472	83,073	199,616	23,304	165,713		503.178
Non operating liabilities	278,615	247,763	734,370	153,117	44,722	86,010	1.544.597
Total liabilities	310,087	330,836	933,986	176,421	210,435	86,010	2.047.775

(1) Includes offices, commercial and residential properties.
(2) Gross profit divided by sales, leases and services.
(3) Operating income divided by sales, leases and services.
(4) Net income divided by sales, leases and services.
(5) Included in operating income.

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As and for year ended June 30, 2006	Development and sale of properties	Offices and other non-shopping center rental properties (a)	Shopping centers	Hotel operations	Consumer finance	Financial operations and others	Total
			(in thousand Ps.)				
Income Statement Data							
Sales, leases and services	103,966	30,565	215,003	103,763	122,969	1,414	577,680
Cost of Sales, leases and services	(54,200)	(8,987)	(77,382)	(57,971)	(43,933)	(1,358)	(243,831)
Gross profit	49,766	21,578	137,621	45,792	79,036	56	333,849
Gain from recognition of inventories at net realizable value	9,063						9,063
Selling expenses	(1,797)	(1,020)	(15,700)	(10,688)	(30,900)		(60,105)
Administrative expenses	(12,807)	(11,315)	(25,837)	(20,998)	(25,925)		(96,882)
Net income from retained interest in securitized Tarjeta Shopping receivables					2,625		2,625
Results from operation and holding of real estate assets, net	52	2,619	9,499	446			12,616
Operating income	**44,277**	**11,862**	**105,583**	**14,552**	**24,836**	**56**	**201,166**
Amortization of goodwill			(856)		(224)		(1,080)
Financial results, net			(1,599)	146		43,110	41,657
(Loss) gain on equity investees	(5,383)	(4,579)	(23,273)	(1,935)	106	(5,862)	(40,926)
Other income (expenses), net			(9,636)	(415)	(125)	(8,087)	(18,263)
Income before taxes and minority interest	38,894	7,283	70,219	12,348	24,593	29,217	182,554
Income tax and minimum presumed income tax	(2,053)	(2,451)	(40,220)	(3,852)	(8,238)	(1,977)	(58,791)
Minority interest		(1,077)	(14,582)	(4,157)	(7,374)		(27,190)
Net income	36,841	3,755	15,417	4,339	8,981	27,240	96,573
Gross margin (2)	0.48	0.71	0.64	0.44	0.64	0.04	0.58
Operating margin (3)	0.43	0.39	0.49	0.14	0.20	0.04	0.35
Net margin (4)	0.35	0.12	0.07	0.04	0.07	19.26	0.17
Depreciation and amortization (5)	253	7,903	62,337	9,671	815		80,979
Balance Sheet Data							
Operating assets	386,740	359,725	1,139,767	145,796	74,148		2,106,176
Non operating assets	49,624	46,158	18,536	13,310	10,655	495,662	633,945
Total assets	436,364	405,883	1,158,303	159,106	84,803	495,662	2,740,121
Operating liabilities	15,183	52,688	129,653	21,281	97,969		316,774
Non operating liabilities	81,414	72,126	243,303	59,030	13,272	18,447	487,592
Total liabilities	96,597	124,814	372,956	80,311	111,241	18,447	804,366

(1) Includes offices, commercial and residential properties.
(2) Gross profit divided by sales, leases and services.
(3) Operating income divided by sales, leases and services.
(4) Net income divided by sales, leases and services.
(5) Included in operating income.

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

Sales, leases and services

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

Development and sale of properties

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

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This increase in revenues was primarily due to the revenues generated during fiscal 2008 by (i) the sale of 29.9% over the Bouchard Plaza building, commonly known as Edificio La Nación, for Ps. 108.4 million; (ii) the sale of Parcel Y at Dock III for Ps. 56.6 million; (iii) a barter agreement through which a plot of land in the project known as Terreno Caballito was exchanged for home units and parking lots appraised at Ps. 19.2 million and (iv) a barter agreement through which a plot of land in the project known as Terreno Rosario was exchanged for home units and parking lots appraised at Ps. 3.4 million.

Offices and other non-shopping center rental properties

The revenues of our Offices and other non-shopping center rental properties segment went up by 81.4%, from Ps. 55.7 million for fiscal 2007 to Ps. 101.0 million in fiscal 2008. This increase was mainly due to Ps. 45.0 million increase in revenues from office rentals which rose from Ps. 52.9 million in fiscal 2007 to Ps. 97.9 million in fiscal 2008. This Ps. 45 million increase in revenues is mainly attributable to: (i) Ps. 28.3 million in revenues from rentals in our recently acquired Class A office buildings, as follows: Della Paolera 265, purchased in August 2007 generated revenues for Ps. 15.7 million, Bouchard 551, acquired in March 2007, generated revenues for Ps. 8.8 million, and Dock del Plata, acquired in November 2006, generated revenues for Ps. 3.8 million; and (ii) Ps. 16.1 million in revenues from rentals due to the rise in the prices charged per square meter and similarly increased occupancy rates (which sustained a slight reduction from 94% during fiscal 2007 to 93.6% during fiscal 2008).

Shopping centers

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

Hotel operations

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

Consumer finance

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

Financial operations and others

The revenues of the Financial operations and others segment decreased by Ps. 0.2 million, from Ps. 1.4 million during fiscal 2007 to Ps. 1.2 million during fiscal 2008.

Cost of sales, leases and services

Costs went up by 57.1%, from Ps. 311.6 million for fiscal 2007 to Ps. 489,7 million in fiscal 2008, due to an increase in the costs of the following segments: Development and sale of properties, Consumer finance, Hotel operations, Offices and other non-shopping center rental properties and Shopping centers.

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When measured as a percentage of IRSA s revenues, costs went up from 42.2% during fiscal 2007 to 45.2% during fiscal 2008.

Development and sale of properties

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

The increase in costs in fiscal 2008 was mainly due to: (i) the sale of 29.9% over the Bouchard Plaza building, commonly known as Edificio La Nación , for Ps. 84.9 million; (ii) the sale of Parcel Y at Dock III for Ps. 41.8 million; (iii) a barter agreement through which a plot of land in the project known as Terreno Caballito was exchanged for home units and parking lots for Ps. 10,1 million and (iv) Ps. 3.6 million costs associated to a barter agreement through which a plot of land in the project known as Terreno Rosario was exchanged for home units and parking lots.

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

Offices and other non-shopping center rental properties

The costs of the Offices and other non-shopping center rental properties segment rose by 54.6%, from Ps. 16.7 million for fiscal 2007 to Ps. 25.8 million in fiscal 2008. Depreciation accounts for the most significant portion of the costs associated to this segment.

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

When measured as a percentage of IRSA s revenues, the costs associated to the Offices and other non-shopping center rental properties segment dropped from 30.0% during fiscal 2007 to 25.6% during fiscal 2008.

Shopping centers

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

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

Hotel operations

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

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

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Consumer finance

The costs of the Consumer finance segment rose by 69.2% from Ps. 76.3 million during fiscal 2007 to Ps. 129.0 million during fiscal 2008 mainly as a result of: (i) an increase in the expenses related to interest and fees originating in the outsourcing of collection and other related services; (ii) an increase in expenses related to salaries and social security contributions; (iii) an increase in the fees for services; and (iv) an increase in taxes, charges, contributions and tax-related services.

When measured as a percentage of IRSA s revenues, the costs associated to the Consumer finance segment went up from 35.8% during fiscal 2007 to 44.3% during fiscal 2008.

Financial operations and others

The costs of the Financial operations and others segment decreased by Ps. 0.3 million, from Ps. 0.8 million for fiscal 2007 down to Ps. 0.5 million in fiscal 2008.

Gross Profit

As a result of the above, gross profit rose by 39.2%, from Ps. 427.1 million for fiscal 2007 to Ps. 594.6 million in fiscal 2008, mainly due to the increase in gross profit from the Shopping centers, Offices and other non-shopping center rental properties, Development and sale of properties, Consumer finance, and Hotel operations segments.

When measured as a percentage of IRSA s revenues, gross profit dropped from 57.8% for fiscal 2007 to 54.8% for fiscal 2008.

Gain from recognition of inventories at net realizable value

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

Selling expenses

Selling expenses rose by 44.2%, from Ps. 113.7 million for fiscal 2007 to Ps. 164 million in fiscal 2008, mainly due to an increase in the Selling expenses associated to the Consumer finance operations segment and to a lesser extent, to increases in the Hotel operations and Shopping centers segments, offset in part by the decreases in the Development and sale of properties, and Offices and other non-shopping center rental properties segments.

When measured as a percentage of revenues, Selling expenses decreased from 15.4% for fiscal 2007 to 15.1% in fiscal 2008.

Development and sale of properties

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

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

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Offices and other non-shopping center rental properties

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

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

Shopping centers

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

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

Hotel operations

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

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

Consumer finance

The Selling expenses associated to the Consumer finance segment climbed by 79.8%, from Ps. 62.0 million during fiscal 2007 to Ps. 111.4 million during fiscal 2008, mainly due to: (i) a Ps. 38.6 million increase in bad debt charges. It is important to note in this respect that as of June 30, 2008, the thresholds that had been applied for establishing allowances in the previous year were raised. As a result of this increase, bad debt charges rose by Ps. 21.8 million; (ii) a Ps. 5.5 million increase in advertising and promotion expenses; and (iii) a Ps. 4.7 million increase in turnover tax charges.

When measured as a percentage of the segment s revenues, the Selling expenses associated to Consumer finance operations went up from 29.1% during fiscal 2007 to 38.3% during fiscal 2008.

Administrative expenses

Administrative expenses rose by 27.3%, from Ps. 141.4 million for fiscal 2007 to Ps. 180.0 million in fiscal 2008, mainly due to the increase in the activities of the Consumer finance operations segment and to a lesser extent, to the increases sustained by each one of the remaining segments. The main components of Administrative expenses are salaries and social security contributions for administrative personnel, fees and payments for services, directors fees, banking expenses, fixed assets depreciation and tax (except for turnover tax).

When measured as a percentage of revenues, Administrative expenses went down from 19.1% in fiscal 2007 to 16.6% in fiscal 2008.

Development and sale of properties

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

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

Offices and other non-shopping center rental properties

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

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

Shopping centers

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

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

Hotel operations

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

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

Consumer finance

The Administrative expenses related to the Consumer finance segment rose by 47.7%, jumping from Ps. 45.4 million during fiscal 2007 to Ps. 67.0 million during fiscal 2008. This increase was mainly due to (i) a Ps. 9.1 million increase in salaries and social security contributions; (ii) a Ps. 7.5 million increase in fees and compensation for services; and (iii) increased expenses associated to property rentals and taxes for Ps. 4.2 million.

When measured as a percentage of the segment s revenues, the Administrative expenses associated to the Consumer finance segment rose from 21.3% during fiscal 2007 to 23.0% during fiscal 2008.

Allocation of results from retained interest in securitized receivables (Tarjeta Shopping).

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

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Results from operation and holding of real estate assets, net

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

Operating income

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

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

Development and sale of properties

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

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

Offices and other non-shopping center rental properties

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

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

Shopping centers

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

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

Hotel operations

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

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

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Consumer finance

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

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

Financial operations and others

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

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

Amortization of goodwill

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

(Loss) gain on equity investees

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

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

Financial results, net

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

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Other income (expenses), net

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

Income before taxes and minority interest

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

Income tax and minimum presumed income tax

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

Minority interest

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

Net income

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

Results of Operations for the Fiscal Years ended June 30, 2007 and 2006

Sales, leases and services

Revenues rose by 27.9%, from Ps. 577.7 million for fiscal 2006 to Ps. 738.8 million for fiscal 2007, mainly due to an increase in revenues in the following segments: Consumer finance, Shopping centers, Offices and other non-shopping center rental properties and Hotel operations, partially offset by a decrease in revenues for our Development and sale of properties segment.

Shopping centers

The revenues from our Shopping centers segment rose by 25.7% from Ps. 215.0 million for fiscal 2006, to Ps. 270.3 million for fiscal 2007. This was mainly due to a Ps. 55.3 million increase in the revenues from leases and admission rights in turn attributable to: (i) an 18.0% increase in the average price of rentals per square meter and (ii) a 24.3% increase in the total sales of our tenants, from Ps. 2,273.3 million during fiscal 2006 to Ps. 2.825.8 million during fiscal 2007, which in turn resulted in a Ps. 552.5 million increase in the revenues from percentage rent payments. The average occupancy rate at our Shopping centers dropped from 99.1% in fiscal 2006 to 97.0% for fiscal 2007.

Development and sale of properties

The revenues from the Development and sale of properties segment went down by 27.1% from Ps. 104.0 million for fiscal 2006 to Ps. 75.8 million for fiscal 2007. Overall, this business segment does not post recurring revenues because of the nature of its activities. Hence, period-on-period comparisons

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might exhibit significant variability depending on the projects that we may be carrying out and their degree of completion. The decrease in the revenues from this segment during fiscal 2006 was mainly attributable to the absence in fiscal 2007 of the Ps. 104 million recognized during fiscal 2006 as a result of the following transactions:

- Ps.41.8 million from the sale of plot Y of Dock III;
- Ps. 23.0 million from the sale by IRSA s subsidiary, Alto Palermo, of a lot in the vicinity of its Paseo Alcorta shopping center;
- Ps. 22.8 million from the sale of block 36 of the plot named Terrenos de Caballito ; and
- Ps. 10.0 million from the sale of units in the building Edificio Cruceros.

The absence in fiscal 2007 of the revenues for Ps. 104.0 million recognized in fiscal 2006 and mentioned above was partially offset by the following revenues that the Company did recognize in fiscal 2007:

- Ps. 31.0 million from the sale transferred to third parties of a 10% interest over the Santa María del Plata land;
- Ps. 26.2 million from the sale of plot Z at Dock III;
- Ps. 8.6 million from the sale of units at San Martín de Tours; and
- Ps. 8.4 million from the sale of units in the building Edificio Cruceros.

Offices and other non-shopping center rental properties

Revenues from our Offices and other non-shopping center rental properties segment rose by 82.2%, from Ps. 30.6 million for fiscal 2006 to Ps. 55.7 million for fiscal 2007. This increase was mainly due to a Ps. 25.5 million increase in the revenues from office rentals, which went up from Ps. 27.4 million in fiscal 2006 to Ps. 52.9 million for fiscal 2007. This increase in revenues from office rentals was due to:

- a 94.0% increase in fiscal 2006 to 99.1% for fiscal 2007 in the average occupancy level at offices for rental as a result of the addition in fiscal 2007 of Dock del Plata, Bouchard 551 and Reconquista 823 which were fully occupied; and
- a 93.3% increase in the rents of offices for rental, basically due to (i) the increases in the prices of the square meter at the following buildings, pursuant to which there was a 53% increase in Class A total gross leasable area, from 78,115 to 119,360 square meters: Intercontinental Plaza resulting from higher rentals amounting to Ps. 5.5 million, Bouchard 710 resulting from higher rentals amounting to Ps. 3.1 million, Maipú 1300 resulting from higher rentals amounting to Ps. 2.5 million and Libertador 498 resulting from higher rentals amounting to Ps. 2.4 million, (ii) the acquisition of two premium buildings: Bouchard 551 (acquired in March 2007) with Ps. 3.9 million in revenues from rentals in the current fiscal year and Dock del Plata (acquired in November 2006) which yielded revenues from rentals for Ps. 3.1 million for fiscal 2007.

The occupancy rate in the Offices and other non-shopping center rental properties segment increased from 96.9% in fiscal 2006 to 97.4% during fiscal 2007.

Hotel operations

Revenues from our Hotel operations segment rose by 18.2% from Ps. 103.8 million for fiscal 2006 to Ps.122.7 million for fiscal 2007, mainly due to a 23.7% increase in the average price per room at our hotels from Ps. 379.0 in fiscal 2006 to Ps. 469.0 for fiscal 2007. For fiscal 2007, the revenues from Hotel Llao Llao rose by Ps. 8.9 million, revenues from Hotel Intercontinental rose by Ps. 6.0 million and

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revenues from Hotel Sheraton Libertador rose by Ps. 4.0 million, in each case compared to fiscal 2006. These increases for fiscal 2007 were partially offset by a reduction in average occupancy rates which dropped from 78.7% in fiscal 2006 to 74.0% during fiscal 2007.

Consumer finance

The revenues from our Consumer finance segment rose by 73.2%, jumping from Ps. 123.0 million for fiscal 2006 to Ps. 213.0 million during fiscal 2007. This increase is attributable to:

- the favorable macroeconomic conditions prevailing for fiscal 2007 which translated into an overall rise in consumption;
- an increase equivalent to 201,114 credit cards recently issued;
- the opening of new branches;
- a 90.5% increase in transactions paid with IRSA s Tarjeta Shopping and a 49% increase in the number of retailers who accept IRSA s credit card as a means of payment; and
- Financial operations and others.

The revenues from our Financial operations and others remained unchanged compared to fiscal 2006. The revenues included in this segment represent fees for services not related to the Other segment.

Cost of sales, leases and services

Our costs increased 27.8% from Ps.243.8 million in fiscal year 2006 to Ps.311.6 million in fiscal year 2007 as a result of an increase in costs of each of our business segments during fiscal year 2007 other than Financial operations and others. Our total costs as a percentage of our revenues remained flat at 42.2% for each of fiscal years 2006 and 2007.

Development and sale of properties

Costs related to Development and sale of properties increased 6.7%, from Ps.54.2 million in fiscal year 2006 to Ps.57.8 million in fiscal year 2007. This business segment generally does not show consistently recurring costs due to the nature of our business. As a result, period-on-period comparisons may vary significantly depending on the projects that we are developing and their degree of completion. The increase in costs of this segment was principally due to the following costs incurred in fiscal year 2007:

- Ps.26.2 million related to the sale of plot Z of Dique III;
- Ps.12.9 million related to the sale of 10% of the Santa María del Plata land reserve;
- Ps.8.2 million related to the sale of San Martín de Tours units; and
- Ps.3.2 million related to the sale of Edificio Cruceros units.

The foregoing cost increases were partially offset by the non-recurrence of the following costs in fiscal year 2007, which were incurred in fiscal year 2006:

- Ps.18.4 million in costs related to the sale of Alcorta Plaza (through Alto Palermo);
- Ps.11.3 million of costs related to the sale of block 36 of the plot called Terrenos de Caballito ;
- Ps.9.7 million of costs related to the sale of plot Y, Dique III; and
- Ps.8.8 million of costs related to the sale of Edificios Cruceros units.

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Costs included in this segment as percentage of revenues from such segment increased from 52.1% in fiscal year 2006 to 76.3% in fiscal year 2007.

Offices and other non-shopping center rental properties

Costs of the Offices and other non-shopping center rental properties segment increased 85.5%, from Ps.9.0 million in fiscal year 2006 to Ps.16.7 million in fiscal year 2007. The principal cost component in this office segment is the depreciation of buildings rented, and the increase in fiscal year 2007 was principally due to (i) higher depreciation in fiscal year 2007, which stood at Ps.3.4 million as a result of the addition of two new rental properties, Dock del Plata and Bouchard 551; and (ii) Ps.5.9 million higher depreciation as a result of a change in the determination of remaining useful life of our rental buildings, which decreased from an average of 496 months in fiscal year 2006 to an average of 253 months in fiscal year 2007.

Shopping centers

Costs of the Shopping centers segment increased 17.7%, from Ps.77.4 million in fiscal year 2006 to Ps.91.1 million in fiscal year 2007. This increase was primarily due to:

- a Ps.6.6 million increase in costs related to renovation of shopping centers common areas;
- a Ps.4.7 million increase in depreciation and amortization charges due to the depreciation of fixed assets; and
- a Ps.2.3 million increase in costs for unrecovered expenses.

The cost of the Shopping centers segment as percentage of the revenues from such segment decreased from 36.0% in fiscal year 2006 to 33.7% during fiscal year 2007.

Hotel operations

Costs of Hotel operations increased 19.0%, from Ps.58.0 million in fiscal year 2006 to Ps.69.0 million in fiscal year 2007 principally due to increases in depreciation of assets, fees for commissions and services, food and beverages and salaries and social security charges, in each case related to revenues from such segment. Costs of Hotel Llao Llao increased Ps.6.0 million, those of Hotel Intercontinental increased Ps.2.6 million and those of Hotel Sheraton Libertador increased Ps.2.4 million. Costs of hotel operations as percentage of revenues of such segment increased from 55.9% in fiscal year 2006 to 56.2% in fiscal year 2007.

Consumer finance

Cost of the Consumer finance segment increased 73.6%, from Ps.43.9 million during fiscal year ended June 30, 2006 to Ps.76.3 million during fiscal year ended June 30, 2007. This increase, which reflected the expansion of our consumer finance operations in fiscal year 2007, was primarily due to:

- a Ps.11.0 million increase in the cost of salaries and social security charges;
- a Ps.9.8 million increase in expenses for interest and commissions;
- a Ps.5.7 million increase in charges for taxes, rates, contributions and services; and

a Ps.2.8 million increase in fees and services payable to third parties.

The cost of Consumer finance operations as percentage of revenues from such segment remained flat at 35.8% in each of fiscal years 2006 and 2007.

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Financial operations and other

The cost of the Financial operations and others segment decreased Ps.0.6 million, from Ps.1.4 million in fiscal year 2006 to Ps.0.8 million in fiscal year 2007. Costs included in this line represent expenses unrelated to our other segments.

Gross profit

As a result of the above, gross profit increased 27.9% from Ps.333.8 million in fiscal year 2006 to Ps.427.1 million in fiscal year 2007. Our gross margin, calculated as our gross profit divided by our revenues, remained at 57.8% in fiscal years 2006 and 2007 primarily as a result of improvements in the gross margin of our Shopping centers and Financial operations and others segments, partially offset by a decrease in the gross margin of our Development and sale of properties, Offices and other non-shopping center rental properties, Hotel operations and Consumer finance segments.

Gain from recognition of inventories at net realizable value

This line reflects the valuation at net realization value of inventories in respect of which we received prepayments of rentals pursuant to contractual terms which establish the consummation of the sales and the resulting profits. This business segment generally does not show consistently recurring gains, and as a result, period-on-period comparisons may vary significantly depending on the projects that we are developing and their degree of completion. During fiscal year 2007, we recognized Ps.20.7 million gain which was principally applied to the following developments:

- Dique III - Plot X in an amount equal to Ps.18.4 million; and

- San Martín de Tours in an amount equal to Ps.1.5 million.

During fiscal year 2006, we recognized a gain of Ps.9.1 million primarily in respect of: Edificios Cruceros in an amount equal to Ps.4.6 million, Torres Rosario in an amount equal to Ps.3.5 million, Dique III Plot Z in an amount equal to Ps.1.6 million and San Martín de Tours in an amount equal to Ps.(0.6) million.

Selling expenses

Selling expenses increased 89.2% from Ps.60.1 million in fiscal year 2006 to Ps.113.7 million in fiscal year 2007 principally due to an increase in the selling expenses of the Consumer finance and Shopping centers segments of Ps.31.1 million and Ps.6.6 million, respectively. Selling expenses as a percentage of revenues increased from 10.4% in fiscal year 2006 to 15.4% in fiscal year 2007.

Development and sale of properties

Selling expenses for this segment consist of commissions and expenses derived from sales, stamp tax and on gross sales (gross revenues). Selling expenses for Development and sale of properties increased Ps.11.0 million in fiscal year 2007 principally due to a higher turnover tax charge during such fiscal year as a result of our sale of Solares de Santa María.

Offices and other non-shopping center rental properties

Selling expenses for the Offices and other non-shopping center rental properties segment increased Ps.3.4 million, from Ps.1.0 million in fiscal year 2006 to Ps.4.4 million in fiscal year 2007 due to a Ps.1.9 million higher charge for bad debtors by our subsidiary Inversora Bolívar, and higher charges for turnover tax and real estate commissions.

Shopping centers

Selling expenses for the Shopping Centers segment increased 42.3%, from Ps.15.7 million in fiscal year 2006 to Ps.22.3 million in fiscal year 2007 due to: (i) a Ps.2.0 million increase in the costs of salaries and social security charges; (ii) a Ps.1.4 million increase in the charge for turnover tax; and (iii) a Ps.1.2 million increase in the charge for bad debts. Selling expenses related to Shopping centers as a percentage of revenues from such segment increased from 7.3% in fiscal year 2006 to 8.3% in fiscal year 2007.

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Hotel operations

Selling expenses for the Hotel operations segment increased 13.9% from Ps.10.7 million in fiscal year 2006 to Ps.12.2 million in fiscal year 2007 principally due to increases in turnover tax, salaries and social security charges and commissions for tourism agencies, in each case reflecting an increase in the revenues of the segment in line with higher activity.

Consumer Finance

Selling expenses for the Consumer finance segment increased 100.5%, from Ps.30.9 million in the fiscal year ended June 30, 2006 to Ps.62.0 million in the fiscal year ended June 30, 2007 principally due to:

- a Ps.11.7 million increase in advertising expenses;
- a Ps.11.8 million increase in the charge for bad debts; and
- a Ps.5.8 million increase in the charge for turnover tax.

Selling expenses of Consumer finance operations as a percentage of the revenues from such segment increased from 25.1% in the fiscal year 2006 to 29.1% in fiscal year 2007.

Administrative expenses

Administrative expenses increased 46.0% from Ps.96.9 million in fiscal year 2006 to Ps.141.4 million in fiscal year 2007 primarily due to an increase in administrative expenses in the Consumer finance segment and, to a lesser extent, increases in each of the remaining segments. Principal components of administrative expenses are salaries and social security charges, directors fees, fees and remunerations for services and depreciation of fixed assets. Administrative expenses as a percentage of revenues increased from 16.8% in fiscal year 2006 to 19.1% in fiscal year 2007.

Development and sale of properties

Administrative expenses of the Development and sale of properties segment increased 53.2%, from Ps.12.8 million in fiscal year 2006 to Ps.19.6 million in fiscal year 2007 due to: (i) a Ps.4.5 million increase for salaries, bonds and social security charges and directors fees; and (ii) a Ps.2.1 million increase in bank expenses. Administrative expenses of Development and sale of properties as a percentage of revenues from this segment increased from 12.3% in fiscal year 2006 to 25.9% in fiscal year 2007.

Offices and other non-shopping center rental properties

Administrative expenses of the Offices and other non-shopping center rental properties segment increased 48.7% from Ps.11.3 million in fiscal year 2006 to Ps.16.8 million in fiscal year 2007. The increase is principally due to an increase of Ps.4.0 million in salaries, bonds and social security charges and fees to directors and to a Ps.1.8 million increase in bank expenses. Administrative expenses of Offices and other non-shopping center rental properties as a percentage of revenues from such segment decreased from 37.0% in fiscal year 2006 to 30.2% in fiscal year 2007.

Hotel operations

Administrative expenses of the Hotel operations segment increased 28.1% from Ps.21.0 million in fiscal year 2006 to Ps.26.9 million in fiscal year 2007, principally due to: (i) a Ps.1.7 million increase in administrative expenses of Hotel Intercontinental mostly due to an increase in salaries and social security charges, commissions and depreciation of fixed assets, (ii) a Ps.1.4 million increase in administrative expenses of Hotel Sheraton Libertador principally due to an increase in fees for services and in salaries and social security charges and (iii) a Ps.2.8 million increase in administrative expenses of

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Hotel Llao Llao principally due to increases in salaries and social security charges, fees for services due to higher sales and taxes, rates and contributions. Administrative expenses of Hotel operations as a percentage of revenues from such segment increased from 20.2% in fiscal year 2006 to 21.9% in fiscal year 2007.

Shopping centers

Administrative expenses of the Shopping centers segment increased 26.6%, from Ps.25.8 million in fiscal year 2006 to Ps.32.7 million in fiscal year 2007 principally due to (i) a Ps.3.7 million increase in expenses for fees and third parties services; (ii) a Ps.2.0 million increase in the charge for directors fees and (iii) a Ps.1.3 million increase in expenses for taxes, rates and contributions mostly due to the tax on bank debits and credits. Administrative expenses of the Shopping Centers segment as a percentage of the revenues from such segment remained essentially flat, increasing from 12.0% in fiscal year 2006 to 12.1% in fiscal year 2007.

Consumer finance

Administrative expenses of the Consumer finance segment increased 75.0%, from Ps.25.9 million in fiscal year 2006 to Ps.45.4 million in fiscal year 2007. This increase was primarily due to:

- a Ps.11.4 million increase in expenses for salaries, compensation, social security charges and personnel;
- a Ps.2.4 million increase in expenses for rentals, taxes, rates and contributions; and
- a Ps.3.0 million increase in expenses for fees and third parties services.

Administrative expenses of Consumer finance as a percentage of revenues from such segment increased from 21.1% in fiscal year ended 2006 to 21.3% during fiscal year 2007 as a result of a higher proportional average of these expenses in respect of the revenues increase of this segment.

Net income from retained interest in securitized receivables (Tarjeta Shopping)

This gain reflects the result generated by Alto Palermo s participation in the Tarjeta Shopping credit card trusts. This gain increased 24.0% , from Ps.2.6 million in fiscal year 2006 to Ps.3.3 million in fiscal year 2007, primarily due to the creation in fiscal year 2007 of new credit card trusts in connection with new securitizations in such year.

Results from operation and holding of real estate assets, net

This line reflects the impairment losses and gains associated with the reversal of previously recognized impairment charges. Results from the operation and holding of real estate assets decreased 79.6%, from a gain of Ps.12.6 million in fiscal year 2006 to a gain of Ps.2.6 million in fiscal year 2007, principally recorded in Neuquén Project for Ps.2.2 million, Suipacha 652 for Ps.0.9 million, Avenida de Mayo 589 for Ps.0.7 million and Torres de Abasto for Ps.0.1 million, partially offset by a loss of Ps.1.5 million corresponding to Torres Rosario. During fiscal year 2006 the gain of Ps.12.6 million had been attributable to Caballito for Ps.6.5 million, Alto Rosario for Ps.3.5 million, Espacio Aereo Coto for Ps.1.4 million, Torre Constitución for Ps.0.7 million and Reconquista 823 for Ps.0.6 million.

Operating income

Operating income decreased 1.3% million from Ps.201.2 million in fiscal year 2006 to Ps.198.5 million in fiscal year 2007 mainly due to a decrease in the operating income of the Development and Sale of Properties segment that was partially offset by increases in operating income of each of our other segments. Our operating margin, calculated as our operating income divided by our revenues, decreased from 34.8% for fiscal year 2006 to 26.9% for fiscal year 2007 primarily as a result of decreases in the operating margins of our Development and Sale of Properties, Offices and other non-shopping center rental properties, Shopping centers, and Consumer finance segments, partially offset by an increase in the operating margin of our Financial operations and others segment.

Development and Sale of Properties

Operating income from the Development and Sale of Properties segment decreased 86.0% from Ps.44.3 million in fiscal year 2006 to Ps.6.2 million in fiscal year 2007 primarily due to a decrease in the revenues from this segment and increases in selling and administrative expenses, partially offset by higher gain from recognition of inventories at their net realizable value during fiscal year 2007. The operating income of this segment as a percentage of the revenues from such segment decreased from 42.6% during fiscal year 2006 to 8.2% during fiscal year 2007.

Offices and other non-shopping center rental properties

Operating income from the Offices and other non-shopping center rental properties segment increased 65.5%, from Ps.11.9 million in fiscal year 2006 to Ps.19.6 million in fiscal year 2007 primarily due to an 82.2% increase in the revenues from this segment. The operating income of this segment as a percentage of the revenues from such segment decreased from 38.8% during fiscal year 2006 to 35.2% during the fiscal year 2007 primarily as a result of the effect during fiscal year 2007 of the adjustment in the remaining useful life of our rental buildings which generated a loss of Ps.5.9 million reflected in the cost of this segment. Without considering this effect our operating income as a percentage of our revenues would have been 45.8% instead of 35.2%.

Shopping centers

Operating income of Shopping centers increased 18.2%, from Ps.105.6 million in fiscal year 2006 to Ps.124.8 million in fiscal year 2007 mostly due to a 25.7% increase in the revenues from this segment that was partially offset by increases of 17.7% in costs, 42.3% in selling expenses and 26.6% in administrative expenses. The operating income of this segment as a percentage of revenues from such segment decreased from 49.1% during fiscal year 2006 to 46.2% during fiscal year 2007 primarily as a result of a decrease during fiscal year 2007 in the gain generated by the reversal of previously recognized impairment charges which was only Ps.0.7 million in fiscal year 2007 compared to Ps.9.5 million in fiscal year 2006.

Hotel operations

Operating income of Hotel operations increased from Ps.14.6 million in fiscal year 2006 to Ps.14.7 million in fiscal year 2007 mostly due to an increase in revenues from this segment that was partially offset by increases in costs and expenses. The operating income of this segment as a percentage of the revenues from such segment decreased from 14.0% during fiscal year 2006 to 11.9% during fiscal year 2007, primarily as a Ps. 2.4 million increase in depreciation due to a change in the determination of the remaining useful life of our three hotels, which decreased from an average of 408 months in fiscal year 2006 to an average of 207 months in fiscal year 2007.

Consumer finance

Operating income of the Consumer finance segment increased 31.4%, from Ps.24.8 million in fiscal year 2006 to Ps.32.6 million in fiscal year 2007 primarily due to a 73.2% increase in revenues from this segment that were partially offset by increases of 73.6% in costs, 100.5% in selling expenses and 75.0% in administrative expenses. The operating income of this segment as a percentage of the revenues from such segment decreased from 20.2% during fiscal year 2006 to 15.3% during fiscal year 2007 primarily as a result of the increase in selling expenses of almost 101% while the revenues from this segment increased 73.2% as a result of a Ps.11.9 million increase in the charge for bad debts.

Financial operations and others

Operating income of the Financial operations and others segment increased Ps.0.5 million from Ps.0.1 million in fiscal year 2006 to Ps.0.6 million in fiscal year 2007. Operating revenues of this segment as a percentage of the revenues from such segment increased from 4.0% in fiscal year 2006 to 43.1% in fiscal year 2007 primarily as a result of a 40.9% decrease in the costs of this segment.